

CITY OF YORK, PENNSYLVANIA
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2016



Certified Public Accountants and Business Consultants

CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2016

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Independent Auditors' Report

To the Members of City Council
City of York, Pennsylvania

Report on the Financial Statements

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, 2016, 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

The City of York, Pennsylvania'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 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. The financial statements of the Redevelopment Authority of the City of York and the City of York General Authority were not audited in accordance with the *Government Auditing Standards*.

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, 2016, 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.

To the Members of City Council
City of York, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2016, the City of York, Pennsylvania adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*, and Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. 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 xxiii, budgetary comparison information on pages 83 and 84, pension plan information on pages 85 through 91 and Schedule of Funding Progress and Contributions from the Employer - Other Post-Employment Benefits (OPEB) on page 92 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 November 20, 2017, 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

Oaks, Pennsylvania
November 20, 2017

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

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, 2016. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$3,242,073 (Net Position).
 - Net investment in capital assets, in the amount of \$90,443,516, includes all capital assets including infrastructure.
 - Restricted net position with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$12,439,291.
 - Unrestricted net position, which is net position not restricted for any particular purpose, was (\$99,640,734).
- Over 2016, the City's net position decreased by \$6,588,950. The business-type activities net position decreased by \$1,169,038, primarily due to an increase in treatment costs of \$840,533 and an increase in personnel costs of \$359,978. Governmental activities net position decreased by \$5,419,912, primarily from an increase in charges for services of \$769,072, mainly due to the following: an increase of \$387,585 of sanitation refuse revenue and an increase of police charges for services in the amount of \$340,968 (including reimbursement for services, parking violations, and other fines). This was offset by an increase in public safety expense of \$5,756,021, mainly due to the following: change in the net pension liability and corresponding deferred inflows and outflows of resources for the Police Pension Plan and Paid Firefighters Pension Plan was \$3,013,117 higher than the prior year, the other post-employment liability for Police and Paid Firefighters was \$1,019,793 higher than the prior year, an increase in the City's contribution to the Police Pension Plan in the amount of \$1,027,253 from the prior year, and an increase of \$486,952 of insurance allocation expenses.
- At December 31, 2016, the fund balances of the City's governmental funds were \$5,354,631. This was an increase of \$4,852,520 from December 31, 2015.

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 auditors' 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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

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.

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.

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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 and a portion of the City's real estate tax millage, 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 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 financial statements follow the governmental fund financial 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 and Sewer Fund. The Ice Rink Fund, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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- 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 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.

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 Redevelopment Authority of the City of York (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 under budget and finance.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

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, 2016 AND 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets:						
Cash and investments	\$ 8,926,540	\$ 6,704,028	\$ 18,678,640	\$ 17,309,341	\$ 27,605,180	\$ 24,013,369
Other assets	11,060,302	11,671,958	30,734,749	33,992,903	41,795,051	45,664,861
Capital assets	53,127,035	53,640,363	78,267,388	81,111,767	131,394,423	134,752,130
Total Assets	73,113,877	72,016,349	127,680,777	132,414,011	200,794,654	204,430,360
Deferred outflows of resources for pensions:	11,697,955	16,289,984	644,141	760,279	12,342,096	17,050,263
Liabilities:						
Other liabilities	6,840,452	10,671,217	1,606,525	892,389	8,446,977	11,563,606
Long-term liabilities	148,873,583	142,125,896	49,331,710	53,702,681	198,205,293	195,828,577
Total Liabilities	155,714,035	152,797,113	50,938,235	54,595,070	206,652,270	207,392,183
Deferred inflows of resources for pensions:	3,124,074	4,115,585	118,333	141,829	3,242,407	4,257,414
Net Position:						
Net investment in capital assets	29,971,287	29,997,803	60,472,229	60,613,420	90,443,516	90,611,223
Restricted	2,528,084	2,367,426	9,911,207	10,128,896	12,439,291	12,496,322
Unrestricted	(106,525,648)	(100,971,594)	6,884,914	7,695,072	(99,640,734)	(93,276,522)
Total Net Position	\$ (74,026,277)	\$ (68,606,365)	\$ 77,268,350	\$ 78,437,388	\$ 3,242,073	\$ 9,831,023

Overall, total City assets decreased by \$3,635,706, total City deferred outflows of resources decreased by \$4,708,167, total City liabilities decreased by \$739,913, and total City deferred inflows of resources decreased by \$1,015,007 for the year ended December 31, 2016. The decrease in the City's total assets is the result of the following: total increase in cash and investments totaling \$3,591,811, total decrease in capital assets in the amount of \$3,357,707 due to total capital outlays of \$4,033,387 (as explained in "Capital Assets" section) and depreciation expense of \$7,373,041, and other assets decreased by \$3,869,810 mainly due to the following: decrease in due from other governments in the amount of \$1,446,732 due to significant grant receivables outstanding as of December 31, 2015 that were received during the year ended December 31, 2016 and the decrease in lease rental receivables in the amount of \$1,963,681 due to receipt of payments from municipalities. The decrease in the City's total liabilities is the result of the following: decrease in amount due to City of York pension trust funds in the amount of \$1,837,924 due to timing of payments, total debt decrease in the amount of \$7,811,373 (as described in "Long-Term Debt" section), increase in net pension liability of

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

\$6,193,171, increase in other post-employment liability of \$3,994,918, and decrease in accounts payable in the amount of \$2,088,049 due to timing of payments. The decreases in the total deferred outflows and inflows of resources for pensions is a result of the December 31, 2016 actuarial valuations.

Cash and investments represent 12.21% and 9.31% of the City's total governmental activities assets at December 31, 2016 and 2015, respectively. Of this amount, 17.00% or \$1,517,768, at December 31, 2016, and 18.81% or \$1,260,769, at December 31, 2015, is restricted, primarily for financing the workers' compensation and 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 \$12,760,142 and \$12,839,375 at December 31, 2016 and 2015, respectively, in restricted cash and investments allows for future maintenance, repair and replacement, as well as improvement to the City's sewer facilities.

The governmental activities capital assets value is net of \$86,147,238, or 61.85% and \$82,508,867, or 60.60% of accumulated depreciation at December 31, 2016 and 2015, respectively. For the business-type activities, the capital asset value is net of \$79,012,256, or 50.24% and \$75,277,586, or 48.13% of accumulated depreciation at December 31, 2016 and 2015. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have 38% to 49% 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,242,073 and \$9,831,023 for the years ending December 31, 2016 and 2015, respectively.

By far the largest portion of the City's net position, 2,789.68% at December 31, 2016 and 921.69% at December 31, 2015, 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 (383.68% and 127.11% at December 31, 2016 and 2015, respectively) represents resources that are subject to external restrictions on how they may be used. Of the \$12,439,291 that is restricted at December 31, 2016: \$6,777,024 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for parks and recreation, highways and streets, public works, community development and planning, workers' compensation, and construction. Of the \$12,496,322 that is restricted at December 31, 2015: \$6,987,931 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for highways and streets, public works, community development and planning, workers' compensation, and construction.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

The City's unrestricted net position balance of (\$99,640,734) and (\$93,276,522) at December 31, 2016 and 2015, results from the recording of General Obligation Bonds, Series B of 1998 and General Obligation Bonds, Series A of 1995 for unfunded pension bonds in the amount of \$24,107,664 and \$26,476,344, respectively. Additionally, the unrestricted net position for the years ended December 31, 2016 and 2015 includes unfunded net pension liabilities in the amount of \$78,273,146 and \$72,079,975, respectively, and other post-employment liabilities in the amount of \$27,644,641 and \$23,649,723, respectively.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

TABLE 2
CONDENSED STATEMENT CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenue:						
Charges for services	\$ 13,408,132	\$ 12,639,060	\$ 20,374,870	\$ 20,023,337	\$ 33,783,002	\$ 32,662,397
Operating grants and contributions	6,469,351	5,624,856	83,545	72,975	6,552,896	5,697,831
Capital grants and contributions	1,235,778	3,346,327	-	-	1,235,778	3,346,327
Property taxes	19,865,718	19,809,615	-	-	19,865,718	19,809,615
Payment in lieu of taxes	733,307	625,288	-	-	733,307	625,288
Business taxes	3,300,532	3,655,977	-	-	3,300,532	3,655,977
Personal taxes	7,550,990	7,121,747	-	-	7,550,990	7,121,747
Unrestricted grants	1,955,467	1,964,338	-	-	1,955,467	1,964,338
Unrestricted investment earnings	72,086	66,819	1,069,400	1,160,236	1,141,486	1,227,055
Total revenues	<u>54,591,361</u>	<u>54,854,027</u>	<u>21,527,815</u>	<u>21,256,548</u>	<u>76,119,176</u>	<u>76,110,575</u>
Expenses:						
General government	2,410,354	2,287,112	-	-	2,410,354	2,287,112
Sanitation	3,212,035	2,982,257	-	-	3,212,035	2,982,257
Public safety	39,909,058	34,153,037	-	-	39,909,058	34,153,037
Highways and streets	1,799,276	1,580,212	-	-	1,799,276	1,580,212
Public works	4,664,538	4,644,859	-	-	4,664,538	4,644,859
Parks and recreation	1,897,024	1,757,124	-	-	1,897,024	1,757,124
Community development and planning	4,068,957	4,343,208	-	-	4,068,957	4,343,208
Other departments and programs	1,657,094	1,482,054	-	-	1,657,094	1,482,054
Interest on long-term debt	2,948,611	3,150,783	-	-	2,948,611	3,150,783
Intermunicipal sewer	-	-	7,666,908	7,034,990	7,666,908	7,034,990
Sewer	-	-	11,042,835	10,827,862	11,042,835	10,827,862
Other enterprise funds	-	-	1,431,436	1,569,143	1,431,436	1,569,143
Total expenses	<u>62,566,947</u>	<u>56,380,646</u>	<u>20,141,179</u>	<u>19,431,995</u>	<u>82,708,126</u>	<u>75,812,641</u>
Change in net position before transfers	(7,975,586)	(1,526,619)	1,386,636	1,824,553	(6,588,950)	297,934
Transfers	<u>2,555,674</u>	<u>2,471,144</u>	<u>(2,555,674)</u>	<u>(2,471,144)</u>	<u>-</u>	<u>-</u>
Change in net position	(5,419,912)	944,525	(1,169,038)	(646,591)	(6,588,950)	297,934
Net position, beginning of year	<u>(68,606,365)</u>	<u>(69,550,890)</u>	<u>78,437,388</u>	<u>79,083,979</u>	<u>9,831,023</u>	<u>9,533,089</u>
Net position, end of year	<u>\$ (74,026,277)</u>	<u>\$ (68,606,365)</u>	<u>\$ 77,268,350</u>	<u>\$ 78,437,388</u>	<u>\$ 3,242,073</u>	<u>\$ 9,831,023</u>

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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.

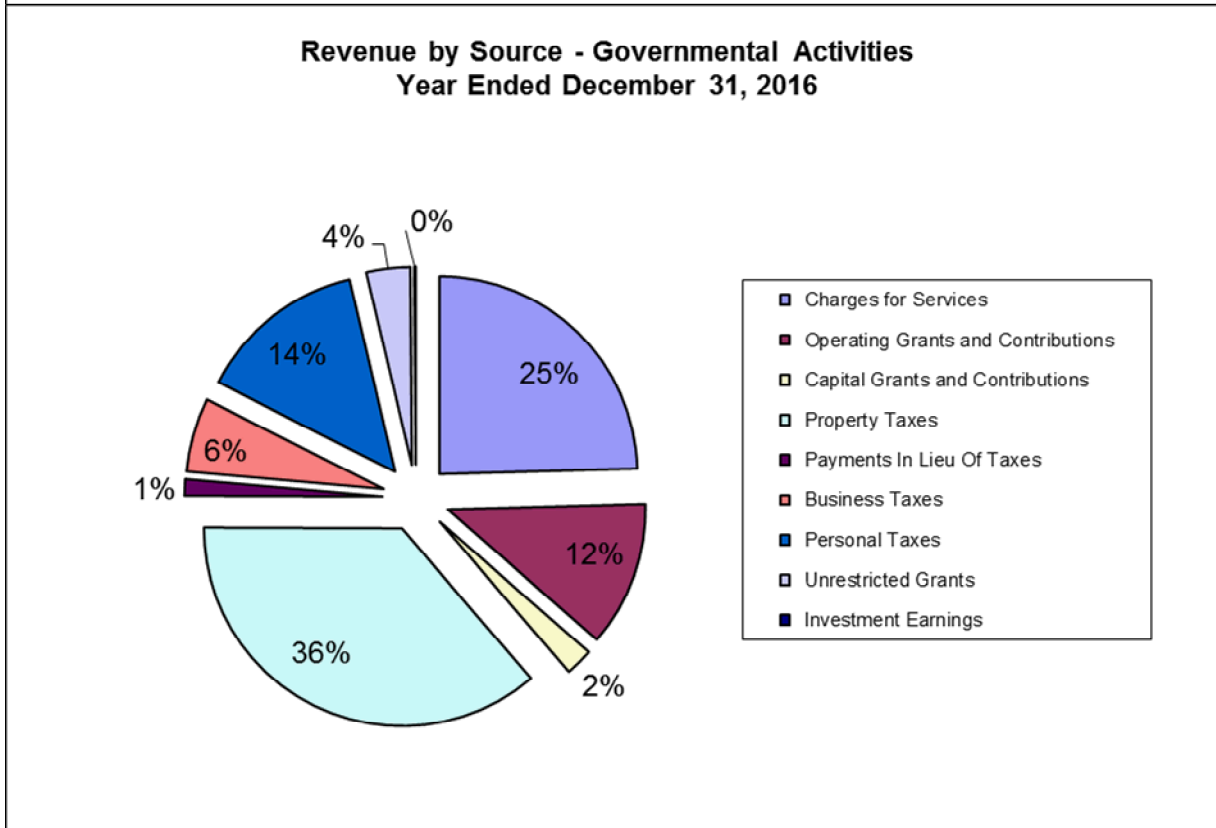
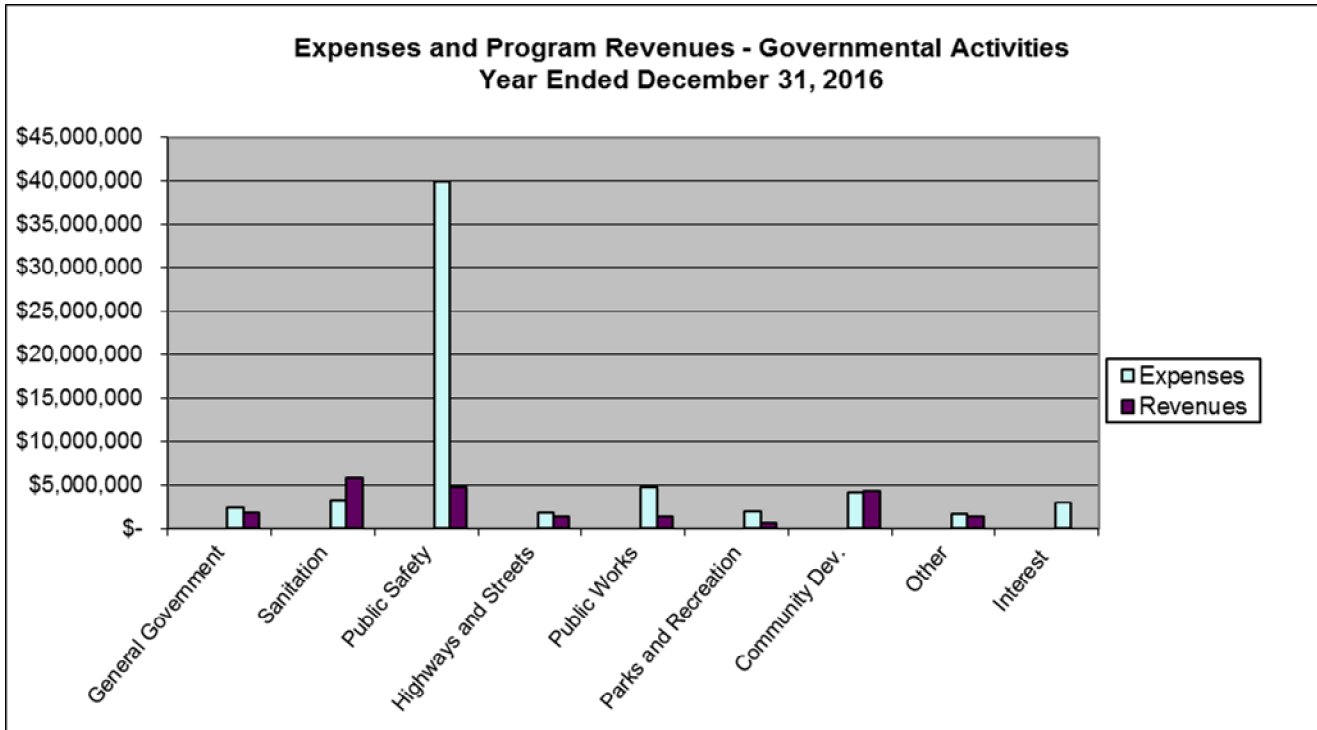
For the year ended December 31, 2016, the decrease in net position of governmental activities resulted from the increase in charges for services of \$769,072, mainly due to the following: an increase of \$387,585 of sanitation refuse revenue and an increase of police charges for services in the amount of \$340,968 (including reimbursement for services, parking violations, and other fines). This was offset by an increase in public safety expense of \$5,756,021, mainly due to the following: change in the net pension liability and corresponding deferred inflows and outflows of resources for the Police Pension Plan and Paid Firefighters Pension Plan was \$3,013,117 higher than the prior year, the other post-employment liability for Police and Paid Firefighters was \$1,019,793 higher than the prior year, an increase in the City's contribution to the Police Pension Plan in the amount of \$1,027,253 from the prior year, and an increase of \$486,952 of insurance allocation expenses.

For the year ended December 31, 2015, the increase in net position of governmental activities resulted from the increase in operating grant and contributions of \$730,789 and increase in capital grants and contributions of \$1,929,086 due to significant funding received for several projects, as well as the increase in earned income taxes of \$3,366,781 due to a 0.25% tax increase for the Municipal Pension Plan Funding Standard and Recovery Act Tax. This was offset by an increase in public safety expense of \$4,218,479, mainly due to the change in the net pension liability for the Police Pension Plan and Paid Firefighters Pension Plan, in accordance with GASB Statement No. 68, and an increase in community development and planning expenses of \$977,287, due to the outsourcing of rental inspections to a third party.

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

94.64% 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 City of York Sewer Authority.

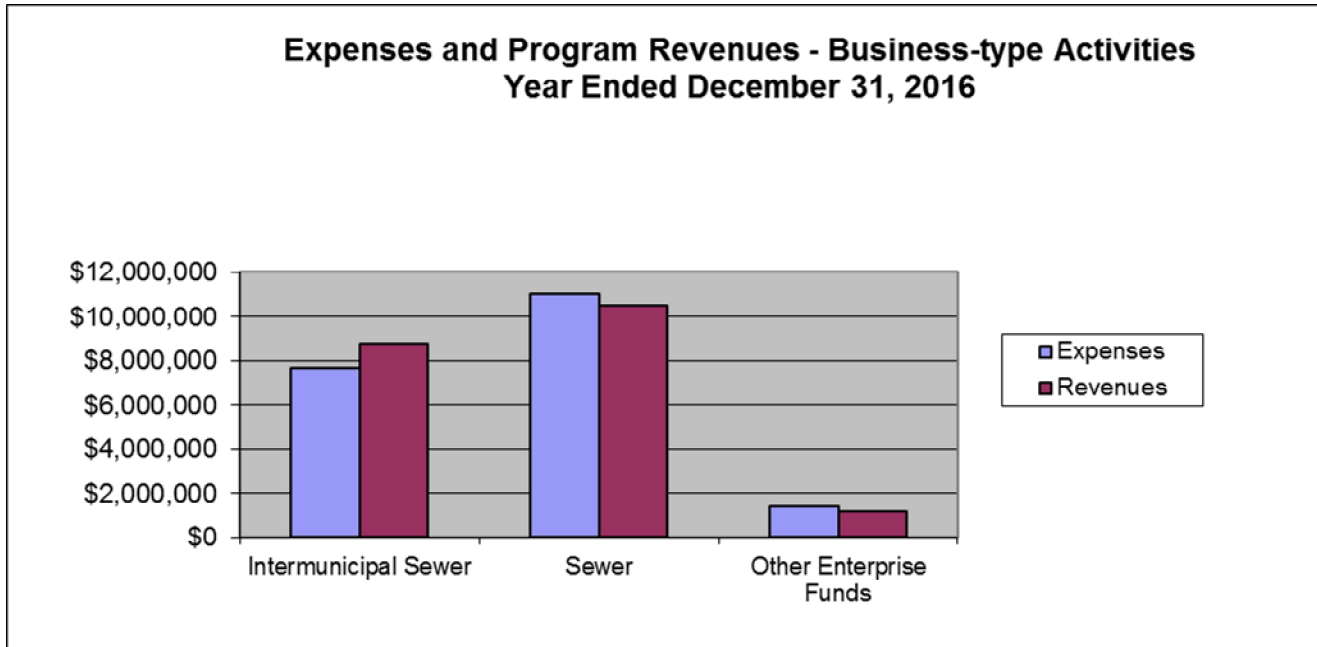
The City operates a state of the art regional WWTP that provides service to six municipalities in addition to the City. Each municipality, including the City, pays a share of the bond debt on the facility and pays the actual cost of treatment for the wastewater that the municipality sends to the facility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

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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, unassigned 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, 2016 and 2015, the City's governmental funds reported combined ending fund balances of \$5,354,631 and \$502,111, respectively. The City's unassigned fund balance (deficit), which is available for spending at the government's discretion, was \$3,350,141 and (\$1,435,817) at December 31, 2016 and 2015, respectively. The remainder of the fund balance at December 31, 2016 and 2015 is restricted for 1) parks and recreation in the amount of \$14,260 and zero, respectively, 2) highways and streets in the amount of \$503,231 and \$543,891, respectively, 3) public works in the amount of \$379,678 and \$416,789, respectively, 4) community development in the amount of \$96,420 and \$91,876, respectively, 5) debt service in the amount of \$1,010,901 and \$789,867, respectively, and 6) capital projects in the amount of zero and \$95,505, respectively.

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The general fund is the chief operating fund of the City. At December 31, 2016 and 2015, unassigned fund balance of the general fund was \$3,804,097 and (\$829,444), respectively.

The fund balance of the City's general fund increased by \$4,633,541 during the year ended December 31, 2016. Key factors in this increase are as follows:

- Increase in taxes in the amount of \$834,716, mainly attributable to York Adams Tax Bureau's earned income tax collection efforts, as well as to hiring MuniServices to perform "field service" auditing work for local services and business privilege taxes.
- Increase in grants and contributions in the amount of \$871,115, due to increases in the federal SAFER grant for fire, state COPS grant for police, and contributions in lieu of taxes from local businesses.
- Increase in charges for services in the amount of \$700,003 due to: increase of \$387,585 of sanitation refuse revenue due to improved collection efforts and increase of police charges for services in the amount of \$340,968 (including reimbursement for services, parking violations, and other fines) due to moving parking enforcement back to the police department in March 2015.
- Decrease in public works expense in the amount of \$142,217 due to an approximate \$145,200 decrease in electricity costs as a result of a decrease in third party electric rates.

The fund balance of the City's general fund increased by \$3,406,662 during the year ended December 31, 2015. Key factors in this increase are as follows:

- Increase in taxes in the amount of \$2,036,954, mainly attributable to an increase in the earned income tax rate.
- Increase in grants and contributions in the amount of \$633,846 due to an increase in contributions in lieu of taxes from local businesses.
- Decrease in charges for services in the amount of \$851,767 due to the outsourcing of inspections to third parties.
- Decrease in general government expense in the amount of \$336,103 due to a decrease in insurance allocations in the amount of \$190,416 and the remaining decrease that is primarily the result of a decrease in salaries and wages.
- Decrease in public safety expense in the amount of \$1,245,382 due to a \$2,767,481 decrease in required minimum municipal obligation (MMO) payments for Police and Paid Firefighters Pension Plans, offset by approximately a \$431,000 increase in overtime costs, a \$336,665 increase in health insurance allocation costs, and an increase in police contractual services in the amount of \$161,149.

The debt service fund has a total fund balance of \$1,010,901 and \$789,867 as of December 31, 2016 and 2015, respectively. The net increase in fund balance for the years ended December 31, 2016 and 2015 in the debt service fund was \$221,034 and \$239,491, respectively.

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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 and Sewer Fund at December 31, 2016 amounted to zero and \$3,438,443, respectively. Unrestricted net position of the Intermunicipal Sewer Fund and Sewer Fund at December 31, 2015 amounted to zero and \$4,822,970, respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2016 was \$127,246 and (\$2,198,612), respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2015 was \$145,493 and (\$1,471,429), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General Fund

Revenue and expenditures for most of the City's general operations are accounted in the City's General Fund. These operations include general government, sanitation, public safety, highways and streets, public works, community development and planning, and other departments and programs. For the year ended December 31, 2016, the final revenue budget, including transfers-in, was \$42,239,582 and the final expenditure budget, including transfers-out, was \$41,905,661.

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 expenditures 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 2016, the single largest revenue item in General Fund was taxes at \$26,327,143. Actual taxes included \$15,336,387 in real estate taxes, \$3,285,212 in business taxes, \$7,399,070 in income and local service taxes. The second largest item includes charges for services, which at \$9,039,102 includes sanitation fees of \$5,586,981.

The City had a negative variance between final budget and actual in the licenses and permits line item in the amount of \$134,872 due to shortfall in building permit revenue.

Total General Fund expenditures were \$38,187,008 for the year ended December 31, 2016. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-

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rescue services, which amount to \$27,019,477 or 70.75% of the General Fund actual expenditures for the year ended December 31, 2016.

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, 2016 and 2015 amounts to \$131,394,423 and \$134,752,130, 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 2.49% (a 0.96% decrease for governmental activities and a 3.51% decrease for business-type activities).

Major capital asset events during the year ended December 31, 2016 included the following:

- Street improvements totaling \$1,325,233
- Rail trail construction totaling \$984,786
- Financial management system totaling \$333,516
- Market Street paving totaling \$177,535
- Street sweeper totaling \$145,532
- Police cars totaling \$112,124
- Workstation upgrades totaling \$118,612
- Engineering fees for North Bend Opportunity Area and Green Action Planning Study totaling \$83,762
- Memorial Park structures totaling \$69,150

Major capital asset events during the year ended December 31, 2015 included the following:

- Market Street paving totaling \$2,407,476
- Double gutter broom street sweeper totaling \$360,209
- Financial management system totaling \$333,826
- Police equipment totaling \$145,060

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- Street improvements totaling \$156,446
- Five vehicles totaling \$179,458
- Penn Park improvements totaling \$115,257
- 50 West King Street renovations totaling \$80,299

Additional information on the City's capital assets can be found in note 11 on page 44 of this report.

Long-Term Debt

At December 31, 2016 and 2015, the City had total general obligation bonds and notes outstanding of \$40,223,016 and \$43,044,094, respectively. Revenue bonds in the amount of \$46,414,127 and \$50,783,898, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$7,821,064 during the year ended December 31, 2016. The City entered into new capital leases during 2016 for a highway street sweeper, four vehicles, and a mower in the amount of \$313,953. An increase of \$2,059,081 in accretion of capital appreciation bonds was offset by \$10,229,851 in debt repayments.

The City's total debt decreased by \$7,542,264 during the year ended December 31, 2015. The City entered into a new capital leases during 2016 for a highway street sweeper in the amount of \$337,545. An increase of \$2,474,663 in accretion of capital appreciation bonds was offset by \$10,390,458 in debt repayments.

Additional information on the City's long-term debt can be found in note 13 on page 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The City finished 2013 with a (\$5,715,996) accumulated deficit in the General Fund. As of December 31, 2016, the fund balance had increased to a positive \$3,804,097. Several factors, previously identified, contributed to this \$10 million improvement. However, the following section identifies the most significant economic conditions negatively impacting the financial health of the City along with the proactive measures being taken to overcome these challenges.

As is the case in most 3rd class cities in Pennsylvania, the structure for providing and paying for municipal services makes it difficult to maintain the historical level of service the City's citizens deserve. The challenges faced by the City are common plagues to most inner-cities. City government inherits conditions that are beyond the direct control of our elected officials. For example, school districts are autonomous, yet high school tax rates impact all city residents even if the home does not have school age children. Furthermore, per the Pennsylvania Municipal League (fixthenumbers.com) 473 out of 500 Pennsylvania school districts are operating with insufficient resources. This does not exempt the City from being a part of the problem. However, even if the City cut the property tax rate by fifty percent (50%), this would only equate to approximately a twenty percent (20%) overall

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reduction in the effective tax rate. Both entities must work in concert and seek reform at the state level to effect meaningful change at the local level. Furthermore, as the School District of the City of York (YCSD) continues to struggle academically, the overall student population continues to decline. This is a clear indication that more and more parents are pulling their children out of YCSD and relocating their families to municipalities offering better alternatives.

The vicious cycle of high levels of migration to the suburban communities and stagnant assessed values of taxable properties strapped with disproportionate real estate tax burdens perpetuates more migration. This further erodes the income tax base, creating an over-reliance on real estate taxes to cover operating expenses. To make matters worse, this migration leaves behind high concentrations of poverty further exasperating crime and property maintenance issues. To help offset this trend, in 2015, the City raised the earned income tax rate for residents and non-residents alike from 1% to 1.25%. This measure generates \$3 million of additional revenue annually. It is important to note that unlike most taxes, most of this revenue will be paid by commuters who previously gave only \$52 (one dollar per week) in the form of a Local Service Tax (LST). The LST generates approximately \$38 thousand dollars per week; however, the cost of providing services such as public safety, traffic signals, street lights, storm water management, etc. is approximately \$750 thousand dollars per week. Less affluent City residents are forced to subsidize the service levels that the more affluent non-city residents rely upon for their livelihood. On average, 88% of the gross wages earned in the City go to commuters who do not pay any earned income taxes on the income they take back to their “home” communities.

Because the City is the county seat and the urban hub of the metropolitan area, over 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. The City has made a concerted effort to collect payments in lieu of taxes from tax exempt properties, but these efforts have netted only about \$400,000 or just 4% of the revenue lost by tax exemptions.

With over a third of the real estate tax base being exempt from tax collections, city residents and businesses alike carry the burden of a disproportionate share of taxation comparable to most local municipalities. Compared to Fairview Township and Springettsbury Township (with the second and third highest proportion of tax exempt properties, respectively), the City at thirty seven percent (37%) has twice as many tax-exempt properties as Fairview Township has and four times more than Springettsbury Township. Similar to the vicious school cycle described above, the negative impacts of being the county seat also creates higher concentrations of poverty as many social service agencies, low income housing, homeless shelters, and rehabilitation facilities maintain their presence and even expand in neighborhoods that are already impoverished.

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The 2015 real estate tax rate was 20.37 mils. This rate was set in 2012 and remained the same for 2013, 2014, and 2015. Between 2005 to 2012, the real estate tax rate increased by almost 51%. To provide relief for current property owners and simultaneously spur real estate activity, Mayor Bracey has committed to a 15% property tax reduction over the next 5 years. In 2016, real estate tax rates were reduced by 1%. In 2017, the rate decreased by another 2% and is scheduled to decrease by 4% and 8% in 2018 and 2019, respectively. In 2014, the overall effective property tax rate (including school and county assessments) was 72% higher than the next highest (York Haven) of the municipalities surrounding the City. However, in 2017, that margin was reduced to 58% higher than the next highest, which is now West York. While the City is making a commitment to lower real estate taxes, many municipalities and school districts are raising their rates – narrowing the spread from one region to the next.

The prior tax increases were driven by many different pressures, but the fundamental issue is that there is no natural growth in the City tax base and, thus, 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 real estate rate steady for three years, the need for capital improvement projects forced the City to raise sewer rates by 6% and 4.1% in 2015 and 2017, respectively.

The minimum municipal annual pension obligation payments (MMO) are supported by the City’s general fund. In 2005, the City contribution to the employee pension funds was \$2 million. Largely due to factors outside of the control of the administration such as market performance and the negative long term financial impacts of arbitrated labor negotiations, the annual obligation increased over 140% to \$4.9 million in 2006. The next few years continued to see steady increases in the annual obligation. However, in 2011 the MMO rose by 44% to \$7.8 million annually in response to the effect the housing market crash had on the pension fund investments.

Due to its relatively high level of unfunded pension liabilities, Pennsylvania categorizes the City’s pension plans as “moderately distressed”. Subsequently, the City was permitted through Act 44 to make use of several capabilities to relieve the financial stress of high MMO payments. For a four-year period, the City was allowed to reduce its normal MMO payments by 25% beginning in 2011, followed by the increase to the resident and non-resident earned income tax from 1% to 1.25%, as explained previously.

The main driver of these unfunded liabilities is the inability of the City tax base to keep up with rising public safety costs. Police and firefighter labor costs continue to rise faster than the rate of inflation consuming more than 70% of the general fund operating budget.

In December 2014, the City successfully negotiated pension reform into the 2015 – 2018 Fraternal Order of Police (FOP) contract. The projected savings in annual MMO payments stems from converting retirees to a fixed cost of living adjustment (COLA) versus a variable calculation. The uncertainty behind what the potential annual increases would be artificially inflates the actuarial calculation of the unfunded liability. Now the actual exposure can be calculated with more certainty. Netting the scheduled pay increases and other contractual commitments against this reform, this deal provides approximately \$1 million annually in expense relief for the life of the contract.

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This deal also accomplished a few milestones:

- The 4% early retirement incentive was eliminated. Future considerations for layoffs will not be impacted by this policy.
- Police now contribute to healthcare premiums for the first time ever with gradual increases scheduled each year.
- The retirement age for new hires was raised by 5 years.

In addition, the City was able to reach a similar deal with the International Association of Firefighters (IAFF), active and retired, in 2016. The IAFF agreed to receive the same fixed 2.5% pension COLA.

For 2015 and 2016, the City budgeted for the savings from the above deals to be applied to prior year MMO's that were past due. The difference between the credits and the annual liability will be applied directly to the unfunded liability as an actuarial gain. As of September 1, 2016, all past due MMO payments citywide are now paid in full.

It is important to note that the net effect of all of the above actions are not yet fully represented in the actuarial valuation reports. As of 2013, the pension fund was at a 58% funding status. Coupled with continued market gains and additional reform, the goal is to reach a 70% funding status by 2019; removing the distressed pension status.

The City has made significant strides over the past year in pursuit of the goals set by the Administration for the Department of Economic and Community Development (DECD). Through partnerships, creativity and community involvement DECD has been able to make strides in its efforts to continuously build a sustainable, diverse local economy that has a positive impact on the City's residents in the form of jobs, improved housing stock, and an ever-increasing standard of living for City residents. The department has also excelled in identifying and engaging in projects with objectives to stabilize neighborhoods that have suffered from disinvestment. Furthermore, through its ability to leverage City funds, the department has been able make indelible impacts across the community. Some of these projects include:

- **Citizen's Bank** – The Citizen's Bank building located at 1 North George Street on the City's Continental Square will be converted into a mixed-use development project consisting of high end market rate rental units, and an open atrium restaurant and gallery space. With all of the activities and special events that take place on this corner of the square – ranging from Light Up Night all the way to First Night, the Citizen's project will no doubt compliment the activities on the Square upon completion and be a great place to live.
- **Royal Square Neighborhood Partnership Program (NPP) Project** – The City has continued to support the efforts spearheaded by Royal Square Development Corporation (RSDC) in conjunction with the YWCA. Years one and two focused on beautification projects for the area that include more improvements to the public realm and streetscaping, creating a sense of place for the neighborhood. In year three, the funds are pledged to make exterior improvements to the community cornerstone Voni Grimes Gym. The former Allison's Bar

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located at 105-107 South Duke Street was a fixture in the community during its hay day but lost some of its luster before the City's Bureau of Economic Development partnered with RSDC to acquire the property. The structured private public partnership (P3) consists of the YWCA as project lead and several tax credit partners -- Glatfelter Insurance Group, M&T Bank, Northwest Savings Bank, PeoplesBank, York Water Company – who are investing in the core block of Royal Square under the Commonwealth of Pennsylvania's Neighborhood Partnership Program (NPP). Allison's, upon full fit out and completion, will develop into a restaurant/bar, with a shared kitchen with the neighboring donut shop. This public private partnership from five tax credit investors demonstrates the City's local business community's faith in the efforts of the group and in the future impact this project will have on this neighborhood in the City.

- **Salem Square** – The City, in partnership with Salem Square Community Association and members of the faith based community, continue to work to revitalize the neighborhood. The former Gus' bar project has been completed and all four spaces are or are being positioned for occupancy. There are two beautifully renovated apartments which are currently leased. Martin Library has expanded its campus on the first floor of the property, creating a satellite location focusing on computer literacy and after school activities. The department secured grant funding from the Commonwealth Department of Economic and Community Development and the U.S. Department of Housing and Urban Development to underwrite the costs to fully renovate the property in order to alleviate any financial burden to the City. The area around this project has also been designated as an Elm Street Neighborhood, and has better opportunities to apply for and receive funding from the Commonwealth of Pennsylvania.
- **Market Square Project** – RSDC group received a New Market Tax Credit (NMTC) allocation from local Community Development Financial Institution's (CDFI) Community First Fund to redevelop several vacant buildings in the unit block of West Market. These properties have sat fallow and underutilized for several years prior to this investment by RSDC. The City anticipates, with their redevelopment, that they will be a great contribution to downtown York and serve as a generator in the community.
 - **The Woolworth Building** located 44 - 50 West Market Street will be converted into a mixed used development project consisting of three retail bays on the first floor and 21 market rate apartments with an open-air common area for outdoor entertaining and leisure feature on the upper floors. A portion of the rear of the building will be demolished to create a 30-car parking lot for future patrons of the retail establishments and residents of the property alike.
 - **The former Weinbrom Jewelers Building** located at 56 West Market Street will be redeveloped into six smaller retail spaces along South Beaver Street, and first floor anchor, Isaac's Famous Grilled Sandwiches. The second story will be transformed into eight loft style market rate apartments. Completion is expected to be summer of 2017.

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- **Northeast Neighborhood Association** – Think Loud Development has begun the second phase of its project in the Northeast section of the City. Further acquisition and site preparation on the part of the organization has enabled them to clear the path for future development of a gigabit community in the City. The City anticipates that this project will continue to add stability to the community and serve to anchor the neighborhood in such a way that it will increase the surrounding values of the remaining property owners.
- **Yorktowne Hotel Project** – The City is fully supportive of the purchase and repositioning of the existing Yorktown Hotel to its full glory. As it was originally developed as a community supported project by founding fathers and key community stakeholders, the hotel has come full circle once again under the stewardship of the York County Industrial Development Authority (IDA) who will oversee the full renovation of the facility into a world class hotel. The first phase of this project is expected to be completed by November 2018.
- **120 North Richland Avenue** – The City, through its Redevelopment Authority seeks to cause development at the 120 N Richland Avenue site, to compliment the year-round family activity center at the York Fairgrounds. As “America’s First and Oldest Fair”, the York Fair and Expo Center attracts millions to the City on an annualized basis. While the former activity once supplemented fair activities, the highest and best use for this site, given its proximity to the fair amenities and highways would be a hotel, lodging component to the current year-round activities of the Expo Center and the Fair. The intention of the partnership is to enact a cohesive effort to capitalize on a cornerstone of York’s economy. As the facilitators of this development, the City envisions a one-of-a-kind lodging, hospitality and complementary activity center. The Bureau of Economic Development and the Redevelopment Authority seek to leverage private resources, with public subsidies in the form of grants and contributions to remediate any environmental contaminants in order to market a shovel ready site to developers.
- **300 North State Street** – The former Danskin property has been in state of neglect and disrepair for some time. The parcels were formally owned by a developer who had exhausted all avenues to get the site completed in the form of demolition and environmental remediation. With no feasible way to continue, the owner agreed to sell the property to the Redevelopment Authority. Since the acquisition, City staff has worked diligently to secure funding, and partner with the right developer, for the development of the site. Pennrose signed a contract to develop this four-acre site as a mixed-use project, including residential, commercial, and office uses. The project calls for a 56-unit multi-family housing with a community room and small offices. The project is currently going through its due diligence and funding cycle, while simultaneously perfecting the design of the planned development.
- **Penn and Market Farmer’s Market** – Penn and Market Farmer’s Market has been in existence dating back to 1860. It is the oldest Market in the City. While its prominent architecture and anchor designation poises the structure and location for historical significance, it is the community benefit that puts the Farmer’s Market as a priority project for the City. There has been a continuous effort to improve not only the physical aspects of the

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market, but to improve and update the infrastructure, processes, and procedures surrounding the operation of the market. There has already been positive progress towards the goal. Through grant funding, specifically an Economic Development Initiative (EDI) and Redevelopment Assistance Capital Grant (RACP), the Bureau of Economic Development has been able to tackle some of the glaring issues pertaining to roof leakages, outdated and dysfunctional bathroom layouts, lighting, and improvements to maintain the exterior walls. Over the next five years, the goal of the City is to continue to be a partner in the growth of the market. The City, through its Bureau of Economic Development, aims to acquire funding to complete the list of repairs presented by the Friends of the Market. In conjunction with City partners, the City stands committed into fostering a booming environment, whereby the Farmer's Market can continue to provide City residents access to fresh produce, meats, and baked items. The Bureau seeks to market the entrepreneurial and economic benefits that the Farmer's Market provides including incubation of new businesses to attract vendors. In order to achieve the aforementioned goals. The Bureau continues to work with the West of Codorus (WECO) Neighborhood Association, Downtown Inc., and York County Economic Alliance (YCEA).

- **Artist Housing** – As the influx of creative people continues in the City, there has been varied interest over the years to develop housing specifically for artists. In June of 2016, a partnership of Homes for America, Royal Square, and the City is looking to bring an artist housing product and project to the City. The building will be a one of a kind product, including gallery and maker spaces, residential units, and community areas. Royal Square currently has an option agreement for an area within their current footprint of King-Duke-Queen and Princess Streets. The project calls for up to 56 units of new construction, residential housing with supportive services within the footprint of the building, including gallery spaces, work rooms, and small retail spaces.
- **York Academy Regional Charter Upper School** – York Academy Regional Charter School (YARCS) has expanded its campus to offer high school classes grades 9-12. This project is the repurposing of a former, decommissioned, manufacturing site at the northern gateway in the City. The expansion of YARCS not only addressed a blighted property within the City, but has the potential to attract additional families into the community.
- **450 Madison Avenue** – The Redevelopment Authority recently sold the property at 450 Madison to a local developer who is renovating the 44-unit apartment building. The developer plans renovate the structure, increasing the unit count to 46, and adding parking. The first phase of the project has already been completed, delivering 20 newly renovated apartments. The second phase of the project will deliver the additional 26 units. The entire project is set to be completed by December 2017.
- **Emanuel CDC** – Emanuel CDC is working to establish a neighborhood association in the City's east end. To date, the CDC has operated a health clinic and after school program which caters to the neighborhood, but have seen the need and potential of serving additional residents by providing additional services. To that end, the organization is looking to add a community

CITY OF YORK, PENNSYLVANIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

center, do renovations to their campus, and work with the City in creating and implementing a neighborhood revitalization strategy.

The City has taken many proactive steps to improve its financial health and put in place the structure necessary for future economic and human capital growth. While the challenges are great, the City is fortunate to have a community of business leaders, a strong community foundation, and City leaders who see the incredible potential of the City if its financial challenges can be conquered. These disparate groups agree on the need to dramatically reduce, not just stabilize, city real estate tax rates – both school district and municipal. Until this is done, the success of the core urban center will continue to be limited. The City’s efforts must remain focused on regionalizing as many services as possible, while lobbying Harrisburg legislators for pension reform and relief from Act 111 arbitration proceedings.

Notwithstanding the financial challenges that the City faces, citizens can be assured that the City will continually look for ways to improvise, improve, and innovate. It is the City’s vision that the City shall be a thriving urban community in which every person is welcome to be safe, successful, and happy. The City will not be ashamed to copy good practices from others, nor will the City fear trying new things of the City’s own devising. The protection and improvement of the health, safety, and welfare of the community is the City’s reason for being. Citizens can be assured that the Bracey Administration holds the long-term welfare of the community as the guiding principle of the City’s actions.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Assets					
Cash and cash equivalents	\$ 7,408,772	\$ 5,918,498	\$ 13,327,270	\$ 812,905	\$ 14,140,175
Receivables, net of allowance for uncollectible accounts:					
Taxes	6,803,142	-	6,803,142	-	6,803,142
Accounts	2,160,515	2,642,896	4,803,411	99,453	4,902,864
Loans	3,599,188	-	3,599,188	1,000,000	4,599,188
Interest	-	-	-	5,776	5,776
Note	-	-	-	15,715	15,715
Internal balances	(4,259,226)	4,259,226	-	-	-
Due from component unit	1,079,871	-	1,079,871	-	1,079,871
Due from other governments, net of allowance	1,650,204	-	1,650,204	-	1,650,204
Prepaid expenses	26,608	34,305	60,913	-	60,913
Restricted assets:					
Cash and cash equivalents	1,517,768	12,760,142	14,277,910	2,723,666	17,001,576
Lease rentals receivable	-	23,380,793	23,380,793	-	23,380,793
Capital assets, less accumulated depreciation and amortization	53,127,035	78,267,388	131,394,423	7,013,050	138,407,473
Prepaid debt insurance	-	417,529	417,529	-	417,529
Total assets	73,113,877	127,680,777	200,794,654	11,670,565	212,465,219
Deferred Outflows of Resources					
Deferred outflows of resources for pensions	11,697,955	644,141	12,342,096	-	12,342,096
Liabilities					
Accounts payable and other current liabilities	1,900,242	631,087	2,531,329	87,174	2,618,503
Accrued liabilities	938,992	127,930	1,066,922	-	1,066,922
Litigation payable	-	-	-	1,250,000	1,250,000
Due to primary government	-	-	-	1,079,871	1,079,871
Due to other governments	68,519	775,306	843,825	106,973	950,798
Unearned revenue	3,932,699	72,202	4,004,901	427,915	4,432,816
Other post-employment liability	27,230,410	414,231	27,644,641	-	27,644,641
Net pension liability	75,872,382	2,400,764	78,273,146	-	78,273,146
Noncurrent liabilities:					
Due within one year	5,484,049	4,152,336	9,636,385	894,410	10,530,795
Due in more than one year	40,286,742	42,364,379	82,651,121	6,752,600	89,403,721
Total liabilities	155,714,035	50,938,235	206,652,270	10,598,943	217,251,213
Deferred Inflows of Resources					
Deferred inflows of resources for pensions	3,124,074	118,333	3,242,407	-	3,242,407

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Net Position					
Net investment in capital assets	29,971,287	60,472,229	90,443,516	810,750	91,254,266
Restricted for:					
Parks and recreation	14,260	-	14,260	-	14,260
Highways and streets	503,231	-	503,231	-	503,231
Public works	379,678	-	379,678	-	379,678
Community development and planning	96,420	-	96,420	-	96,420
Workers' compensation	523,594	-	523,594	-	523,594
Debt service	1,010,901	5,766,123	6,777,024	167,248	6,944,272
Revolving loans	-	-	-	1,000,000	1,000,000
Construction	-	4,145,084	4,145,084	-	4,145,084
Unrestricted	(106,525,648)	6,884,914	(99,640,734)	(906,376)	(100,547,110)
Total net position	<u>\$ (74,026,277)</u>	<u>\$ 77,268,350</u>	<u>\$ 3,242,073</u>	<u>\$ 1,071,622</u>	<u>\$ 4,313,695</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,410,354	\$ 1,815,637	\$ 25,114	\$ -
Sanitation	3,212,035	5,677,140	43,105	-
Public safety	39,909,058	3,219,172	1,395,664	51,337
Highways and streets	1,799,276	88,736	1,288,884	-
Public works	4,664,538	53,930	60,491	1,179,941
Parks and recreation	1,897,024	456,832	140,737	4,500
Community development and planning	4,068,957	2,089,479	2,205,422	-
Other departments and programs	1,657,094	7,206	1,309,934	-
Interest on long-term debt	2,948,611	-	-	-
Total governmental activities	62,566,947	13,408,132	6,469,351	1,235,778
Business-type activities:				
Intermunicipal sewer	7,666,908	8,777,097	-	-
Sewer	11,042,835	10,508,290	-	-
Other enterprise funds	1,431,436	1,089,483	83,545	-
Total business-type activities	20,141,179	20,374,870	83,545	-
Total primary government	\$ 82,708,126	\$ 33,783,002	\$ 6,552,896	\$ 1,235,778
Component units:				
Redevelopment Authority	\$ 858,397	\$ 932,015	\$ 715,389	\$ -
General Authority	1,801,865	1,874,328	-	-
Total component units	\$ 2,660,262	\$ 2,806,343	\$ 715,389	\$ -
General revenues:				
Property taxes				
Local services 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				
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		
\$ (569,603)	\$ -	\$ (569,603)	\$ -	\$ (569,603)
2,508,210	-	2,508,210	-	2,508,210
(35,242,885)	-	(35,242,885)	-	(35,242,885)
(421,656)	-	(421,656)	-	(421,656)
(3,370,176)	-	(3,370,176)	-	(3,370,176)
(1,294,955)	-	(1,294,955)	-	(1,294,955)
225,944	-	225,944	-	225,944
(339,954)	-	(339,954)	-	(339,954)
(2,948,611)	-	(2,948,611)	-	(2,948,611)
(41,453,686)	-	(41,453,686)	-	(41,453,686)
-	1,110,189	1,110,189	-	1,110,189
-	(534,545)	(534,545)	-	(534,545)
-	(258,408)	(258,408)	-	(258,408)
-	317,236	317,236	-	317,236
(41,453,686)	317,236	(41,136,450)	-	(41,136,450)
-	-	-	789,007	789,007
-	-	-	72,463	72,463
-	-	-	861,470	861,470
19,865,718	-	19,865,718	-	19,865,718
1,229,243	-	1,229,243	-	1,229,243
6,321,747	-	6,321,747	-	6,321,747
3,006,605	-	3,006,605	-	3,006,605
254,950	-	254,950	-	254,950
35,827	-	35,827	-	35,827
3,150	-	3,150	-	3,150
733,307	-	733,307	-	733,307
1,955,467	-	1,955,467	-	1,955,467
72,086	1,069,400	1,141,486	27,773	1,169,259
2,555,674	(2,555,674)	-	-	-
36,033,774	(1,486,274)	34,547,500	27,773	34,575,273
(5,419,912)	(1,169,038)	(6,588,950)	889,243	(5,699,707)
(68,606,365)	78,437,388	9,831,023	182,379	10,013,402
\$ (74,026,277)	\$ 77,268,350	\$ 3,242,073	\$ 1,071,622	\$ 4,313,695

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 767,781	\$ -	\$ -	\$ 1,119,124	\$ 1,886,905
Cash and cash equivalents - restricted	-	994,174	-	-	994,174
Receivables:					
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund and \$532,618 in the Other Governmental Funds)	370,847	-	-	3,228,341	3,599,188
Taxes (less allowance for doubtful accounts of \$1,611,148 in the General Fund, \$330,663 in the Debt Service Fund, and \$129,578 in the Other Governmental Funds)	6,318,380	348,391	-	136,371	6,803,142
Accounts (less allowance for doubtful accounts of \$2,762,942 in the General Fund)	1,707,603	-	-	347,337	2,054,940
Due from other funds	341,493	-	-	141,500	482,993
Due from component units	1,079,871	-	-	-	1,079,871
Due from other governments	671,202	-	412,106	566,896	1,650,204
Total assets	<u>\$ 11,257,177</u>	<u>\$ 1,342,565</u>	<u>\$ 412,106</u>	<u>\$ 5,539,569</u>	<u>\$ 18,551,417</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)					
Liabilities:					
Accounts payable and accrued expenses	\$ 779,729	\$ 1,000	\$ 268,969	\$ 367,642	\$ 1,417,340
Accrued wages payable	738,634	-	-	51,146	789,780
Due to other funds	60,000	-	261,349	942,588	1,263,937
Due to other governments	-	-	-	68,519	68,519
Unearned revenue	610,448	-	-	3,322,251	3,932,699
Total liabilities	<u>2,188,811</u>	<u>1,000</u>	<u>530,318</u>	<u>4,752,146</u>	<u>7,472,275</u>
Deferred inflows of resources:					
Unavailable revenue - taxes	<u>5,264,269</u>	<u>330,664</u>	<u>-</u>	<u>129,578</u>	<u>5,724,511</u>
Fund balances (deficits):					
Restricted for:					
Parks and recreation	-	-	-	14,260	14,260
Highways and streets	-	-	-	503,231	503,231
Public works	-	-	-	379,678	379,678
Community development and planning	-	-	-	96,420	96,420
Debt service	-	1,010,901	-	-	1,010,901
Unassigned	<u>3,804,097</u>	<u>-</u>	<u>(118,212)</u>	<u>(335,744)</u>	<u>3,350,141</u>
Total fund balances (deficits)	<u>3,804,097</u>	<u>1,010,901</u>	<u>(118,212)</u>	<u>657,845</u>	<u>5,354,631</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 11,257,177</u>	<u>\$ 1,342,565</u>	<u>\$ 412,106</u>	<u>\$ 5,539,569</u>	<u>\$ 18,551,417</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, 2016**

Fund balances - total governmental funds \$ 5,354,631

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	\$ 139,125,206	
Less accumulated depreciation	<u>(86,042,890)</u>	53,082,316

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

5,724,511

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	(36,502,664)	
Notes payable	(3,720,352)	
Other post-employment liability	(27,051,796)	
Loans from other governmental entities	(2,190,000)	
Capitalized lease obligation	(2,158,196)	
Compensated absences	(1,110,297)	
Accrued interest payable	(116,213)	
Net pension liability, net of related deferred outflows and inflows of resources	<u>(66,740,736)</u>	(139,590,254)

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, deferred inflows of resources, liabilities, and deferred outflows of resources of the internal service fund are included in governmental activities in the statement of net position.

Internal service fund net position	6,166,976	
Adjustment related to enterprise funds	<u>(4,764,457)</u>	<u>1,402,519</u>

Net position of governmental activities		<u><u>\$ (74,026,277)</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, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 26,327,143	\$ 3,241,799	\$ -	\$ 1,217,286	\$ 30,786,228
Licenses and permits	1,668,628	-	-	-	1,668,628
Fines and forfeits	1,761,447	-	-	-	1,761,447
Grants and contributions	2,382,482	1,955,467	1,235,778	4,640,031	10,213,758
Charges for services	9,039,102	172,445	-	551,544	9,763,091
Loan repayments	-	-	-	52,343	52,343
Interest	8,088	54,325	3	6,829	69,245
Miscellaneous	127,909	-	-	199,149	327,058
Total revenues	41,314,799	5,424,036	1,235,781	6,667,182	54,641,798
Expenditures:					
Current:					
General government	1,595,629	6,240	131,071	169,689	1,902,629
Sanitation	3,113,373	-	-	-	3,113,373
Public safety	27,019,477	-	-	217,697	27,237,174
Highways and streets	784,449	-	-	748,234	1,532,683
Public works	2,701,765	-	-	75,535	2,777,300
Parks and recreation	-	-	-	1,591,894	1,591,894
Community development and planning	2,812,061	-	-	1,009,766	3,821,827
Other departments and programs	127,974	-	-	1,283,381	1,411,355
Debt service:					
Principal retirements	30,867	4,645,000	458,718	334,127	5,468,712
Interest	1,413	953,100	88,706	84,397	1,127,616
Capital outlay	-	-	1,596,059	1,138,283	2,734,342
Total expenditures	38,187,008	5,604,340	2,274,554	6,653,003	52,718,905
Excess (deficiency) of revenues over (under) expenditures	3,127,791	(180,304)	(1,038,773)	14,179	1,922,893
Other financing sources (uses):					
Capital lease	-	-	168,421	145,532	313,953
Transfers in	2,814,963	1,022,729	656,635	221,822	4,716,149
Transfers out	(1,309,213)	(621,391)	-	(169,871)	(2,100,475)
Total other financing sources (uses)	1,505,750	401,338	825,056	197,483	2,929,627
Net change in fund balances (deficits)	4,633,541	221,034	(213,717)	211,662	4,852,520
Fund balances (deficits) - beginning of year	(829,444)	789,867	95,505	446,183	502,111
Fund balances (deficits) - end of year	\$ 3,804,097	\$ 1,010,901	\$ (118,212)	\$ 657,845	\$ 5,354,631

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, 2016

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

Net change in fund balances (deficits) - total governmental funds	\$	4,852,520
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	3,143,097	
Loss on disposal of asset		(18,054)	
Depreciation expense		<u>(3,608,558)</u>	(483,515)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(53,278)
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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.

Issuance of capital lease		(313,953)	
Principal repayments		<u>5,468,712</u>	5,154,759

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		12,904	
Change in accrued interest		2,927	
Change in other post-employment liability		(3,976,507)	
Amortization of bond discounts		(1,823,922)	
Change in net pension liability, net of related deferred outflows and inflows of resources		<u>(9,645,504)</u>	(15,430,102)

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		1,071,203	
Adjustment related to enterprise funds		<u>(531,499)</u>	<u>539,704</u>

Change in net position of governmental activities	\$	<u><u>(5,419,912)</u></u>
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See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				
	Intermunicipal Sewer Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,864,279	\$ 2,054,219	\$ -	\$ 5,918,498	\$ 5,521,867
Receivables:					
Lease rentals, current	-	1,932,414	-	1,932,414	-
Accounts receivable (less allowance for doubtful accounts of \$4,728,880)	143,164	2,363,272	136,460	2,642,896	105,575
Prepaid expenses	-	-	34,305	34,305	26,608
Due from other funds	1,042,486	674,842	-	1,717,328	1,286,175
Total current assets	5,049,929	7,024,747	170,765	12,245,441	6,940,225
Restricted assets:					
Cash and cash equivalents	-	10,616,208	2,143,934	12,760,142	523,594
Total restricted assets	-	10,616,208	2,143,934	12,760,142	523,594
Noncurrent assets:					
Lease rentals receivable, long-term	-	21,448,379	-	21,448,379	-
Capital assets, net of accumulated depreciation	-	75,352,741	2,914,647	78,267,388	44,719
Prepaid debt insurance	-	417,529	-	417,529	-
Total noncurrent assets	-	97,218,649	2,914,647	100,133,296	44,719
Total assets	5,049,929	114,859,604	5,229,346	125,138,879	7,508,538
Deferred Outflows of Resources					
Deferred outflows of resources for pension	499,209	128,828	16,104	644,141	196,146
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	351,056	140,118	139,913	631,087	482,902
Accrued wages payable	83,421	18,932	1,641	103,994	32,999
Accrued interest	-	-	23,936	23,936	-
Due to other funds	-	1,042,486	1,180,073	2,222,559	-
Due to other governments	775,306	-	-	775,306	-
Unearned revenue	-	-	72,202	72,202	-
Total current liabilities	1,209,783	1,201,536	1,417,765	3,829,084	515,901
Current liabilities payable from restricted assets:					
Current portion of capitalized lease obligations	-	31,554	19,469	51,023	-
Current portion of bonds and notes payable	-	3,611,313	490,000	4,101,313	-
Total current liabilities payable from restricted assets	-	3,642,867	509,469	4,152,336	-
Noncurrent liabilities:					
Accrued compensated absences	71,294	670	1,184	73,148	89,282
Other post-employment liability	314,612	76,691	22,928	414,231	178,614
Capitalized lease obligations	-	32,569	136,699	169,268	-
Bonds and notes outstanding	-	39,891,963	2,230,000	42,121,963	-
Net pension liability	1,860,592	480,153	60,019	2,400,764	717,824
Total noncurrent liabilities	2,246,498	40,482,046	2,450,830	45,179,374	985,720
Total liabilities	3,456,281	45,326,449	4,378,064	53,160,794	1,501,621
Deferred Inflows of Resources					
Deferred inflows of resources for pension	91,707	23,667	2,959	118,333	36,087
Net Position					
Net investment in capital assets	-	60,433,750	38,479	60,472,229	44,719
Restricted:					
Debt service	-	5,766,123	-	5,766,123	-
Construction	2,001,150	-	2,143,934	4,145,084	-
Workers' compensation	-	-	-	-	523,594
Unrestricted	-	3,438,443	(1,317,986)	2,120,457	5,598,663
Total net position	\$ 2,001,150	\$ 69,638,316	\$ 864,427	72,503,893	\$ 6,166,976
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				4,764,457	
Net position of business-type activities				<u>\$ 77,268,350</u>	

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, 2016

	Business-type Activities - Enterprise Funds				
	Intermunicipal Sewer Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
Operating revenues:					
Charges for services	\$ 8,758,998	\$ 9,656,842	\$ 592,597	\$ 19,008,437	\$ 15,323,835
Rental income	-	-	410,217	410,217	-
Revenue from other local governments	-	-	79,429	79,429	-
Miscellaneous income	18,099	20,448	7,240	45,787	-
Total operating revenues	8,777,097	9,677,290	1,089,483	19,543,870	15,323,835
Operating expenses:					
Personnel services	2,432,314	531,457	335,549	3,299,320	2,063,946
Utilities	783,546	-	217,962	1,001,508	-
Treatment costs	-	3,395,318	-	3,395,318	-
Contractual services	879,077	203,488	29,034	1,111,599	-
Professional services	349,060	179,797	50,842	579,699	877,764
Materials and supplies	652,040	45,000	139,755	836,795	315,100
Sludge	355,507	-	-	355,507	-
Administrative	698,649	805,766	210,130	1,714,545	364,176
Health insurance claims	-	-	-	-	7,966,448
Insurance premiums	-	-	31,555	31,555	1,054,528
Workers' compensation insurance	-	-	-	-	623,107
Depreciation	-	3,491,995	242,675	3,734,670	29,813
Miscellaneous	1,901,604	517,802	13,887	2,433,293	898,683
Total operating expenses	8,051,797	9,170,623	1,271,389	18,493,809	14,193,565
Operating income (loss)	725,300	506,667	(181,906)	1,050,061	1,130,270
Nonoperating revenue (expenses):					
Grants	-	-	60,000	60,000	-
Investment income	15,376	1,046,178	7,846	1,069,400	2,841
Contributions	-	-	23,545	23,545	-
Springettsbury capacity sale	-	831,000	-	831,000	-
Interest expense	-	(2,018,822)	(160,047)	(2,178,869)	(1,908)
Total nonoperating revenue (expenses)	15,376	(141,644)	(68,656)	(194,924)	933
Change in net position before transfers	740,676	365,023	(250,562)	855,137	1,131,203
Transfers in	-	613,430	621,391	1,234,821	-
Transfers out	(613,430)	(3,177,065)	-	(3,790,495)	(60,000)
Change in net position	127,246	(2,198,612)	370,829	(1,700,537)	1,071,203
Net position - beginning of year	1,873,904	71,836,928	493,598		5,095,773
Net position - end of year	\$ 2,001,150	\$ 69,638,316	\$ 864,427		\$ 6,166,976
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				531,499	
Change in net position of business-type activities				\$ (1,169,038)	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				
	Intermunicipal Sewer Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,126,829	\$ 9,932,072	\$ 1,074,451	\$ 19,133,352	\$ 15,383,997
Payments to suppliers	(4,992,271)	(2,862,574)	(663,084)	(8,517,929)	(11,967,608)
Payments to employees	(2,288,411)	(485,871)	(329,206)	(3,103,488)	(1,946,482)
Net cash provided by operating activities	846,147	6,583,627	82,161	7,511,935	1,469,907
Cash flows from noncapital financing activities:					
Transfers in	-	613,430	621,391	1,234,821	-
Transfers out	(613,430)	(3,177,065)	-	(3,790,495)	(60,000)
Springettsbury capacity sale	-	831,000	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(613,430)	(1,732,635)	621,391	(1,724,674)	(60,000)
Cash flows from capital and related financing activities:					
Capital outlays	-	(890,291)	-	(890,291)	-
Grants and contributions	-	-	23,545	23,545	-
Principal receipts on lease rentals receivable	-	2,991,908	-	2,991,908	-
Principal payments on bonds and notes	-	(4,139,930)	(465,000)	(4,604,930)	-
Principal payments on capital lease	-	(99,448)	(18,628)	(118,076)	(38,131)
Interest paid	-	(1,696,982)	(164,309)	(1,861,291)	(1,908)
Net cash provided by (used in) capital and related financing activities	-	(3,834,743)	(624,392)	(4,459,135)	(40,039)
Cash flows from investing activities:					
Sales of investment securities	-	5,929,255	-	5,929,255	-
Investment income	15,376	17,951	7,846	41,173	2,841
Net cash provided by investing activities	15,376	5,947,206	7,846	5,970,428	2,841
Net increase in cash and cash equivalents	248,093	6,963,455	87,006	7,298,554	1,372,709
Cash and cash equivalents - beginning of year	3,616,186	5,706,972	2,056,928	11,380,086	4,672,752
Cash and cash equivalents - end of year	\$ 3,864,279	\$ 12,670,427	\$ 2,143,934	\$ 18,678,640	\$ 6,045,461
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 725,300	\$ 506,667	\$ (181,906)	\$ 1,050,061	\$ 1,130,270
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	3,491,995	242,675	3,734,670	29,813
Grants	-	-	60,000	60,000	-
(Increase) decrease in:					
Accounts receivable	9,750	254,782	(59,822)	204,710	60,162
Inventory	-	-	7,118	7,118	-
Prepaid expenses	-	-	(14,853)	(14,853)	1,145
Due from other funds	(660,018)	1,536,847	-	876,829	319,381
Deferred outflows of resources for pension	90,005	23,227	2,903	116,135	31,937
Increase (decrease) in:					
Accounts payable and accrued expenses	5,820	87,732	(3,406)	90,146	(188,328)
Accrued wages payable	14,882	6,752	436	22,070	9,396
Other post-employment liability	4,335	1,127	1,040	6,502	11,909
Accrued compensated absences	(21,697)	(70)	145	(21,622)	44,217
Unearned revenue	-	-	(15,210)	(15,210)	-
Due to other funds	-	660,018	41,222	701,240	-
Due to other governments	621,392	-	-	621,392	-
Net pension liability	74,588	19,249	2,406	96,243	26,467
Deferred inflows of resources for pension	(18,210)	(4,699)	(587)	(23,496)	(6,462)
Net cash provided by operating activities	\$ 846,147	\$ 6,583,627	\$ 82,161	\$ 7,511,935	\$ 1,469,907

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2016

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 628,892
Investments, at fair value	98,368,227	-
Accounts receivable	-	745
Total assets	98,368,227	629,637
Liabilities		
Accounts payable and accrued expenses	-	629,637
Total liabilities	-	\$ 629,637
Net Position		
Restricted for pension benefits	\$ 98,368,227	

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, 2016**

Additions:

Contributions

Employee contributions	\$ 649,981
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Employer contributions	<u>4,429,622</u>
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Total contributions	<u>5,079,603</u>
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Investment income:

Interest and dividend income	1,451,570
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Net appreciation of investments	<u>5,279,133</u>
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	6,730,703
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Less investment expense

	<u>(429,346)</u>
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Net investment income	<u>6,301,357</u>
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Total additions	<u>11,380,960</u>
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Deductions:

Benefit payments	<u>8,915,850</u>
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Total deductions	<u>8,915,850</u>
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Change in net position

	2,465,110
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Net position restricted for pension benefits, beginning of year	<u>95,903,117</u>
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Net position restricted for pension benefits, end of year	<u><u>\$ 98,368,227</u></u>
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See accompanying notes to basic financial statements.

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

DECEMBER 31, 2016

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 730,119	\$ 82,786	\$ 812,905
Restricted cash and cash equivalents	167,248	2,556,418	2,723,666
Accounts receivable	75,000	24,453	99,453
Accrued interest	-	5,776	5,776
Total current assets	972,367	2,669,433	3,641,800
Noncurrent assets:			
Loans receivable, net of allowance	1,000,000	-	1,000,000
Note receivable	-	15,715	15,715
Capital assets (net of accumulated depreciation of \$1,974,042 and \$9,761,522)	1,551,023	5,462,027	7,013,050
Total noncurrent assets	2,551,023	5,477,742	8,028,765
Total assets	3,523,390	8,147,175	11,670,565
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	43,211	43,963	87,174
Litigation payable	1,250,000	-	1,250,000
Due to primary government	2,000	1,077,871	1,079,871
Due to other governments	106,973	-	106,973
Unearned revenue	63,660	364,255	427,915
Current portion of bonds payable	155,000	-	155,000
Current portion of loan payable	444,710	-	444,710
Current portion of notes payable	-	294,700	294,700
Total current liabilities	2,065,554	1,780,789	3,846,343
Noncurrent liabilities:			
Bonds payable	2,160,000	-	2,160,000
Notes payable	1,000,000	3,592,600	4,592,600
Total noncurrent liabilities	3,160,000	3,592,600	6,752,600
Total liabilities	5,225,554	5,373,389	10,598,943
Net Position			
Net investment in capital assets	(763,977)	1,574,727	810,750
Restricted:			
Debt service	167,248	-	167,248
Revolving loan	1,000,000	-	1,000,000
Unrestricted	(2,105,435)	1,199,059	(906,376)
Total net position	\$ (1,702,164)	\$ 2,773,786	\$ 1,071,622

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 858,397	\$ 932,015	\$ 715,389	\$ 789,007	\$ -	\$ 789,007
General Authority	1,801,865	1,874,328	-	-	72,463	72,463
Total component units	<u>\$ 2,660,262</u>	<u>\$ 2,806,343</u>	<u>\$ 715,389</u>	<u>789,007</u>	<u>72,463</u>	<u>861,470</u>
General revenues:						
Unrestricted investment earnings				26,172	1,601	27,773
Total general revenues				26,172	1,601	27,773
Change in net position				815,179	74,064	889,243
Net position - beginning of year, restated				(2,517,343)	2,699,722	182,379
Net position - end of year				<u>\$ (1,702,164)</u>	<u>\$ 2,773,786</u>	<u>\$ 1,071,622</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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, 2016

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 (Act) 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 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, 2016

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, 2016

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 pension trust 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 taxes, earned income taxes, mercantile taxes, 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.

Unavailable revenue is recorded for governmental fund receivables that are not both measurable and available. Unavailable revenue consists of real estate taxes, earned income taxes, and mercantile taxes. Collections of these taxes are recognized as revenue in the year in which they are measurable and available.

Inflows that do not yet meet the criteria for revenue recognition, such as grant monies received prior to the incurrence of qualifying expenditures, are recorded as unearned revenue for both the government-wide and the governmental fund financial statements. For the General Authority, parking fees are recognized in the period when such revenues pertain. Any amounts collected in advance of such periods are reflected in the statement of net position as unearned revenue.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

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, and 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 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

Cash in the General Authority and Redevelopment Authority that are in bond trust funds and other accounts are restricted to the purposes set forth by the bonds and other agreements.

Investments

Investments are stated at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The City's investment in the external investment pool is valued at amortized cost, which approximates fair value.

Allowance for Doubtful Accounts

The City's policy is to provide an allowance for loans, taxes, and accounts receivable based on past collection experience.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet or statement of net position. 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. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the City would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

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

CITY OF YORK, PENNSYLVANIA

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

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

Because the mission of the Redevelopment Authority is to acquire blighted residential, commercial, and former industrial properties for the City to land bank, rehabilitate, or strategically purchase for future redevelopment projects ranging from for sale low- to moderate- income home buyers or market rate mixed use development projects, which it does at little or no profit, such purchases are expensed at the time of acquisition.

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 pension trust 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.

Deferred Inflows and Outflows of Resources for Pensions

In conjunction with pension accounting requirements, the differences in the City's expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments are recorded as deferred inflows or outflows of resources related to pensions on the government-wide and proprietary fund statement of net position. These amounts are determined based on actuarial valuations performed for the pension plans. Note 14 presents additional information about the pension plans.

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 prepaid debt insurance costs, are amortized over the life of the related obligation using the effective interest method. Debt is

CITY OF YORK, PENNSYLVANIA

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reported net of the applicable bond premium or discount. Prepaid debt insurance 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 prepaid debt insurance 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. Prepaid debt insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accretion of Interest

Discounts on the 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.

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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.

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, 2016. The amount of nonrecourse debt issues for the General Authority is \$19,602,158 at December 31, 2016.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain amounts and disclosures. Actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The City has adopted GASB Statement No. 72 "*Fair Value Measurement and Application*" and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*." These Statements address accounting and financial reporting issues related to fair value measurements and certain investment pools and pool participants. As a result of implementation of these Statements, the investment disclosures at Note 5 have been enhanced.

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NOTES TO BASIC FINANCIAL STATEMENTS

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The City has adopted GASB Statement No. 77, *"Tax Abatement Disclosures."* This Statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances. As a result of implementation of this Statement, the property tax disclosures at Note 4 have been enhanced.

Pending Changes in Accounting Principles

In June of 2015, GASB issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* This Statement addresses reporting by other post-employment benefit (OPEB) plans that administer benefits on behalf of governments. The provisions of GASB Statement No. 74 are effective for the City's December 31, 2017 financial statements.

In June of 2015, GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the City's December 31, 2018 financial statements.

In January of 2016, GASB issued Statement No. 80, *"Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14."* This Statement amends the blending criteria to include a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of GASB Statement No. 80 are effective for the City's December 31, 2017 financial statements.

In March of 2016, GASB issued Statement No. 82, *"Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73."* This Statement addresses certain issues that have been raised with respect to previous pension standards. The provisions of GASB Statement No. 82 are effective for the City's December 31, 2017 and 2018 financial statements.

In January of 2017, GASB issued Statement No. 84, *"Fiduciary Activities."* This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the City's December 31, 2019 financial statements.

In March of 2017, GASB issued Statement No. 85, *"Omnibus 2017."* This Statement addresses practice issues identified during implementation and application of certain GASB Statements related to a variety of topics, including blending component units, goodwill, fair

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value measurement and application, and post-employment benefits. The provisions of GASB Statement No. 85 are effective for the City's December 31, 2018 financial statements.

In May of 2017, GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*." This Statement improves consistency in accounting and financial reporting for certain debt extinguishments. The provisions of GASB Statement No. 86 are effective for the City's December 31, 2018 financial statements.

In June of 2017, GASB issued Statement No. 87, "*Leases*." This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for City's December 31, 2020 financial statements.

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.
5. The Administration finalizes the budget and presents it to Council by the second meeting in November.

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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 significant 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 Fund, Community Development Block Grant Fund, and the State Health Grant Fund.
3. 1995, 1998, 2001, and 2011 Debt Service Funds.
4. Capital Projects Fund.
5. All proprietary funds.

3. FUND DEFICITS/DEFICIT NET POSITION

As of December 31, 2016, four 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:

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Capital Projects Fund - The fund deficit, at December 31, 2016, of \$118,212, is financed by loans from the General Fund as a result of several capital projects that the anticipated public/private contributions were not realized. The deficit is projected to be eliminated by end of 2017.

State Health Grant Fund - The fund deficit, which is included in other governmental funds at December 31, 2016, of \$335,744, is financed by loans from the General Fund as a result of revenue falling short of the budget. 2015 and 2016 progress was a \$274,493 reduction from the December 31, 2014 balance of \$610,237. The Administration remains committed to a six-year plan to eliminate the deficit.

Ice Rink Fund - The fund deficit, at December 31, 2016, of \$1,131,594, is a result of assuming the capital assets and debt of the York Recreation Corporation and continuing losses. This balance is down from the December 31, 2014 balance of \$1,432,719. To assist in reducing the deficit in 2014, the City replaced the private firm managing the daily operations of the rink. The new firm has secured several high-profile tenants that should increase patronage at the facility during off peak hours. The final debt service payment occurs in 2021. The City also continues to seek viable refinance options that lower the annual cost of borrowing without extending the liability for an additional term.

White Rose Cable TV Fund - The fund deficit, which is included in other enterprise funds at December 31, 2016, of \$147,915, is financed by loans from the General Fund as a result of revenue falling short of budget. This balance represents a \$122,051 decrease from December 31, 2015. The Administration remains committed to a four-year plan to eliminate the deficit.

During 2016, 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

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

Updated again in 2011 and 2015, the City has implemented many of the options described in the report but suffered through rising labor costs, inflation, the Great Recession of 2008, and

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many other natural pressures felt by all municipalities. Although the changes did not eliminate the projected deficits, the downturn was significantly reduced.

From the latest report prepared in 2015, several projects are currently underway. The City is currently in the midst of completing a regional parking demand study, an indirect cost allocation plan, developing a citywide capital needs assessment and improvement plan, renegotiating the intermunicipal sewer agreements with six connected municipalities that rely on the City's wastewater treatment plant to process flows from their sewer collection systems, and exploring the potential monetization of the entire sewer collection system. All of this work will continue into 2017.

Component Unit

Redevelopment Authority

The Authority had negative net position as of December 31, 2016 in the amount of \$1,702,164. This negative net position is attributable to holding and subsequent transfer of properties to developers in the City as a means to help subsidize projects. There are certain properties in the Authority's possession that have high carrying cost, including but not limited to insurance, utilities, and maintenance. The Authority plans to address the liquidity issues with the disposition of held projects once construction plans have been finalized, thereby reducing, if not eliminating, all carrying costs and resolving its liquidity issue.

4. PROPERTY TAXES

The City is permitted by the Third Class City Code of the Commonwealth to levy property taxes up to 25 mills on every dollar of adjusted assessed valuation for general purposes, exclusive of the requirements for the payment of interest and principal on funded debt. The current tax levy of the City is 20.162 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 2016 was as follows:

February 15, 2016	—	levy date
February 15 – April 15, 2016	—	2% discount period
April 16 – June 15, 2016	—	face payment period
June 16 – December 31, 2016	—	10% penalty period
January 1, 2017	—	lien date

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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.

Tax Abatements

The City's tax abatements are authorized by City Council ordinance. The Local Economic Revitalization Tax Abatement (LERTA) program provides ten-year phased out exemptions: 100% in year one, 90% in year two, 80% in year three and so forth until a 10% abatement is granted in year ten of the increased assessed value of improvements to existing properties and for new construction of commercial properties. This incentive runs with the land for ten years; therefore, if the property owner should change, the incentive continues through the ten-year cycle.

The City Residential Tax Abatement Program (ReTAP) provides for a 100%, ten-year tax exemption on the increased assessed value of new residential construction or residential rehabilitation. This incentive runs with the land for ten years; therefore, if the property owner should change, the incentive continues through the ten-year cycle. An abatement may also be granted by the City School District and County, but there is no obligation to do so. These abatements usually follow similar guidelines as the City, but may differ substantially.

The City's tax abatement agreements do not contain recapture provisions for non-compliance; however, properties can be dropped from the program at any time should guidelines be violated. There were no amounts received or receivable from other governments in association with the forgone taxes. The City did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

During 2016, the City's LERTA property tax abatements totaled \$278,338 and the City's ReTAP property tax abatements totaled \$265,103.

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 U.S. Treasury bills, other short-term U.S. government obligations, short term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. 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.

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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, 2016, the City's book balance was \$17,155,030 and the bank balance was \$18,597,280. Of the bank balance, \$333,511 was covered by federal depository insurance, \$18,062,508 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act 72), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in Act 72, to cover all public funds deposited in excess of federal depository insurance limits, and \$60,760 was uncollateralized.

Of the bank balance, \$140,501 was invested in the Pennsylvania Local Government Investment Trust (PLGIT). The City uses PLGIT, an external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for City funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. PLGIT issues separately audited financial statements that are available to the public. Further information regarding PLGIT and its investment strategies can be found at www.plgit.com. The fair value of the City's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool.

The City is invested in PLGIT-Class shares, which require no minimum balance, no minimum initial investment, and have a one day minimum investment period. At December 31, 2016, PLGIT carried a AAA rating and had an average maturity of less than one year.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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Cash and cash equivalents per financial statements:

Governmental activities:

Unrestricted \$ 7,408,772

Restricted 1,517,768

Business-type activities:

Unrestricted 5,918,498

Restricted 12,760,142

Fiduciary funds:

Agency funds 628,892

28,234,072

Less money market funds (11,079,042)

Total deposits \$ 17,155,030

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B. Investments

Investments, by fair value level, consist of the following as of December 31, 2016:

	Level 1	Level 2	Total
Money market funds	\$ 11,079,042	\$ -	\$ 11,079,042
Mutual funds:			
Equity	20,664,295	31,854,654	52,518,949
Fixed income	6,871,863	13,170,952	20,042,815
Collective investment trust	-	6,054,543	6,054,543
Common stock:			
Materials	234,440	-	234,440
Information technology	1,084,542	-	1,084,542
Industrials	60,431	-	60,431
Healthcare	371,051	-	371,051
Financials	1,816,957	-	1,816,957
Energy	163,630	-	163,630
Consumer staples	347,564	-	347,564
Consumer discretionary	1,125,089	-	1,125,089
	<u>\$ 43,818,904</u>	<u>\$ 51,080,149</u>	<u>94,899,053</u>
Investments measured at the net asset value (NAV):			
Limited partnership equity fund			<u>14,548,216</u>
Total investments			<u>\$ 109,447,269</u>

Investments	
Governmental activities:	
Restricted	\$ 462,834
Business-type activities:	
Restricted	10,616,208
Fiduciary funds	<u>98,368,227</u>
Total investments	<u>\$ 109,447,269</u>

Level 2 investments are valued based upon the security's last trade price or a broker's quote in a nonactive market.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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Limited partnership equity fund measured at the net asset value (NAV): The valuation is based upon the value of the fund's net asset balance in the investee funds determined from financial information provided by the underlying investee funds. For investee funds structured as partnerships or other non-unitized entities, the NAV represents the fund's ownership of the respective investment entity's capital. Accordingly, the fund uses the NAV as reported by the Investment Manager or administrator of the underlying investment entities as a practical expedient, to determine the fair value of the investment entities which do not have a readily determinable fair value. The fund has a valuation policy to ensure that investments in investment entities are properly recorded at fair value. The policy consists of various procedures, which are developed by the fund, and approved and monitored by a valuation committee. Such procedures consist of ongoing operational due diligence and risk monitoring of underlying investment entity managers. At December 31, 2016, the fair value of all investee funds has been determined using NAV as a practical expedient. The fund's valuation committee, which meets periodically, reviews and approves those instances.

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 investments in 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.

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. At December 31, 2016, 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, 2016:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 11,079,042	AAAm
Fixed income mutual funds	1,102,476	A1
Fixed income mutual funds	18,940,339	Unavailable
Collective investment trust	6,054,543	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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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following is a list of the City's money market and fixed income investments and their related average maturities:

	Fair Value	Investment Maturity	
		2017	2023-2027
Money market funds	\$ 11,079,042	\$ 11,079,042	\$ -
Fixed income mutual funds	20,042,815	1,102,476	18,940,339
	<u>\$ 31,121,857</u>	<u>\$ 12,181,518</u>	<u>\$ 18,940,339</u>

Component Units

General Authority

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

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The General Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, the General Authority's book balance was \$2,639,204 and the bank balance was \$2,628,646. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$2,378,646 was collateralized under Act 72.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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Deposits

Custodial Credit Risk. The Redevelopment Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, the Redevelopment Authority's deposit balance was as follows:

Cash and cash equivalents per financial statements:	
Unrestricted	\$ 730,119
Restricted	167,248
	<hr/>
	897,367
Less money market funds	(92,234)
	<hr/>
Total deposits	<u><u>\$ 805,133</u></u>

As of December 31, 2016, the Redevelopment Authority's book and bank balances were \$805,133. Of the bank balance, \$556,292 was covered by federal depository insurance and the remaining \$248,841 was collateralized under Act 72.

Investments

The Redevelopment Authority's investment in money market funds, totaling \$92,234, is considered Level 1 based on quoted market prices at December 31, 2016.

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 Redevelopment Authority does not have an investment policy for custodial credit risk. The Redevelopment Authority's investments are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form.

Concentration of Credit Risk. The Redevelopment Authority places no limit on the amount the Redevelopment Authority may invest in any one issuer.

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, 2016, the money market funds were rated AAAM by Standard & Poor's.

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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. At December 31, 2016, the Redevelopment Authority's money market funds had a weighted average maturity of less than one year.

6. DUE FROM OTHER GOVERNMENTS – COMPONENT UNITS

Redevelopment Assistance Capital Program Renovation – Northwest Triangle Project

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

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

At December 31, 2016, an allowance in the amount of \$100,000 was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth. This remaining amount will be paid to the Redevelopment Authority upon completion of the closeout audit.

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.

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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, 2016.

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, 2016.

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, 2016.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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, 2016, a total amount of \$715,791 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, 2016.

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, 2016.

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 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, 2016, the total amount of \$750,000 has been advanced on this loan. 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, 2016.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Component Units

Redevelopment Authority

Loans receivable in the amount of \$1,000,000 at December 31, 2016 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
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HRA 2010 loan bearing interest at rates varying from 1% to 3% per annum with interest only paid annually until maturity date in 2020, at which time the entire \$500,000 is due	500,000
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Total loans receivable	<u>\$ 1,000,000</u>
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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, 2016, a total of \$29,026 was recognized as revenue under terms of this agreement.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

9. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2016 were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 341,493	\$ 60,000
Capital Projects Fund	-	261,349
Other governmental funds	141,500	942,588
Intermunicipal Sewer Fund	1,042,486	-
Sewer Fund	674,842	1,042,486
Other enterprise funds	-	1,180,073
Internal Service Fund	1,286,175	-
Total primary government	<u>\$ 3,486,496</u>	<u>\$ 3,486,496</u>

Primarily, interfund balances represent short term borrowings between funds for the purpose of eliminating negative cash.

A reconciliation of the interfund transfers for the year ended December 31, 2016 is as follows:

	Transfers In	Transfers Out
General Fund	\$ 2,814,963	\$ 1,309,213
Debt Service Fund	1,022,729	621,391
Capital Projects Fund	656,635	-
Other governmental funds	221,822	169,871
Intermunicipal Sewer Fund	-	613,430
Sewer Fund	613,430	3,177,065
Other enterprise funds	621,391	-
Internal Service Fund	-	60,000
Total primary government	<u>\$ 5,950,970</u>	<u>\$ 5,950,970</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, 2016

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 A of 2010, and Series of 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, 2016 are:

Years Ending December 31,	Amount
2017	\$ 2,836,141
2018	2,838,014
2019	2,835,699
2020	2,837,963
2021	2,825,482
2022	2,788,089
2023	2,795,159
2024	2,794,623
2025	2,793,767
2026	2,796,122
2027	<u>1,227,533</u>
Total minimum lease rentals receivable	29,368,592
Less amount representing interest (at an average rate of 3.05%)	<u>(5,987,799)</u>
Present value of minimum lease rentals receivable	23,380,793
Less current installments of lease rentals	<u>(1,932,414)</u>
Lease rentals, excluding current installments	<u><u>\$ 21,448,379</u></u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions/ Transfers Out	End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 5,927,157	\$ -	\$ -	\$ 5,927,157
Construction in progress	3,296,424	417,278	(2,704,129)	1,009,573
Total capital assets, not being depreciated	9,223,581	417,278	(2,704,129)	6,936,730
Capital assets, being depreciated:				
Buildings	21,975,527	220,373	-	22,195,900
Land improvements	5,733,290	1,544,332	-	7,277,622
Equipment and furniture	21,332,593	402,310	-	21,734,903
Infrastructure	77,884,239	3,244,879	-	81,129,118
Total capital assets, being depreciated	126,925,649	5,411,894	-	132,337,543
Less accumulated depreciation for:				
Buildings	(5,758,666)	(798,104)	-	(6,556,770)
Land improvements	(3,261,191)	(242,791)	-	(3,503,982)
Equipment and furniture	(17,067,167)	(1,040,835)	-	(18,108,002)
Infrastructure	(56,421,843)	(1,556,641)	-	(57,978,484)
Total accumulated depreciation	(82,508,867)	(3,638,371)	-	(86,147,238)
Total capital assets, being depreciated, net	44,416,782	1,773,523	-	46,190,305
Governmental activities capital assets, net	\$ 53,640,363	\$ 2,190,801	\$ (2,704,129)	\$ 53,127,035

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions/ Transfers Out	End of Year
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Construction in progress	921,065	118,612	(921,066)	118,611
Total capital assets, not being depreciated	938,510	118,612	(921,066)	136,056
Capital assets, being depreciated:				
Buildings	132,055,159	930,014	-	132,985,173
Land improvements	22,145	-	-	22,145
Equipment and furniture	5,553,352	249,602	-	5,802,954
Infrastructure	17,820,187	513,129	-	18,333,316
Total capital assets being depreciated	155,450,843	1,692,745	-	157,143,588
Less accumulated depreciation for:				
Buildings	(61,409,754)	(3,197,773)	-	(64,607,527)
Land improvements	(13,634)	(1,107)	-	(14,741)
Equipment and furniture	(3,856,049)	(266,285)	-	(4,122,334)
Infrastructure	(9,998,149)	(269,505)	-	(10,267,654)
Total accumulated depreciation	(75,277,586)	(3,734,670)	-	(79,012,256)
Total capital assets, being depreciated, net	80,173,257	(2,041,925)	-	78,131,332
Business-type activities capital assets, net	\$ 81,111,767	\$ (1,923,313)	\$ (921,066)	\$ 78,267,388

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 52,426
Sanitation	25,327
Public safety	1,118,547
Highways and streets	190,561
Public works	1,775,288
Parks and recreation	267,699
Community development and planning	105,940
Other departments and programs	<u>22,584</u>
Total depreciation expense – governmental activities	3,558,372

Internal services fund depreciation expense allocated
to governmental activities

79,999

Total depreciation expense for governmental activities

\$ 3,638,371

Business-type activities:

Sewer	\$ 3,491,995
Other enterprise fund	<u>242,675</u>

Total depreciation and amortization expenses for business-type
activities

\$ 3,734,670

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Component Units

	Beginning of Year	Additions	Retirements and Distributions	End of Year
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(1,833,039)	(141,003)	-	(1,974,042)
Redevelopment Authority:				
Capital assets, net	<u>\$ 1,692,026</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 1,551,023</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,185,427	\$ 38,122	\$ -	\$ 15,223,549
Less accumulated depreciation	(9,296,319)	(465,203)	-	(9,761,522)
General Authority:				
Capital assets, net	<u>\$ 5,889,108</u>	<u>\$ (427,081)</u>	<u>\$ -</u>	<u>\$ 5,462,027</u>

12. TAX ANTICIPATION NOTE OF 2016

In January of 2016, the City borrowed \$5,650,000 in the form of a Tax and Revenue Anticipation Note, Series of 2016, bearing interest at an annual rate of 1.25% per annum until its maturity on June 30, 2016, 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 \$9,254. The entire balance of the note was paid in full by the City during the year ended December 31, 2016.

Tax anticipation note transactions for the year ended December 31, 2016 were as follows:

Outstanding at December 31, 2015	\$ -
New borrowings	5,650,000
Repayments	<u>(5,650,000)</u>
Outstanding at December 31, 2016	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

13. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2016 was as follows:

Primary Government

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	\$ 2,430,000	\$ -	\$ -	\$ (240,000)	\$ 2,190,000	\$ 240,000
General Obligation Notes	3,877,750	-	202,602	(360,000)	3,720,352	200,000
General Obligation Bonds	39,166,344	-	1,621,320	(4,285,000)	36,502,664	4,460,000
Capitalized lease obligation	2,466,088	313,953	-	(621,845)	2,158,196	584,049
Vested compensated absences	1,168,266	31,313	-	-	1,199,579	-
	<u>\$ 49,108,448</u>	<u>\$ 345,266</u>	<u>\$ 1,823,922</u>	<u>\$ (5,506,845)</u>	<u>\$ 45,770,791</u>	<u>\$ 5,484,049</u>
Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue Bonds	\$ 47,598,898	\$ -	\$ 235,159	\$ (4,139,930)	\$ 43,694,127	\$ 3,611,313
Unamortized discount	(226,604)	-	-	35,753	(190,851)	-
Recreation Revenue Bonds	3,185,000	-	-	(465,000)	2,720,000	490,000
Capitalized lease obligations	338,367	-	-	(118,076)	220,291	51,023
Vested compensated absences	94,770	-	-	(21,622)	73,148	-
	<u>\$ 50,990,431</u>	<u>\$ -</u>	<u>\$ 235,159</u>	<u>\$ (4,708,875)</u>	<u>\$ 46,516,715</u>	<u>\$ 4,152,336</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Component Units

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Redevelopment Authority:					
Revenue bonds	\$ 2,460,000	\$ -	\$ (145,000)	\$ 2,315,000	\$ 155,000
Promissory notes	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
Short-term					
loan payable	\$ 970,000	\$ -	\$ (525,290)	\$ 444,710	\$ 444,710
Non-revolving					
RACP loan	172,426	-	(172,426)	-	-
	\$ 1,142,426	\$ -	\$ (697,716)	\$ 444,710	\$ 444,710
General Authority:					
Notes payable	\$ 4,174,200	\$ -	\$ (286,900)	\$ 3,887,300	\$ 294,700

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. In January 2014, the City refinanced the remaining balance of this fixed interest rate loan to a variable interest rate based on the LIBOR rate plus 0.20%. The variable rate as of December 31, 2016 was 1.05%. The loan matures on August 1, 2020. The balance due, as of December 31, 2016, was \$500,000.

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. Interest is fixed at 3.2% for the term of the loan and the loan matures August 1, 2028. The balance due, as of December 31, 2016, was \$1,690,000.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2016 are as follows:

Years Ending December 31,	Principal	Interest
2017	\$ 240,000	\$ 69,262
2018	240,000	63,808
2019	241,000	58,060
2020	341,000	52,028
2021	141,000	45,810
2022-2026	705,000	147,346
2027-2028	282,000	18,302
	<u>\$ 2,190,000</u>	<u>\$ 454,616</u>

General Obligation Notes

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

General obligation notes payable at December 31, 2016 are 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%	\$ 5,105,000
Less unamortized discount on zero coupon notes				<u>(1,384,648)</u>
General Obligation Notes, net of discount, at December 31, 2016				<u>\$ 3,720,352</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The annual principal requirements for amounts due from the City under general obligation notes at December 31, 2016 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>
2017	\$ 200,000
2018	160,000
2019	160,000
2020	160,000
2021	160,000
2022-2023	4,265,000
	<u>5,105,000</u>
Unamortized discount	(1,384,648)
	<u><u>\$ 3,720,352</u></u>

General Obligation Bonds

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

The following is a summary of general obligation bond issues as of December 31, 2016:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
1995A	\$ 76,030,000	Through 2022	0.00% - 6.50%	\$ 25,260,000
1998B	4,440,000	Through 2024	0.00%	4,440,000
2011	11,265,000	Through 2041	7.25%	10,620,000
2011B	2,200,000	Through 2027	9.00%	1,775,000
General Obligation Bonds at December 31, 2016				42,095,000
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(4,110,111)
(Series B of 1998)				(1,482,225)
General Obligation Bonds, net of discount, at December 31, 2016				<u><u>\$ 36,502,664</u></u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2016 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 4,460,000	\$ 929,700
2018	4,520,000	905,126
2019	4,545,000	879,012
2020	4,570,000	850,912
2021	4,595,000	820,826
2022-2026	11,240,000	3,581,026
2027-2031	2,060,000	2,641,590
2032-2036	2,525,000	1,873,400
2037-2041	3,580,000	814,895
	<u>42,095,000</u>	<u>13,296,487</u>
Unamortized discount	<u>(5,592,336)</u>	<u>-</u>
	<u>\$ 36,502,664</u>	<u>\$ 13,296,487</u>

Prior Year Defeasance of Debt

The City has, from time to time, defeased certain debt by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. The trust account assets and the liability of the defeased debt are not included in the City's financial statements. At December 31, 2016, the following defeased debt was outstanding:

	<u>Funds Escrowed as of December 31, 2016</u>	<u>Defeased Debt Outstanding as of December 31, 2016</u>
General Obligation Bonds, Series A of 1995	<u>\$ 11,166,514</u>	<u>\$ 8,458,345</u>

Guaranteed Sewer Revenue Bonds

The guaranteed sewer revenue 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, 2016

Guaranteed sewer revenue bonds payable at December 31, 2016 are comprised of the following individual bond issues:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
Guaranteed Sewer Revenue Bonds - Series of 2008	\$ 10,000,000	Through 2022	3.20%	\$ 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%	10,230,000
Guaranteed Sewer Revenue Bonds - Series of 2011	1,500,000	Through 2021	1.00%	719,127
Guaranteed Sewer Revenue Bonds at December 31, 2016				<u>\$ 43,694,127</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2016 are as follows:

Years Ending December 31,	Principal	Interest
2017	\$ 3,611,313	\$ 1,688,894
2018	3,707,833	1,595,874
2019	3,814,368	1,485,013
2020	3,930,919	1,372,693
2021	4,029,694	1,250,472
2022-2026	22,410,000	3,693,083
2027	2,190,000	104,025
	<u>\$ 43,694,127</u>	<u>\$ 11,190,054</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 (1990 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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

value of the defeased bonds and the percentage of the debt owed by the municipalities. The 1990 Bonds matured in 2016 and were paid in full.

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.

York City Recreation Corporation Guaranteed Revenue Bonds (recreation revenue bonds) payable at December 31, 2016 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2001	\$ 7,305,000	Through 2021	4.10-5.15%	<u>\$ 2,720,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2016 are as follows:

Years Ending December 31,	Principal	Interest
2017	\$ 490,000	\$ 130,140
2018	520,000	102,365
2019	550,000	73,903
2020	575,000	44,934
2021	585,000	15,064
	<u>\$ 2,720,000</u>	<u>\$ 366,406</u>

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2016, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$1,669,557 and \$317,589, respectively.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2016 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2017	\$ 669,031	\$ 59,825	\$ 728,856
2018	601,057	59,825	660,882
2019	548,808	26,223	575,031
2020	194,342	26,219	220,561
2021	128,018	26,219	154,237
2022-2023	256,019	52,440	308,459
Total minimum lease payments	2,397,275	250,751	2,648,026
Less amount representing interest	(239,079)	(30,460)	(269,539)
Present value of future minimum lease payments	\$ 2,158,196	\$ 220,291	\$ 2,378,487

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 (2002 Revenue Bonds) in the amount of \$3,725,000. The 2002 Revenue Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project.

The 2002 Revenue 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 2002 Revenue 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

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term was to end January 1, 2016. In November 2015, the Redevelopment Authority's Board approved to an extension of the agreement through October 1, 2027.

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, 2016 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 (0.87% at December 31, 2016)	<u>\$ 2,315,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 Revenue Bonds using the 0.87% interest rate in effect at December 31, 2016 are as follows:

Year Ending December 31,	Principal	Interest
2017	\$ 155,000	\$ 19,860
2018	165,000	18,493
2019	175,000	17,039
2020	185,000	15,499
2021	195,000	13,871
2022 - 2026	900,000	37,301
2027	540,000	6,155
	<u>\$ 2,315,000</u>	<u>\$ 128,218</u>

Redevelopment Authority 2012 Promissory 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. Principal will be due in 30

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equal installments commencing on July 1, 2018 and on each July 1st thereafter until paid in full. 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, 2016.

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 into in November 2006 to finance the Northwest Triangle Project. In November 2013, the non-revolving time loan was extended through October 26, 2014. In December 2014, the non-revolving time loan was extended through January 31, 2015. In March 2015, the non-revolving time loan was extended through January 31, 2016. At the maturity date, the entire unpaid principal balance plus all accrued and outstanding interest was due and payable. The balance of \$172,426 was paid in full in January 2016.

Redevelopment Authority 2014 Promissory Note Payable

In July 2014, the Redevelopment Authority entered into a promissory note agreement in the amount of \$500,000. Interest is due annually at the rate of 2% from 2014 through 2017, with interest increasing to 3% per annum until the note is paid in full on the maturity date of June 1, 2020, at which time the entire \$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 2010 HRA loan, as referenced in Note 7. The amount outstanding on this promissory note payable totaled \$500,000 as of December 31, 2016.

Redevelopment Authority 2015 Short-Term Loan Payable

In September 2015, the Redevelopment Authority's Board approved a short-term loan in the amount of \$970,000 to fund a settlement, in which the owner of a condemned property, that was obtained by the Redevelopment Authority through eminent domain, challenged the valuation of the property. Loan payments are to be paid quarterly, interest only, beginning on March 16, 2016, with all unpaid principal and accrued interest to be paid in full on or before November 30, 2016. In December 2016, the loan was extended through May 30, 2017. As part of this modification agreement, the Redevelopment Authority agreed that 100% of net proceeds from the sale of the property located at 1 North George Street will be applied to the outstanding principal balance. In June 2017, the loan was extended through December 31, 2017. Variable interest is based on the prime rate with a floor of 3.25%. \$444,710 was outstanding on the loan as of December 31, 2016.

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General Authority Series of 2013 Revenue Note

In 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, which was originally issued to finance the renovation of the Market Street Garage, 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. The loan matures on November 15, 2028.

The annual principal and interest requirements for amounts due from the General Authority under the Revenue Note using the fixed rate in effect at December 31, 2016 of 2.71% are as follows:

Years Ending December 31,	Principal	Interest
2017	\$ 294,700	\$ 105,346
2018	302,600	97,360
2019	277,600	89,160
2020	287,900	81,636
2021	298,600	73,834
2022-2026	1,668,400	241,580
2027-2028	757,500	30,980
	<u>\$ 3,887,300</u>	<u>\$ 719,896</u>

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

The City maintains three 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.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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Investments of the Plans are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

At December 31, 2016, none of the investments were more than five percent of the total asset value for each plan.

Plan Participants

At December 31, 2016, employees covered under the City's pension plans consisted of:

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Inactive plan members or beneficiaries currently receiving benefits	129	120	89
Inactive plan members entitled to but not yet receiving benefits	30	8	-
Active plan members	165	92	50
Total	324	220	139

Plan Administration

The plans are governed by the Third Class City Code of the Commonwealth, as amended. The Officers and Employees Plan is governed by the City of York Officer and Employees Retirement Board, which consists of the Mayor, City Controller, Business Administrator, two participants of the Officers and Employees Plan to be chosen by active participants, and one member of City Council. The Police Plan is governed by the City of York Police Pension Fund Association, which consists of the Mayor, City Treasurer, Business Administrator, two City residents (one chosen by the Mayor and one chosen by City police officers), one active Police Plan participant, and one retired participant of the Police Plan. The Paid Firefighters Plan is governed by the City of York Paid Firefighters Pension Fund Board, which consists of the Mayor, City Treasurer, Business Administrator, two City residents (one chosen by the Mayor and one chosen by City paid firefighters), and two active Paid Firefighter Plan participants.

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Benefits Provided - Officers and Employees Plan

Normal Retirement - Officers and Employees are vested upon completion of 12 years of service. 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 five years of service if hired on or after January 1, 1978, or after completion of 40 years of service, regardless of age.

Retirement Benefit - For Officers and Employees hired before January 1, 1978, the normal retirement pension is payable semi-monthly for life with payments ceasing upon death. The amount of annual pension is equal to 50% of the higher of the final rate of compensation or compensation averaged over the highest consecutive five years of employment. Service increments of 1/40th of the annual pension per year of service in excess of 20, but not beyond age 65, are provided if the member makes extra contributions. The calculation of compensation includes base salary only. For Officers and Employees hired on or after January 1, 1978, the normal retirement pension is payable semi-monthly for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, payable to dependent children under the age of 18 equal to 50% of the pension the member was receiving at the time of death. The amount of annual pension is equal to 2% of average annual compensation, multiplied by the number of complete years of service at retirement, up to a maximum of 40 years. Average annual compensation is based upon compensation for the highest five consecutive years out of the last ten years of employment. The calculation of compensation includes base salary plus longevity payments.

Early Retirement - Members are eligible for early retirement upon attainment of age 55 and completion of five years of service. The early retirement benefit is the benefit accrued to the date of early retirement, reduced 1/3 of 1% for each month early.

Disability Benefit - For Officers and Employees hired before January 1, 1978, a disability benefit is provided upon permanent disability before age 55 after completion of 15 years of service. The disability retirement pension is 50% of compensation at the time of disability. Such disability pension is reduced by Workers' Compensation benefits received. For Officers and Employees hired on or after January 1, 1978, members are eligible for disability retirement after completion of ten or more years of service. The disability retirement benefit is the benefit accrued to the date of disability, but not less than 50% of average monthly compensation. However, the amount of benefit shall not exceed such amount as necessary to make all benefits fully or partially financed by the City equal to 80% of compensation at the time of disability.

Death Benefit - The death benefit for a member who has been married at least one year and is eligible for normal retirement is a survivor pension for his/her surviving spouse equal to 50% of the pension the member would have been receiving had he/she retired on the day prior to

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the date of death and had elected to receive his/her pension in a joint and 50% survivor benefit option form.

Benefits Provided - Police Plan

Normal Retirement - A Police member is vested upon completion of 12 years of service. For Police hired prior to January 1, 2015, the normal retirement requirement is attainment of age 50 and completion of 20 years and six months of service. For Police hired on or after January 1, 2015, the normal retirement is attainment of age 55 and completion of 20 years and six months of service.

Retirement Benefit - The normal retirement pension is payable in semi-monthly installments for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, to dependent children under the age of 18. The amount of annual pension is equal to 50% of the yearly salary paid to officers or employees of the same rank the member holds at the time of retirement. An additional incremental pension is provided equal to 1/40 of the annual pension for each complete year of service in excess of 20 (but not beyond age 65) up to a maximum of \$1,200 additional per year. The calculation of salary includes base salary plus longevity increments.

Postretirement Cost-of-Living Increase - Effective January 1, 2013, the Police members receive a pension increase of 2.5% per year. For certain Police members retired between January 1, 2003 and January 15, 2003, the annual pension increase is equal to 4%. For certain Police members who retired before January 1, 2013, the pension is increased by 50% of the dollar increase granted to active patrolmen of the highest pay grade.

Deferred Retirement Option Plan (DROP) - Effective January 1, 2007, an active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of not less than one year, nor more than three years. His/her monthly pension shall be calculated as of his/her date of participation in the DROP and shall be deposited into a self-directed account, or be credited with a fixed rate of return designated by the City at no less than 3.0% per annum, with the monies in such account distributed to the member in a lump sum at retirement.

As of December 31, 2016, the balance held by the Police Plan pursuant to the DROP totaled \$368,415.

Disability Benefit - A disability benefit is provided due to a service related total and permanent disability. The disability retirement pension is equal to the pension based upon the normal retirement formula. A disability benefit is provided due to a nonservice related total and permanent disability after completion of ten years of service. The disability retirement pension

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is equal to 30% of salary at the time of disability plus 2% of salary for each year of service in excess of ten, up to a maximum pension of 50% of salary. Such disability pension is reduced by Workers' Compensation benefits received.

Death Benefit - If a member dies after being eligible to retire, a death benefit is payable to his/her surviving spouse, or if no surviving spouse, to dependent children under the age of 18 in an amount equal to the benefit the member would have been receiving had he/she been retired on the day of his/her death.

Benefits Provided - Paid Firefighters Plan

Normal Retirement - Paid Firefighters are vested upon completion of 10 years 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 six months of service if hired on or after January 1, 1988.

Retirement Benefit - For Paid Firefighters hired before January 1, 1988, the normal retirement pension is payable monthly for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, to dependent children under the age of 18. The amount of annual pension is equal to 50% of the yearly salary of the member at the time of retirement or the highest average annual salary which the member received during any five years preceding retirement, if higher. An additional incremental pension is provided equal to 1/40 of the annual pension for each complete year of service in excess of 20 (but not beyond age 65) up to a maximum of \$1,200 additional per year. The calculation of salary includes base salary plus longevity increments.

For Paid Firefighters hired on or after January 1, 1988, the normal retirement pension is payable monthly for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, to dependent children under the age of 18. The amount of annual pension is equal to 52% of the yearly salary of the member at the time of retirement or the highest average annual salary, which the member received during any five years preceding retirement, if higher. The calculation of salary includes base salary plus longevity increments.

Postretirement Cost-of-Living Increase - Paid Firefighters hired prior to January 1, 1988 receive a pension increase equal to 50% of the dollar increase granted to active firemen of the highest pay grade. For certain Paid Firefighters Pension Plan members retired between January 1, 2003 and January 15, 2003, the annual pension increase is equal to 4%.

DROP - Effective January 1, 2016, an active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of not less than one year, nor more than three years. His/her monthly pension shall be calculated as of his/her date

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of participation in the DROP and shall be deposited into a self-directed account, or be credited with a fixed rate of return designated by the City at no less than 3.0% per annum, with the monies in such account distributed to the member in a lump sum at retirement.

As of December 31, 2016, the balance held by the Paid Firefighters Plan pursuant to the DROP totaled \$206,855.

Disability Benefit - A disability benefit is provided under permanent disability after completion of ten years of service. The disability retirement pension is 30% of salary at the time of disability plus 2% of salary for each year of service in excess of ten, up to a maximum pension of 50% of salary. Such disability pension is reduced by Workers' Compensation benefits received if the disability was not incurred in the line of duty.

Death Benefit - If a member dies prior to being eligible to retire, a death benefit is payable to his/her surviving spouse or, if no surviving spouse, to dependent children under the age of 18 equal to 30% of salary plus 2% of salary for each year of service in excess of ten, up to a maximum pension of 50% of salary. If a member dies after being eligible to retire, a death benefit is payable to his/her surviving spouse or, if no surviving spouse, to dependent children under the age of 18 equal to the benefit the member would have been receiving had he/she been retired on the day of his/her death.

Contributions

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.

The City is required to make actuarially determined periodic contributions at rates that, for individual employees, increase over time so that sufficient assets will be available to pay benefits when due.

Effective with the 1985 plan year, the City has participated in Level III of the Act 205 Recovery Program, a Commonwealth 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.

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During the year ended December 31, 2016, state aid of \$1,955,467 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. The City made the following contributions to the pension plans for the year ended December 31, 2016:

	Officers and Employees Pension Plan	Paid Firefighters Pension Plan	Police Pension Plan
Actuarially determined contribution under Act 205	\$ 1,129,001	\$ 2,226,597	\$ -
Contributions made by December 31, 2016	<u>1,129,001</u>	<u>2,226,597</u>	<u>1,074,024</u>
Excess contribution made	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,074,024</u></u>

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.

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Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2016 were as follows:

Officers and Employees Pension Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 32,223,725	\$ 22,602,347	\$ 9,621,378
Changes for the year:			
Service cost	628,291	-	628,291
Interest	2,556,901	-	2,556,901
Contributions - employer	-	1,129,001	(1,129,001)
Contributions - member	-	148,872	(148,872)
Net investment income	-	1,503,099	(1,503,099)
Benefit payments, including refunds	(1,781,508)	(1,781,508)	-
Net changes	1,403,684	999,464	404,220
Balances at December 31, 2016	<u>\$ 33,627,409</u>	<u>\$ 23,601,811</u>	<u>\$ 10,025,598</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>70.19%</u>

The net pension liability of the Officers and Employees Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$7,624,834 and \$2,400,764, respectively, at December 31, 2016.

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Police Pension Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 80,006,620	\$ 47,229,806	\$ 32,776,814
Changes for the year:			
Service cost	1,266,216	-	1,266,216
Interest	6,320,281	-	6,320,281
Changes of benefit terms	1,908,531	-	1,908,531
Contributions - employer	-	1,074,024	(1,074,024)
Contributions - member	-	322,726	(322,726)
Net investment income	-	3,068,741	(3,068,741)
Benefit payments, including refunds	(4,089,708)	(4,089,708)	-
Net changes	5,405,320	375,783	5,029,537
Balances at December 31, 2016	\$ 85,411,940	\$ 47,605,589	\$ 37,806,351
Plan fiduciary net position as a percentage of the total pension liability			55.74%

For certain members who retired before January 1, 2003, the pension is increased for a postretirement cost-of-living increase by 50% of the dollar increase granted to active patrolmen of the highest pay grade. This change in benefit terms was reflected in the measurement date of December 31, 2016 and is shown in the table above.

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Paid Firefighters Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 55,752,747	\$ 26,070,964	\$ 29,681,783
Changes for the year:			
Service cost	519,523	-	519,523
Interest	4,374,388	-	4,374,388
Contributions - employer	-	2,226,597	(2,226,597)
Contributions - member	-	178,383	(178,383)
Net investment income	-	1,729,517	(1,729,517)
Benefit payments, including refunds	(3,044,634)	(3,044,634)	-
Net changes	1,849,277	1,089,863	759,414
Balances at December 31, 2016	\$ 57,602,024	\$ 27,160,827	\$ 30,441,197
Plan fiduciary net position as a percentage of the total pension liability			47.15%

The net pension liability was measured as of December 31, 2016 and was determined by rolling forward liabilities from the January 1, 2015 actuarial valuation. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

Actuarial Assumptions - The January 1, 2015 actuarial valuation used the entry age normal actuarial cost method and RP2000 mortality table. The actuarial assumptions for the Plans include the following: a) 8.00% investment rate of return, b) a projected salary increase of 5.00%, c) 3.00% inflation rate, d) level dollar closed amortization method, and e) 21-year remaining amortization period for Paid Firefighters Plan, 16-year remaining amortization period for Officers and Employees Plan, and 20-year remaining amortization period for Police Plan. These assumptions were applied to all periods included in the measurement of total pension liability.

Investment Policy - The Plans' policies in regard to the allocation of invested assets are established and may be amended by the respective Boards. The Boards seek to maximize return commensurate with the level of risk undertaken. The specific investment return objective is to meet or exceed the rate of return assumed in the actuarial assumptions.

Long-Term Expected Rate of Return - The long-term expected rates of return on the Plans' investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are

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combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the Plans' as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60 - 70%	5.50 - 7.50%
Fixed income	30 - 40%	1.00 - 3.00%

Rate of Return - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016, the annual money-weighted rate of return on Plan investments, net of investment expense, was 0.72%.

Discount Rate - The discount rate used to measure the total pension liability as of December 31, 2016 was 8.00% for all the Plans. The Plans' fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of each Plan calculated using the discount rate described above, as well as what the Plan's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Officers and Employees Pension Plan	<u>\$ 13,577,239</u>	<u>\$ 10,025,598</u>	<u>\$ 7,016,750</u>
Police Pension Plan	<u>\$ 48,397,081</u>	<u>\$ 37,806,351</u>	<u>\$ 29,038,398</u>
Paid Firefighters Pension Plan	<u>\$ 38,248,315</u>	<u>\$ 30,441,197</u>	<u>\$ 26,594,389</u>

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension expense of \$14,127,068 in the governmental activities and \$188,881 in the business-type activities. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 1,697,067	\$ -
Changes of assumptions	2,570,695	186,609
Net difference between projected and actual earnings on pension plan investments	7,430,193	457,532
Total deferred outflows of resources	<u>\$ 11,697,955</u>	<u>\$ 644,141</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 3,124,074	\$ 118,333
Total deferred inflows of resources	<u>\$ 3,124,074</u>	<u>\$ 118,333</u>

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The differences in the governmental activities and business-type activities expected and actual experience and the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	\$ 4,319,881	\$ 161,615
2018	1,968,795	161,615
2019	1,968,794	161,615
2020	273,120	27,316
2021	43,291	13,647
	<u>\$ 8,573,881</u>	<u>\$ 525,808</u>

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.

Police and Paid Firefighters Pensions Litigation

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. As of January 1, 2013, the outstanding unfunded liability reached a cumulative total of \$64,675,648.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Between 2008 – 2014, the City maintained cash flow by delaying the payment of its pension MMO to the subsequent year. FOP and IAFF pension reform in 2015 and 2016, respectively, enabled the City to become current on the annual obligation. However, the City must continue to aggressively manage and control post-retirement employee pensions and health insurance costs for the City to reach adequate funding level for post-employment benefits. Successful public safety labor contract negotiations with the IAFF in 2017 and FOP in 2018 are critical for the City to continue the positive trend.

CITY OF YORK, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Pension Financial Statements

Financial statements for the individual pension plans are presented below:

Statement of Net Position
December 31, 2016

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total Pension Trust Fund
Assets:				
Investments, at fair value	\$ 23,601,811	\$ 47,605,589	\$ 27,160,827	\$ 98,368,227
Total assets	<u>23,601,811</u>	<u>47,605,589</u>	<u>27,160,827</u>	<u>98,368,227</u>
Net Position:				
Restricted for pension benefits	<u>\$ 23,601,811</u>	<u>\$ 47,605,589</u>	<u>\$ 27,160,827</u>	<u>\$ 98,368,227</u>

Statement of Changes in Net Position
Year Ended December 31, 2016

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total Pension Trust Fund
Additions:				
Contributions:				
Employee	\$ 148,872	\$ 322,726	\$ 178,383	\$ 649,981
Employer	1,129,001	1,074,024	2,226,597	4,429,622
Total contributions	<u>1,277,873</u>	<u>1,396,750</u>	<u>2,404,980</u>	<u>5,079,603</u>
Investment income:				
Interest and dividend income	340,101	719,176	392,293	1,451,570
Net appreciation of investments	1,266,163	2,556,749	1,456,221	5,279,133
Less investment expenses	(103,165)	(207,184)	(118,997)	(429,346)
Net investment income	<u>1,503,099</u>	<u>3,068,741</u>	<u>1,729,517</u>	<u>6,301,357</u>
Total additions	<u>2,780,972</u>	<u>4,465,491</u>	<u>4,134,497</u>	<u>11,380,960</u>
Deductions:				
Benefits paid to recipients	1,781,508	4,089,708	3,044,634	8,915,850
Total deductions	<u>1,781,508</u>	<u>4,089,708</u>	<u>3,044,634</u>	<u>8,915,850</u>
Change in net position	999,464	375,783	1,089,863	2,465,110
Net position restricted for pension benefits:				
Beginning of year	<u>22,602,347</u>	<u>47,229,806</u>	<u>26,070,964</u>	<u>95,903,117</u>
End of year	<u>\$ 23,601,811</u>	<u>\$ 47,605,589</u>	<u>\$ 27,160,827</u>	<u>\$ 98,368,227</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions

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

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 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, 2016, the City's net cost of providing full health care benefits for retired employees was \$3,229,834. Plan members receiving benefits contributed \$224,703, 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

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
Prior to 9/1/08	1/1/13 - 12/31/13	1,500	1,300
Prior to 9/1/08	1/1/14 - 12/31/14	1,600	1,400
Prior to 9/1/08	1/1/15 or later	1,700	1,500
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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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
Prior to 7/25/08	1/1/13 - 12/31/13	1,500	1,300
Prior to 7/25/08	1/1/14 - 12/31/14	1,600	1,400
Prior to 7/25/08	1/1/15 - 12/31/15	1,700	1,500
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.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

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.

Information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2015
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	6% in 2015 and 5.5% in 2016 through 2020; rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Mortality table	RP2000

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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, 2016 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 7,603,940	\$ 12,396	\$ 7,616,336
Interest on net OPEB obligation	1,073,276	1,750	1,075,026
Adjustment to annual required contribution	(1,464,223)	(2,387)	(1,466,610)
Annual OPEB Cost	7,212,993	11,759	7,224,752
Contribution made	(3,224,577)	(5,257)	(3,229,834)
Change in Net OPEB obligation	3,988,416	6,502	3,994,918
Net OPEB obligation, beginning	23,241,994	407,729	23,649,723
Net OPEB obligation, ending	<u>\$ 27,230,410</u>	<u>\$ 414,231</u>	<u>\$ 27,644,641</u>

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2016	\$ 7,224,752	44.71%	\$ 27,644,641
2015	6,159,712	51.64%	23,649,723
2014	6,215,031	47.13%	20,670,582

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2015	\$ -	\$ 84,920,112	\$ (84,920,112)	0.00%	\$ 18,650,172	-455.33%

16. 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.

Changes in the balances of claims liability (net of excess insurance) during the past three years ended December 31, 2016 were as follows:

	Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2014	\$ 1,057,475	\$ 6,971,929	\$ 7,497,597	\$ 531,807
2015	531,807	6,680,500	6,872,789	339,518
2016	339,518	7,966,448	7,915,956	390,010

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, 2016, 2015, and 2014.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

17. COMMITMENTS AND CONTINGENCIES

Leases

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

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

Grants

Grants received are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. However, the Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

Contract Commitment

During 2016, the City entered into a contract with a provider for curbside refuse and recycling collection services for 2017 through 2021 at a cost of \$1,765,650 annually.

During 2015, the City, through the Capital Projects Fund, entered into a contract with an engineer in the amount of \$184,500. The commitment remaining on the contracts at December 31, 2016 was \$97,703.

During 2014, the City entered into a contract for ambulance services for 2015 through 2017, totaling \$280,000. Amounts will be paid annually from the General Fund and the commitment remaining on the contract at December 31, 2016 was \$100,000.

During the year ended December 31, 2016, the Redevelopment Authority entered into a contract for property demolition in the amount of \$148,142. The commitment remaining on the contract at December 31, 2016 was \$49,379.

During 2017, the Redevelopment Authority terminated a contract that was outstanding at December 31, 2016 for nonperformance related to demolition of property. The commitment remaining on the contract at December 31, 2016 was \$21,250.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

18. MANAGEMENT'S AGREEMENT WITH THE GENERAL AUTHORITY

The City has entered into a management and an administration agreement with the General Authority to operate, manage, and administer the General Authority's parking system. The management agreement requires that the General Authority pay the City a management fee to the General Fund in twelve equal installments. The City incurred \$827,481 in operating expenses and received \$707,173 in fees under the management agreement in 2016. The City earned \$141,000 in administrative fees under an administration agreement in 2016. A receivable of \$1,077,871 is recorded in the General Fund for fees that were earned under these agreements, but unpaid at December 31, 2016.

Under the management agreement between the General Authority and the City, the General 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, 2016, the General Authority owed the City \$1,077,871, which included six monthly billed amounts totaling \$637,301 from the City for the year ended December 31, 2012 that were not paid as of December 31, 2016. Discussions between the City Administration and the General Authority members continue. Potential revisions to the management agreement and management structure were put on hold as a parking study was completed by Desman Design Management. In 2017, the General Authority will continue to develop a strategic plan and work with the City Administration to resolve this balance. Additionally, the City will be implementing the results of an indirect cost allocation study to ensure the City is adequately recouping all overhead expenses. In June of 2017, the parking study was completed. Members of the General Authority and City Administration are working together to review the recommendations and to resolve all open matters.

19. LITIGATION

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

During the year ended December 31, 2016, the Redevelopment Authority, as condemnor, was involved in an eminent domain case, where the condemnee challenged the valuation of the property. A jury awarded \$1,250,000 in just compensation to the condemnee. The Redevelopment Authority has appealed the award. As the litigation related to events occurring prior to December 31, 2015, the \$1,250,000 was reflected as a liability as of December 31, 2015.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

20. SUBSEQUENT EVENTS

In January of 2017, the City borrowed \$3,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2017, bearing interest at an annual rate of 2.00% until the maturity date of May 1, 2017.

In February 2017, the City entered into a five-year capital lease agreement in the amount of \$102,740 for the lease purchase of two air cooled condenser units. The lease will be financed through the Ice Rink Fund.

In September 2017, the City issued General Obligation Bonds, Series A of 2017 (Series A 2017 Bonds) in the principal amount of \$11,550,000 and General Obligation Bonds, Federally Taxable Series B of 2017 (Series B 2017 Bonds) in the principal amount of \$2,335,000. The proceeds of Series A 2017 Bonds will be used to (1) advance refund the City's General Obligation Bonds, Series of 2011, and (2) pay debt issuance costs. The proceeds of the Series B 2017 Bonds will be used to (1) currently refund the York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001, and (2) paying issuance costs.

On February 10, 2017, the Sewer Authority entered into a Modification Agreement for the Guaranteed Sewer Revenue Bonds – Series of 2008 (Series of 2008 Bonds), reducing the annual fixed rate to 2.94%. Also in accordance with the Modification Agreement, the Series of 2008 Bonds are subject to a prepayment fee of 2% of the principal sum being prepaid or redeemed during the period of February 10, 2017 through December 31, 2018 and 1% of the principal sum being prepaid or redeemed during the period of December 2, 2018 through December 1, 2021. Thereafter, outstanding principal is subject to prepayment without penalty.

In April 2017, the Sewer Authority approved a contract for the wastewater treatment plant electrical substation #3 replacement project totaling \$1,227,203.

21. RESTATEMENT

During the year ended December 31, 2016, the General Authority determined that the due to primary government liability and expenses were overstated at December 31, 2015 by \$81,203. The beginning of year General Authority net position has been increased from \$2,618,519 to \$2,699,722. Had the due to primary government been properly stated, the change in net position for the General Authority would have been \$22,647 for the year ended December 31, 2015, \$81,203 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, 2016**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 25,020,688	\$ 25,020,688	\$ -	\$ 26,327,143	\$ 1,306,455
Licenses and permits	1,803,500	1,803,500	-	1,668,628	(134,872)
Fines and forfeits	1,429,246	1,429,246	-	1,761,447	332,201
Grants and contributions	2,033,553	2,190,453	156,900	2,382,482	192,029
Charges for services	8,974,632	8,980,032	5,400	9,039,102	59,070
Interest	-	-	-	8,088	8,088
Miscellaneous	60,700	60,700	-	127,909	67,209
Total revenues	39,322,319	39,484,619	162,300	41,314,799	1,830,180
Expenditures:					
Current:					
General government	1,520,679	1,535,171	(14,492)	1,595,629	(60,458)
Sanitation	3,140,183	3,068,601	71,582	3,113,373	(44,772)
Public safety	28,668,971	28,949,881	(280,910)	27,019,477	1,930,404
Highways and streets	815,850	816,350	(500)	784,449	31,901
Public works	2,913,196	2,829,009	84,187	2,701,765	127,244
Community development and planning	3,184,240	3,172,904	11,336	2,812,061	360,843
Other departments and programs	136,129	136,129	-	127,974	8,155
Debt service	-	-	-	32,280	(32,280)
Total expenditures	40,379,248	40,508,045	(128,797)	38,187,008	2,321,037
Excess (deficiency) of revenues over (under) expenditures	(1,056,929)	(1,023,426)	33,503	3,127,791	4,151,217
Other financing sources (uses):					
Transfers in	2,754,963	2,754,963	-	2,814,963	60,000
Transfers out	(1,364,017)	(1,397,616)	(33,599)	(1,309,213)	88,403
Total other financing sources (uses)	1,390,946	1,357,347	(33,599)	1,505,750	148,403
Net change in fund balance	\$ 334,017	\$ 333,921	\$ (96)	\$ 4,633,541	\$ 4,299,620

See notes to required supplementary information - budget and actual.

CITY OF YORK, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2016

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 and capital projects fund budget comparisons are presented in the combining section.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

	<u>Appropriation</u>	<u>Expenditure</u>
General government	\$ 1,535,171	\$ 1,595,629
Sanitation	3,068,601	3,113,373
Debt service	-	32,280

Funds sufficient to provide for the excess expenditures were made available from other functions.

CITY OF YORK, PENNSYLVANIA

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CHANGES IN THE OFFICERS AND EMPLOYEES PENSION PLAN'S

NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDED DECEMBER 31, *

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 628,291	\$ 598,372	\$ 616,541
Interest	2,556,901	2,449,055	2,308,475
Differences between expected and actual experience	-	(690,824)	-
Changes of assumptions	-	1,089,428	-
Benefit payments, including refunds of member contributions	(1,781,508)	(1,677,033)	(1,419,365)
Net Changes in Total Pension Liability	1,403,684	1,768,998	1,505,651
Total Pension Liability - Beginning	32,223,725	30,454,727	28,949,076
Total Pension Liability - Ending (a)	\$33,627,409	\$32,223,725	\$30,454,727
Plan Fiduciary Net Position:			
Contributions - employer	\$ 1,129,001	\$ 1,448,271	\$ 724,531
Contributions - employees	148,872	141,597	159,718
Net investment income (loss)	1,503,099	(915,530)	477,956
Benefit payments, including refunds of member contributions	(1,781,508)	(1,677,033)	(1,419,365)
Net Change in Plan Fiduciary Net Position	999,464	(1,002,695)	(57,160)
Plan Fiduciary Net Position - Beginning	22,602,347	23,605,042	23,662,202
Plan Fiduciary Net Position - Ending (b)	\$23,601,811	\$22,602,347	\$23,605,042
Net Pension Liability - Ending (a-b)	\$10,025,598	\$ 9,621,378	\$ 6,849,685
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.19%	70.14%	77.51%
Covered Employee Payroll	\$ 7,513,114	\$ 7,405,770	\$ 7,283,412
Net Pension Liability as a Percentage of Covered Employee Payroll	133.44%	129.92%	94.05%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See note to required supplementary information - pension plans.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF CHANGES IN THE POLICE PENSION PLAN'S
NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, *
(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 1,266,216	\$ 1,205,920	\$ 1,322,853
Interest	6,320,281	6,047,318	6,178,659
Differences between expected and actual experience	-	(4,581,597)	-
Changes of assumptions	-	2,208,539	-
Changes in benefit terms	1,908,531	-	-
Benefit payments, including refunds of member contributions	(4,089,708)	(3,652,628)	(3,525,466)
Net Changes in Total Pension Liability	5,405,320	1,227,552	3,976,046
Total Pension Liability - Beginning	80,006,620	78,779,068	74,803,022
Total Pension Liability - Ending (a)	\$85,411,940	\$80,006,620	\$78,779,068
Plan Fiduciary Net Position:			
Contributions - employer	\$ 1,074,024	\$ -	\$ 3,491,221
Contributions - employees	322,726	328,860	350,605
Net investment income (loss)	3,068,741	(1,474,372)	1,375,276
Benefit payments, including refunds of member contributions	(4,089,708)	(3,652,628)	(3,525,466)
Net Change in Plan Fiduciary Net Position	375,783	(4,798,140)	1,691,636
Plan Fiduciary Net Position - Beginning	47,229,806	52,027,946	50,336,310
Plan Fiduciary Net Position - Ending (b)	\$47,605,589	\$47,229,806	\$52,027,946
Net Pension Liability - Ending (a-b)	\$37,806,351	\$32,776,814	\$26,751,122
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.74%	59.03%	66.04%
Covered Employee Payroll	\$ 6,665,819	\$ 6,306,343	\$ 7,164,627
Net Pension Liability as a Percentage of Covered Employee Payroll	567.17%	519.74%	373.38%

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See note to required supplementary information - pension plans.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF CHANGES IN THE PAID FIREFIGHTERS PENSION PLAN'S
NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, *
(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 519,523	\$ 494,784	\$ 511,278
Interest	4,374,388	4,238,174	3,604,349
Changes of benefit terms	-	28,139	-
Differences between expected and actual experience	-	5,091,199	-
Changes of assumptions	-	1,962,059	-
Benefit payments, including refunds of member contributions	(3,044,634)	(2,925,202)	(3,590,234)
Net Changes in Total Pension Liability	1,849,277	8,889,153	525,393
Total Pension Liability - Beginning	55,752,747	46,863,594	46,338,201
Total Pension Liability - Ending (a)	<u>\$57,602,024</u>	<u>\$55,752,747</u>	<u>\$46,863,594</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 2,226,597	\$ 2,273,368	\$ 1,537,319
Contributions - employees	178,383	218,812	226,812
Net investment income (loss)	1,729,517	(1,020,636)	514,571
Benefit payments, including refunds of member contributions	(3,044,634)	(2,925,202)	(3,590,234)
Net Change in Plan Fiduciary Net Position	1,089,863	(1,453,658)	(1,311,532)
Plan Fiduciary Net Position - Beginning	26,070,964	27,524,622	28,836,154
Plan Fiduciary Net Position - Ending (b)	<u>\$27,160,827</u>	<u>\$26,070,964</u>	<u>\$27,524,622</u>
Net Pension Liability - Ending (a-b)	<u>\$30,441,197</u>	<u>\$29,681,783</u>	<u>\$19,338,972</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.15%	46.76%	58.73%
Covered Employee Payroll	<u>\$ 3,624,686</u>	<u>\$ 3,869,835</u>	<u>\$ 3,705,295</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	839.83%	767.00%	521.93%

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See note to required supplementary information - pension plans.

CITY OF YORK, PENNSYLVANIA

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - OFFICERS AND EMPLOYEES PENSION PLAN

YEAR ENDED DECEMBER 31, *

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 1,129,001	\$ 1,204,572	\$ 724,531	\$ 757,667	\$ 762,020	\$ 759,447	\$ 376,684	\$ 344,088	\$ 335,270	\$ 331,360
Contributions in relation to the actuarially determined contribution	1,129,001	1,448,271	724,531	757,667	762,020	759,447	376,684	344,088	335,270	331,360
Contribution deficiency (excess)	\$ -	\$ (243,699)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 7,513,114	\$ 7,405,770	\$ 7,283,412							
Contributions as a percentage of covered employee payroll	15.03%	19.56%	9.95%							
Investment Returns										
Annual money-weighted rate of return, net of investment expense	0.72%	-2.47%	1.73%							

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See note to required supplementary information - pension plans.

CITY OF YORK, PENNSYLVANIA

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN

YEAR ENDED DECEMBER 31, *

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ -	\$ -	\$ 3,491,221	\$ 3,428,955	\$ 3,509,807	\$ 3,384,038	\$ 3,244,829	\$ 3,120,388	\$ 3,052,400	\$ 2,988,309
Contributions in relation to the actuarially determined contribution	1,074,024	-	3,491,221	3,428,955	3,509,807	3,384,038	3,244,829	3,120,388	3,052,400	2,988,309
Contribution deficiency (excess)	<u>\$ (1,074,024)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 6,665,819</u>	<u>\$ 6,306,343</u>	<u>\$ 7,164,627</u>							
Contributions as a percentage of covered employee payroll	16.11%	0.00%	48.73%							
Investment Returns										
Annual money-weighted rate of return, net of investment expense	0.72%	-2.47%	1.73%							

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See note to required supplementary information - pension plans.

CITY OF YORK, PENNSYLVANIA

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - PAID FIREFIGHTERS PENSION PLAN

YEAR ENDED DECEMBER 31, *

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 2,226,597	\$ 2,217,425	\$ 1,537,319	\$ 1,521,930	\$ 1,756,473	\$ 1,715,778	\$ 1,805,385	\$ 1,785,031	\$ 1,681,386	\$ 1,641,164
Contributions in relation to the actuarially determined contribution	2,226,597	2,273,368	1,537,319	1,521,930	1,756,473	1,715,778	1,805,385	1,785,031	1,681,386	1,641,164
Contribution deficiency (excess)	\$ -	\$ (55,943)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,624,686	\$ 3,869,835	\$ 3,705,295							
Contributions as a percentage of covered employee payroll	61.43%	58.75%	41.49%							
Investment Returns										
Annual money-weighted rate of return, net of investment expense	0.72%	-2.47%	1.73%							

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See note to required supplementary information - pension plans.

CITY OF YORK, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2016

1. ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the Officers and Employees Pension Plan, Police Pension Plan, and Paid Firefighters Pension Plan required under Act 205 are as follows:

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Actuarial valuation date	1/1/2013	1/1/2013	1/1/2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Mortality	UP 1984 Table	UP 1984 Table	UP 1984 Table
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	19 years	20 years	26 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Salary increases	5%	5%	5%
Inflation	3%	3%	3%
Cost-of-living adjustment	-	2.5% per year. For certain members who retired between January 1, 2003 and January 15, 2003 - 4.00% per year	5%

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

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Overfunded (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
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%)
1/1/13	-	69,053,778	(69,053,778)	0.00%	18,030,874	(382.98%)
1/1/15	-	84,920,112	(84,920,112)	0.00%	18,650,172	(455.33%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Percentage Contributed
2011	\$ 5,344,602	45.28%
2012	5,352,252	50.86%
2013	5,352,252	46.01%
2014	6,499,994	45.07%
2015	6,499,994	48.93%
2016	7,616,336	42.41%

Supplementary Information

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Assets					
Cash and cash equivalents	\$ -	\$ 58,292	\$ 24,680	\$ -	\$ -
Receivables:					
Loans (less allowance for doubtful accounts of \$138,989 in Community Development Block Grant Fund, \$106,213 in Section 108 Fund, and \$287,416 in HOME Fund)	-	210,168	787,604	-	601,877
Taxes (less allowance for doubtful accounts of \$129,578 in Recreation Fund)	136,371	-	-	-	-
Accounts, notes, and grants	9,856	-	-	75,688	-
Due from other funds	141,500	-	-	-	-
Due from other governments	-	-	166,561	-	-
Total assets	<u>\$ 287,727</u>	<u>\$ 268,460</u>	<u>\$ 978,845</u>	<u>\$ 75,688</u>	<u>\$ 601,877</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)					
Liabilities:					
Accounts payable and accrued expenses	\$ 24,724	\$ 6,730	\$ 91,241	\$ -	\$ -
Accrued wages payable	23,343	-	-	-	-
Due to other funds	95,822	-	100,000	42,012	-
Due to other governments	-	3,154	-	-	-
Unearned revenue	-	210,168	787,604	18,640	601,877
Total liabilities	<u>143,889</u>	<u>220,052</u>	<u>978,845</u>	<u>60,652</u>	<u>601,877</u>
Deferred inflows of resources:					
Unavailable revenue - taxes	<u>129,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):					
Restricted for:					
Parks and recreation	14,260	-	-	-	-
Highways and streets	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	48,408	-	15,036	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	<u>14,260</u>	<u>48,408</u>	<u>-</u>	<u>15,036</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 287,727</u>	<u>\$ 268,460</u>	<u>\$ 978,845</u>	<u>\$ 75,688</u>	<u>\$ 601,877</u>

Special Revenue Funds					Total Nonmajor Governmental Funds
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Health Grant Fund	Weyer Trust	
\$ 492,612	\$ 442,689	\$ 65,365	\$ -	\$ 35,486	\$ 1,119,124
-	-	1,628,692	-	-	3,228,341
-	-	-	-	-	136,371
165,940	95,853	-	-	-	347,337
-	-	-	-	-	141,500
-	-	-	400,335	-	566,896
<u>\$ 658,552</u>	<u>\$ 538,542</u>	<u>\$ 1,694,057</u>	<u>\$ 400,335</u>	<u>\$ 35,486</u>	<u>\$ 5,539,569</u>
\$ 152,520	\$ 83,594	\$ -	\$ 8,833	\$ -	\$ 367,642
2,801	-	-	22,492	2,510	51,146
-	-	-	704,754	-	942,588
-	-	65,365	-	-	68,519
-	75,270	1,628,692	-	-	3,322,251
<u>155,321</u>	<u>158,864</u>	<u>1,694,057</u>	<u>736,079</u>	<u>2,510</u>	<u>4,752,146</u>
-	-	-	-	-	129,578
-	-	-	-	-	14,260
503,231	-	-	-	-	503,231
-	379,678	-	-	-	379,678
-	-	-	-	32,976	96,420
-	-	-	(335,744)	-	(335,744)
<u>503,231</u>	<u>379,678</u>	<u>-</u>	<u>(335,744)</u>	<u>32,976</u>	<u>657,845</u>
<u>\$ 658,552</u>	<u>\$ 538,542</u>	<u>\$ 1,694,057</u>	<u>\$ 400,335</u>	<u>\$ 35,486</u>	<u>\$ 5,539,569</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2016

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Revenues:					
Taxes	\$ 1,217,286	\$ -	\$ -	\$ -	\$ -
Grants and contributions	2,895	-	1,325,402	-	-
Charges for services	487,741	-	11,753	-	-
Loan repayments	-	52,343	-	-	-
Interest	100	124	-	-	-
Miscellaneous	52,351	3,460	-	-	-
Total revenues	1,760,373	55,927	1,337,155	-	-
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	1,553,934	-	-	-	-
Community development and planning	-	23,572	627,440	-	-
Other departments and programs	-	-	-	-	-
Debt service:					
Principal retirements	-	-	240,000	-	-
Interest	-	-	75,746	-	-
Capital outlay	-	-	435,791	-	-
Total expenditures	1,553,934	23,572	1,378,977	-	-
Excess (deficiency) of revenues over (under) expenditures	206,439	32,355	(41,822)	-	-
Other financing sources (uses):					
Capital lease	-	-	-	-	-
Transfers in	-	-	41,822	-	-
Transfers out	(128,049)	(41,822)	-	-	-
Total other financing sources (uses)	(128,049)	(41,822)	41,822	-	-
Net change in fund balances (deficits)	78,390	(9,467)	-	-	-
Fund balances (deficits) - beginning of year	(64,130)	57,875	-	15,036	-
Fund balances (deficits) - end of year	\$ 14,260	\$ 48,408	\$ -	\$ 15,036	\$ -

Special Revenue Funds					Total Nonmajor Governmental Funds
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Health Grant Fund	Weyer Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,217,286
1,263,455	457,114	138,394	1,309,934	142,837	4,640,031
-	52,050	-	-	-	551,544
-	-	-	-	-	52,343
6,261	341	-	-	3	6,829
25,829	110,303	-	7,206	-	199,149
<u>1,295,545</u>	<u>619,808</u>	<u>138,394</u>	<u>1,317,140</u>	<u>142,840</u>	<u>6,667,182</u>
-	169,689	-	-	-	169,689
-	217,697	-	-	-	217,697
746,381	1,853	-	-	-	748,234
-	75,535	-	-	-	75,535
-	37,960	-	-	-	1,591,894
-	91,531	138,394	-	128,829	1,009,766
-	-	-	1,283,381	-	1,283,381
94,127	-	-	-	-	334,127
8,651	-	-	-	-	84,397
632,578	62,654	-	7,260	-	1,138,283
<u>1,481,737</u>	<u>656,919</u>	<u>138,394</u>	<u>1,290,641</u>	<u>128,829</u>	<u>6,653,003</u>
<u>(186,192)</u>	<u>(37,111)</u>	<u>-</u>	<u>26,499</u>	<u>14,011</u>	<u>14,179</u>
145,532	-	-	-	-	145,532
-	-	-	180,000	-	221,822
-	-	-	-	-	(169,871)
<u>145,532</u>	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>197,483</u>
(40,660)	(37,111)	-	206,499	14,011	211,662
<u>543,891</u>	<u>416,789</u>	<u>-</u>	<u>(542,243)</u>	<u>18,965</u>	<u>446,183</u>
<u>\$ 503,231</u>	<u>\$ 379,678</u>	<u>\$ -</u>	<u>\$ (335,744)</u>	<u>\$ 32,976</u>	<u>\$ 657,845</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 3,084,675	\$ 3,084,675	\$ -	\$ 3,241,799	\$ 157,124
Grants and contributions	1,900,000	1,900,000	-	1,955,467	55,467
Charges for services	183,508	183,508	-	172,445	(11,063)
Interest	58,940	58,940	-	54,325	(4,615)
Total revenues	5,227,123	5,227,123	-	5,424,036	196,913
Expenditures:					
Current:					
General government	6,625	6,625	-	6,240	385
Debt service	5,598,100	5,598,100	-	5,598,100	-
Total expenditures	5,604,725	5,604,725	-	5,604,340	385
Excess (deficiency) of revenues (under) expenditures	(377,602)	(377,602)	-	(180,304)	197,298
Other financing sources (uses):					
Transfers in	1,016,652	1,006,652	(10,000)	1,022,729	16,077
Transfers out	(621,402)	(621,402)	-	(621,391)	11
Total other financing sources (uses)	395,250	385,250	(10,000)	401,338	16,088
Net change in fund balance	\$ 17,648	\$ 7,648	\$ (10,000)	\$ 221,034	\$ 213,386

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

	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	\$ 2,123,150	\$ 2,358,660	\$ 235,510	\$ 1,235,778	\$ (1,122,882)
Interest	-	-	-	3	3
Total revenues	<u>2,123,150</u>	<u>2,358,660</u>	<u>235,510</u>	<u>1,235,781</u>	<u>(1,122,879)</u>
Expenditures:					
Current:					
General government	-	-	-	131,071	(131,071)
Debt service	547,424	547,424	-	547,424	-
Capital outlay	<u>2,007,771</u>	<u>2,183,908</u>	<u>(176,137)</u>	<u>1,596,059</u>	<u>587,849</u>
Total expenditures	<u>2,555,195</u>	<u>2,731,332</u>	<u>(176,137)</u>	<u>2,274,554</u>	<u>456,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(432,045)</u>	<u>(372,672)</u>	<u>59,373</u>	<u>(1,038,773)</u>	<u>(666,101)</u>
Other financing sources (uses):					
Capital lease	-	-	-	168,421	168,421
Transfers in	<u>832,238</u>	<u>865,838</u>	<u>33,600</u>	<u>656,635</u>	<u>(209,203)</u>
Total other financing sources (uses)	<u>832,238</u>	<u>865,838</u>	<u>33,600</u>	<u>825,056</u>	<u>(40,782)</u>
Net change in fund balance	<u>\$ 400,193</u>	<u>\$ 493,166</u>	<u>\$ 92,973</u>	<u>\$ (213,717)</u>	<u>\$ (706,883)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 1,188,759	\$ 1,188,759	\$ -	\$ 1,217,286	\$ 28,527
Grants and contributions	63,500	63,500	-	2,895	(60,605)
Charges for services	565,000	565,000	-	487,741	(77,259)
Interest	-	-	-	100	100
Miscellaneous	52,000	52,000	-	52,351	351
Total revenues	1,869,259	1,869,259	-	1,760,373	(108,886)
Expenditures:					
Current:					
Parks and recreation	1,723,556	1,723,556	-	1,553,934	169,622
Total expenditures	1,723,556	1,723,556	-	1,553,934	169,622
Excess (deficiency) of revenues (under) expenditures	145,703	145,703	-	206,439	60,736
Other financing sources (uses):					
Transfers out	(106,720)	(106,720)	-	(128,049)	(21,329)
Total other financing sources (uses)	(106,720)	(106,720)	-	(128,049)	(21,329)
Net change in fund balance	\$ 38,983	\$ 38,983	\$ -	\$ 78,390	\$ 39,407

CITY OF YORK, PENNSYLVANIA**STATEMENT OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL****COMMUNITY DEVELOPMENT BLOCK GRANT FUND - OTHER GOVERNMENTAL FUND****YEAR ENDED DECEMBER 31, 2016**

	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	\$ 1,866,967	\$ 2,065,772	\$ 198,805	\$ 1,325,402	\$ (740,370)
Charges for services	-	-	-	11,753	11,753
Total revenues	1,866,967	2,065,772	198,805	1,337,155	(728,617)
Expenditures:					
Current:					
Community development and planning	1,366,967	1,565,370	(198,403)	627,440	937,930
Debt service	500,000	500,402	(402)	315,746	184,656
Capital outlay	-	-	-	435,791	(435,791)
Total expenditures	1,866,967	2,065,772	(198,805)	1,378,977	686,795
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(41,822)	(41,822)
Other financing sources (uses):					
Transfers in	-	-	-	41,822	41,822
Total other financing sources (uses)	-	-	-	41,822	41,822
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF YORK, PENNSYLVANIA**STATEMENT OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL****STATE LIQUID FUELS TAX FUND - OTHER GOVERNMENTAL FUND****YEAR ENDED DECEMBER 31, 2016**

	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	\$ 1,012,500	\$ 1,012,500	\$ -	\$ 1,263,455	\$ 250,955
Interest	-	-	-	6,261	6,261
Miscellaneous	-	-	-	25,829	25,829
Total revenues	1,012,500	1,012,500	-	1,295,545	283,045
Expenditures:					
Current:					
Highways and streets	1,668,185	1,668,185	-	746,381	921,804
Debt service	200,000	200,000	-	102,778	97,222
Capital outlay	30,000	30,000	-	632,578	(602,578)
Total expenditures	1,898,185	1,898,185	-	1,481,737	416,448
Excess (deficiency) of revenues over (under) expenditures	(885,685)	(885,685)	-	(186,192)	699,493
Other financing sources (uses):					
Capital lease	-	-	-	145,532	145,532
Total other financing sources (uses)	-	-	-	145,532	145,532
Net change in fund balance	\$ (885,685)	\$ (885,685)	\$ -	\$ (40,660)	\$ 845,025

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

	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	\$ 1,443,480	\$ 1,625,969	\$ 182,489	\$ 1,309,934	\$ (316,035)
Miscellaneous	13,500	13,500	-	7,206	(6,294)
Total revenues	1,456,980	1,639,469	182,489	1,317,140	(322,329)
Expenditures:					
Current:					
Other departments and programs	1,351,267	1,533,756	(182,489)	1,283,381	250,375
Capital outlay	-	-	-	7,260	(7,260)
Total expenditures	1,351,267	1,533,756	(182,489)	1,290,641	243,115
Excess (deficiency) of revenues over (under) expenditures	105,713	105,713	-	26,499	(79,214)
Other financing sources (uses):					
Transfers in	180,000	180,000	-	180,000	-
Total other financing sources (uses)	180,000	180,000	-	180,000	-
Net change in fund balance	\$ 285,713	\$ 285,713	\$ -	\$ 206,499	\$ (79,214)

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

DECEMBER 31, 2016

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Assets				
Investments, at fair value	<u>\$ 23,601,811</u>	<u>\$ 47,605,589</u>	<u>\$ 27,160,827</u>	<u>\$ 98,368,227</u>
Net Position				
Restricted for pension benefits	<u>\$ 23,601,811</u>	<u>\$ 47,605,589</u>	<u>\$ 27,160,827</u>	<u>\$ 98,368,227</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
DECEMBER 31, 2016

	Fire Escrow	Escrow Fund	Total
Assets			
Cash and cash equivalents	\$ 551,643	\$ 77,249	\$ 628,892
Accounts receivable	-	745	745
Total assets	551,643	77,994	629,637
Liabilities			
Accounts payable and accrued expenses	551,643	77,994	629,637
Total liabilities	\$ 551,643	\$ 77,994	\$ 629,637

CITY OF YORK, PENNSYLVANIA**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 148,872	\$ 322,726	\$ 178,383	\$ 649,981
Employer contributions	<u>1,129,001</u>	<u>1,074,024</u>	<u>2,226,597</u>	<u>4,429,622</u>
Total contributions	<u>1,277,873</u>	<u>1,396,750</u>	<u>2,404,980</u>	<u>5,079,603</u>
Investment income:				
Interest and dividend income	340,101	719,176	392,293	1,451,570
Net appreciation of investments	<u>1,266,163</u>	<u>2,556,749</u>	<u>1,456,221</u>	<u>5,279,133</u>
	1,606,264	3,275,925	1,848,514	6,730,703
Less investment expenses	<u>(103,165)</u>	<u>(207,184)</u>	<u>(118,997)</u>	<u>(429,346)</u>
Net investment income	<u>1,503,099</u>	<u>3,068,741</u>	<u>1,729,517</u>	<u>6,301,357</u>
Total additions	<u>2,780,972</u>	<u>4,465,491</u>	<u>4,134,497</u>	<u>11,380,960</u>
Deductions:				
Benefit payments	<u>1,781,508</u>	<u>4,089,708</u>	<u>3,044,634</u>	<u>8,915,850</u>
Total deductions	<u>1,781,508</u>	<u>4,089,708</u>	<u>3,044,634</u>	<u>8,915,850</u>
Change in net position	999,464	375,783	1,089,863	2,465,110
Net position restricted for pension benefits, beginning of year	<u>22,602,347</u>	<u>47,229,806</u>	<u>26,070,964</u>	<u>95,903,117</u>
Net position restricted for pension benefits, end of year	<u>\$ 23,601,811</u>	<u>\$ 47,605,589</u>	<u>\$ 27,160,827</u>	<u>\$ 98,368,227</u>