

**COUNTY OF DAUPHIN
HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

COUNTY OF DAUPHIN, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2008

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Commissioners
County of Dauphin
Harrisburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of COUNTY OF DAUPHIN as of and for the year ended December 31, 2008, which collectively comprise the COUNTY OF DAUPHIN's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the COUNTY OF DAUPHIN's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements for the Dauphin County General Authority, which represents 95.46 percent and 73.41 percent, respectively of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregately discretely presented component units, is based solely on the report of the other auditor.

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. The financial statements of the Dauphin County General Authority and the Dauphin County Industrial Development Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, 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 COUNTY OF DAUPHIN as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Commissioners
County of Dauphin
Page 2

As described in Note 1 to the financial statements, in 2008 the COUNTY OF DAUPHIN adopted the provisions of Governmental Accounting Standards Board's Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," the remaining provisions of Statement No. 50 "Pension Disclosures," Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009 on our consideration of the COUNTY OF DAUPHIN'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedules of employer contributions and funding progress, schedule of funding progress for postemployment benefits other than pensions and budgetary comparison information on pages 3 through 19 and pages 127; 128; and 129 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF DAUPHIN's basic financial statements. The combining non-major fund financial statements on pages 110 through 150 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These items have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 30, 2009

Management's Discussion & Analysis

Introduction

This section of the financial statements for the County of Dauphin (the County) presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2008. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2008.

Financial Highlights

- Dauphin County's property tax rate of 6.876 mills was not raised in 2008.
- In February 2008, the County terminated two Constant Maturity Swaps with RBC that started in August 2006. The final net benefit to the County for these two swaps was approximately \$623,000.
- Dauphin County's Standard & Poors 'AA' rating with a stable outlook was reaffirmed in March 2008 as part of the refunding of the 2007 EMA Radio Project variable rate bonds.
- In March 2008, the County refinanced its 2007 variable rate G.O. Bonds. This action was necessary when the credit rating of the insurer of these bonds was significantly downgraded which caused the interest rate to rise dramatically. The 2008 Variable Rate G.O. Bonds were issued in the amount of \$16,865,000 using only the County's AA rating. No insurance was used.
- Also in March 2008, a new floating-to-fixed rate swap was entered into with Deutsche Bank (DB). This swap, tied to the 2008 variable rate bonds, took the place of the one on the 2007 bonds that were refinanced. The terms of this swap have Dauphin County paying a fixed 3.979% to DB on May 15th and November 15th of each year. DB in turn pays 67% of 1-month Libor on the 15th of each month.
- In August 2008, the County initiated two Range Accrual Swaps with Deutsche Bank (DB). The first was a 10-year swap with a notional value of \$30,695,000. The terms have the County paying 3-month Libor quarterly. DB will pay 3-month Libor plus 1.71% as long as 3-month Libor is 7% or less. If over 7%, then a formula will determine the payment. The notional amount of the second swap was \$11,110,000 and its term was 15-years. It works exactly like the first; however, DB will pay an additional 2.62% over 3-month Libor as long as this rate is 7% or less.
- At December 31, 2008 the General Fund's unreserved/undesignated balance was \$60,776,079. This is up from the \$48,632,442 balance at the end of 2007.
- The County's total net assets increased by \$20,424,169 in 2008. Unrestricted net assets at year-end were \$53,761,369.

Overview of the Financial Statements

The financial section of this report consists of four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the County government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the County's pension plan and budget to actual figures for major funds. In addition to these required elements, an optional supplementary section is included with combining and other statements that provide particulars about non-major funds.

The basic financial statements present two different views of the County.

- **Government-wide financial statements**, the first two statements, provide information about the County's overall financial status as well as the financial status of the County's component units.
- **Fund financial statements**, the remaining statements, focus on individual parts of County government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - o Governmental funds statements show how general government services such as public safety were financed in the short term, as well as what remains for future spending.
 - o Proprietary fund statements offer short-term and long-term financial information about the activities the county operates like a business, such as the County's parking garage.
 - o Fiduciary funds statements reflect activities involving resources that are held by the County as a trustee or agent for the benefit of others, including employees of the County like the pension plan. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

Table A-1 shows how the various parts of this annual report are arranged and how they are related to one another.

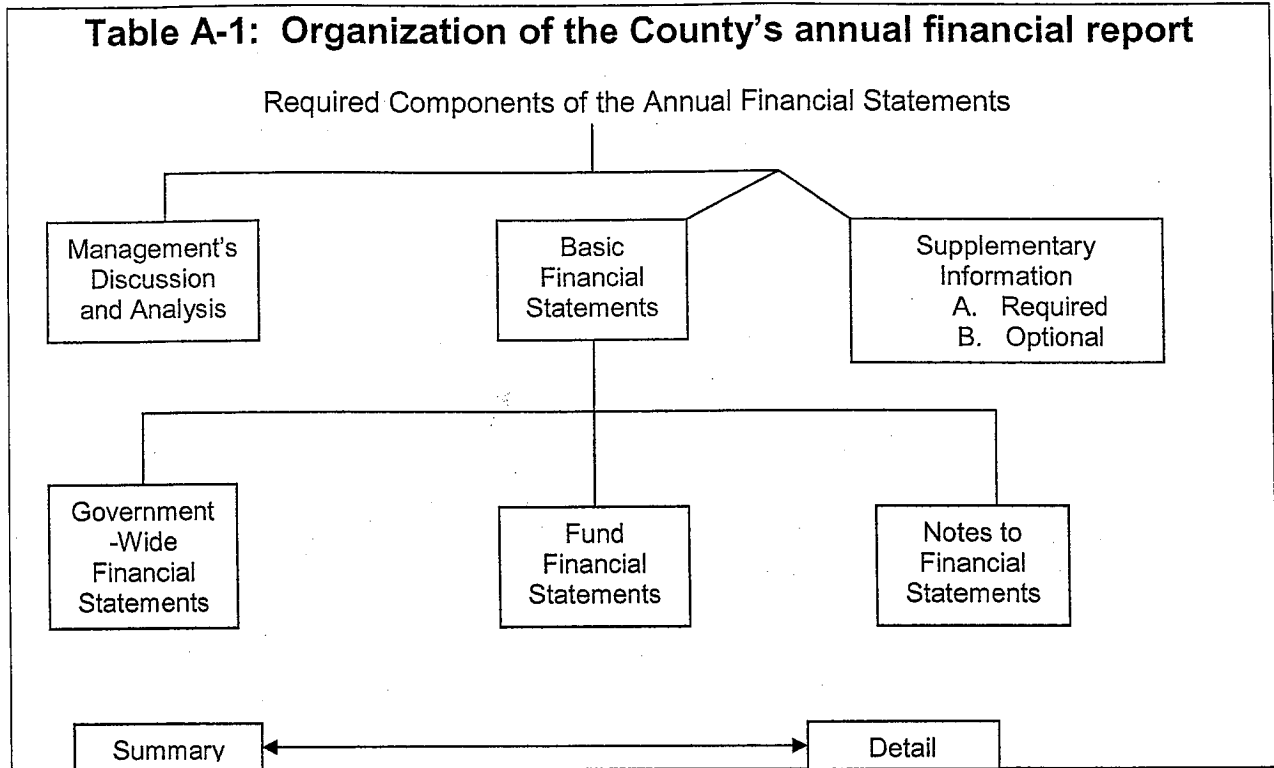


Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the County, such as public safety and courts	The activities of the County, such as the Parking Garage.	Instances in which the County administers resources on behalf of others, such as the employee pension plan
Required Financial Statements	- Statement of net assets - Statement of activities	- Balance Sheet - Statement of revenues, expenditures and changes in fund balance	- Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows	- Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide Financial Statements

Government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net assets includes all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the County's net assets changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net assets are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net assets are one way to measure the County's financial position. Over time, increases or decreases in the County's net assets are one indicator of whether the County financial position is improving or deteriorating. However, other non-financial factors such as changes in the County's real property tax base and general economic conditions must be considered to assess the overall position of the County.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the County can exercise influence and/or be obligated to provide financial support. The County has five discretely presented component units including the Conservation District; the General Authority; MH/MR Case Management Unit; Industrial Development Authority; and the Economic Development Corporation. Complete and detailed financial statements for the individual component units are available for public inspection in the County Controller's Office. (See Note 1, Notes to the Financial Statements.)

There are two categories of activities for the primary government.

- Governmental activities include the County's basic services such as general and judicial administration, corrections, public safety, public works, and human services. Property taxes and state and federal grants finance most of these activities.
- Business-type activities such as the County's parking facility and the EMA 911 Communications system charge a fee to customers to help cover the costs of services.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial

resources. Also, capital assets are reported as expenditures when financial resources (money) are expensed to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net assets:

- Capitalize current outlays of capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net asset balances as follows:
 - o Net assets invested in capital assets, net of related debt
 - o Restricted net assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - o Unrestricted net assets are net assets that do not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the County's most significant funds, *not the County as a whole*. Funds are accounting devices, i.e., a group of related accounts, the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

The County has three kinds of funds:

- Governmental funds include most of the County's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the County's programs.

The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The County adopts an annual budget for the General, certain special revenue, and capital project funds, as required by the state law. Budgetary comparisons of the County's major funds are presented as required supplementary information.

- Proprietary Funds report business-type programs and activities that charge fees designed to recover the cost of providing services. They report using full accrual accounting.
- Fiduciary Funds are funds for which the County is the trustee or fiduciary. These include the Employee Retirement Fund and certain agency funds, or clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The County is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Implementation of GASB No. 34

The year ending December 31, 2002 marked the first year that the County reported its financial statements in accordance with GASB No. 34.

Government-Wide Financial Statements

Net Assets

Dauphin County's total assets were \$226,732,222 at December 31, 2008. Of this amount, \$90,892,818 was capital assets and construction in progress.

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allows infrastructure to be added over several years. In 2006, the County fully adopted the provisions of GASB No. 34.

Table A-3
County of Dauphin
Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		Total Percentage Change
	2007	2008	2007	2008	2007	2008	
Current & Other Assets	\$ 114,063,332	\$ 128,180,056	\$ 8,908,215	\$ 7,659,348	\$ 122,971,547	\$ 135,839,404	10.5%
Capital Assets	73,723,020	82,428,764	9,626,849	8,464,054	83,349,869	90,892,818	9.0%
Total Assets	187,786,352	210,608,820	18,535,064	16,123,402	206,321,416	226,732,222	9.9%
Long-Term Debt Outstanding	\$ 127,793,582	\$ 125,624,731	\$ 8,635,760	\$ 7,051,583	\$ 136,429,342	\$ 132,676,314	-2.8%
Other Liabilities	34,928,407	38,363,433	1,298,342	1,602,981	36,226,749	39,966,414	10.3%
Total Liabilities	162,721,989	163,988,164	9,934,102	8,654,564	172,656,091	172,642,728	0.0%
Net Assets:							
Invested in Cap. Assets, Net Related Debt	(24,877,492)	(17,589,895)	657,523	538,052	(24,219,969)	(17,051,843)	29.6%
Restricted	10,816,810	17,379,968	-	-	10,816,810	17,379,968	60.7%
Unrestricted	39,125,045	46,830,583	7,943,439	6,930,786	47,068,484	53,761,369	14.2%
Total Net Assets	\$ 25,064,363	\$ 46,620,656	\$ 8,600,962	\$ 7,468,838	\$ 33,665,325	\$ 54,089,494	60.7%

The following statement of activities represents changes in net assets for the year ended December 31, 2008. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4
County of Dauphin
Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	2007	2008	2007	2008	2007	2008	
Revenues							
Program Revenues							
Charges for Services	\$ 26,113,902	\$ 27,953,824	\$ 61,031,809	\$ 62,950,624	\$ 87,145,711	\$ 90,904,448	4.3%
Operating Grants & Contributions	146,296,242	160,160,331	336,232	244,744	146,632,474	160,405,075	9.4%
General Revenues							
Property Taxes	94,779,271	96,267,073	-	-	94,779,271	96,267,073	1.6%
Hotel Taxes	5,364,812	8,169,200	-	-	5,364,812	8,169,200	52.3%
In Lieu of Taxes	1,343,236	1,737,651	-	-	1,343,236	1,737,651	29.4%
Unrestricted Investment Earnings	3,847,516	2,626,764	45,303	55,336	3,892,819	2,682,100	-31.1%
Gain/Loss on Asset Disposal	(258,767)	(7,878)	141	-	(258,626)	(7,878)	97.0%
Option Sale Premium Proceeds	1,001,000	-	-	-	1,001,000	-	-100.0%
Swap Option Termination Payment	(974,000)	-	-	-	(974,000)	-	-100.0%
Donated Assets	-	-	235,000	-	235,000	-	-100.0%
(Depreciation)/Appreciation in							
Fair Market Value of Investments	(56,672)	(165,228)	-	-	(56,672)	(165,228)	-191.6%
Gain on Basis Swap	-	800,000	-	-	-	800,000	100.0%
Transfers From Component Units	541,328	593,114	-	-	541,328	593,114	9.6%
Transfers	(619,479)	1,788,076	619,479	(1,788,076)	-	-	0.0%
Total Revenues	277,378,389	299,922,927	62,267,964	61,462,628	339,646,353	361,385,555	6.4%
Program Expenses							
General Government	14,154,910	14,392,439	-	-	14,154,910	14,392,439	1.7%
Judicial	44,143,107	50,450,527	-	-	44,143,107	50,450,527	14.3%
Public Safety	37,171,341	38,335,836	4,977,399	5,261,041	42,148,740	43,596,877	3.4%
Public Works	789,625	579,421	1,858,313	1,934,246	2,647,938	2,513,667	-5.1%
Human Services	147,709,735	150,614,176	49,486,845	54,203,204	197,196,580	204,817,380	3.9%
Culture & Recreation	6,508,607	10,001,243	-	-	6,508,607	10,001,243	53.7%
Conservation & Development	6,616,497	8,694,781	-	-	6,616,497	8,694,781	31.4%
Interest on Long Term Debt	5,494,315	5,298,211	-	-	5,494,315	5,298,211	-3.6%
Other Programs	-	-	944,262	1,196,261	944,262	1,196,261	26.7%
Total Program Expenses	262,588,137	278,366,634	57,266,819	62,594,752	319,854,956	340,961,386	6.6%
Change in Net Assets	14,790,252	21,556,293	5,001,145	(1,132,124)	19,791,397	20,424,169	3.2%
Net Assets - Beginning	10,274,111	25,064,363	3,599,817	8,600,962	13,873,928	33,665,325	142.7%
Net Assets - Ending	\$ 25,064,363	\$ 46,620,656	\$ 8,600,962	\$ 7,468,838	\$ 33,665,325	\$ 54,089,494	60.7%

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2008, general property taxes brought in \$96,267,073. Table A-5 depicts the net program expenses for the year ended December 31, 2008.

Program	Total Cost of Services	Net Cost of Services
General Government	\$ 14,392,439	\$ 9,085,799
Judicial	50,450,527	32,921,240
Public Safety	43,596,877	26,355,316
Public Works	2,513,667	(259,739)
Human Services	204,817,380	12,773,630
Culture & Recreation	10,001,243	9,661,658
Conservation & Development	8,694,781	(6,518,004)
Interest on Long Term Debt	5,298,211	5,298,211
Other Programs	1,196,261	333,752
Total	\$ 340,961,386	\$ 89,651,863

The County relied on property taxes and other general revenues to fund 26.3% of its governmental and business-type activities in 2008.

The property tax is based on the assessed value of real property. The County's 2008 millage rate of 6.876 is unchanged from 2007 and is well below the Commonwealth-set cap of 25 mills for operating costs.

Property taxes and other general revenues covered 63.1% of general government spending with the remainder coming from grants and fees for specific services. 65.2% of judicial system spending came from the property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenue covered more than 60.4% of public safety costs with the remainder coming from grants and fees covering room and board at the county prison.

Public Works expenses required no tax dollars in 2008. This area of the County's operations includes the management of a parking garage and the maintenance and replacement of county bridges.

Program expenditures for Culture & Recreation and Interest on Long Term Debt were almost 100% funded by property taxes and other general revenues, while Human Services expenses required only 6.2% from these sources, with most of the remainder being picked up by state and federal grants.

Conservation and Development program expenditures required no tax dollars for the first time in 2008 with the influx of Gaming monies from the Hollywood Casino located in Dauphin County.

Capital Assets

The County's investment in capital assets at December 31, 2008, net of accumulated depreciation, was \$90,892,818 which is up over \$7.5 million from 2007. Capital assets consist primarily of land, buildings and equipment. Table A-6 is a summary of capital assets at December 31, 2008.

Table A-6
County of Dauphin
Capital Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	
Construction in Progress	\$ 18,178,472	\$ 28,213,541	\$ -	\$ -	\$ 18,178,472	\$ 28,213,541	55.2%
Infrastructure - Construction in Progress	298,479	136,789	-	-	298,479	136,789	-54.2%
Infrastructure	10,581,517	10,897,951	-	-	10,581,517	10,897,951	3.0%
Land	226,212	335,663	111,492	111,492	337,704	447,155	32.4%
Buildings & Improvements	80,245,239	80,829,982	3,609,100	3,609,100	83,854,339	84,439,082	0.7%
Machinery & Equipment	7,342,814	7,598,150	10,628,018	10,676,394	17,970,832	18,274,544	1.7%
Furniture & Fixtures	-	-	65,346	65,346	65,346	65,346	0.0%
Leasehold Assets	10,749,981	11,128,764	15,574,509	15,574,509	26,324,490	26,703,273	1.4%
Accumulated Depreciation	(53,899,694)	(56,712,076)	(20,361,616)	(21,572,787)	(74,261,310)	(78,284,863)	-5.4%
Total Capital Assets	\$ 73,723,020	\$ 82,428,764	\$ 9,626,849	\$ 8,464,054	\$ 83,349,869	\$ 90,892,818	9.0%

Construction in Progress increased in 2008 as various projects in the County's Capital Projects Fund continue to move along. These include the EMA Radio Upgrade project and renovation work at the Courthouse and Prison.

Other detailed information about the County's capital assets can be found in Note 7, Notes to Financial Statements.

Debt Administration

Long Term Debt:

At December 31, 2008, the County had \$125,763,935 of long-term debt outstanding. This was a decrease of \$2,390,378 from the previous year. Table A-7 details activity related to the long-term debt.

Table A-7
County of Dauphin's
2008 Statement of Long Term Debt

Type	Beginning Balance	Additions	Reductions	Ending Balance
Bonds & Notes Payable	\$ 120,408,565	\$ 16,865,000	\$ (21,433,565)	\$ 115,840,000
Compensated Absences	5,593,291	2,093,334	-	7,686,625
Estimated Workers Comp. Claims	2,152,457	84,853	-	2,237,310
Total Long Term Debt	\$ 128,154,313	\$ 19,043,187	\$ (21,433,565)	\$ 125,763,935

The amount of indebtedness a county may incur is limited by Pennsylvania law to 300 percent (non-electoral) and 400 percent (net non-electoral and lease rental) of a three-year average of the total revenue received, exclusive of governmental grants for a specific purpose. The County's non-electoral debt limit at December 31, 2008 was over \$1 billion, and the total debt outstanding was approximately \$126 million, well below the debt limit.

At year-end, the County had \$115,840,000 million in bonds and notes outstanding. This figure is down slightly from the total at December 31, 2007. The \$16,700,000 second phase of the EMA Radio Project borrowing was refinanced in March 2008 due to a downgrade of the bond insurer. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements.

Bond Rating

The County's current bond rating through Standard & Poors is 'AA Stable Outlook'. This rating was reaffirmed as part of the 2008 G.O. Bonds issuance. The current combined net non-electoral and net lease rental debt limit is approximately \$1.4 billion.

Governmental Funds

The County of Dauphin uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on near-term inflows, outflow, and balances of resources available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

The County's governmental funds include the general fund, special revenue funds, and the capital projects fund. The general fund is the chief operating fund for the County. Special revenue funds are restricted to specific legislated use, while construction and other projects funded primarily through bond issues are run through the Capital Projects Fund. The major funds are shown on the statement of revenues, expenditures and changes in fund balance in the financial statements.

Governmental Fund Revenues

Governmental fund revenues by source at December 31, 2008 and December 31, 2007, were as follows. Table A-8 also presents changes from 2007 to 2008.

Source	2008	2007	Changes from 2007 to 2008
Property Taxes	\$ 95,576,298	\$ 94,491,811	\$ 1,084,487
Hotel Taxes	8,169,200	5,364,812	2,804,388
Intergovernmental	161,107,930	146,669,650	14,438,280
Charges for Services	22,523,026	21,200,745	1,322,281
License and Permits	107,559	87,564	19,995
Court Costs and Fines	5,330,022	4,813,486	516,536
Interest and Rents	3,251,986	4,742,203	(1,490,217)
Appreciation Fair Market Value Investments	(165,228)	28,334	(193,562)
Miscellaneous Revenue	158,047	87,248	70,799
Transfers from Component Units	593,114	541,328	51,786
Proceeds from Sale of Fixed Assets	5,518	-	5,518
Capital Lease Proceeds	668,806	1,720,982	(1,052,176)
Bonds/Notes Proceeds	16,865,000	16,700,000	165,000
Option Sale Premium Proceeds	-	1,001,000	(1,001,000)
Gain on Basis Swap	800,000	-	800,000
Net Premium on Bonds Issued	-	-	-
Operating Transfers In	25,746,722	30,397,663	(4,650,941)
Total Revenues	\$ 340,738,000	\$ 327,846,826	\$ 12,891,174

Governmental fund revenues totaled \$340,738,000 for the year ended December 31, 2008. This is an increase of almost \$13,000,000 over the revenue total from 2007.

The large increase in the 'Intergovernmental' category was primarily the result of the first year receipts of Gaming revenue from the Hollywood Casino which is located in Dauphin County. There were also numerous new grants in the Judicial area that contributed to this increase.

The bulk of the overall \$12.9 million increase in total revenues can be attributed to the gaming monies and an increase in the Hotel Tax rates as set by the State.

An itemization of all of the interfund transfers can be found in Note 17 on the financial statements.

Governmental Fund Expenditures

Governmental fund expenditures by function at December 31, 2008, and December 31, 2007, were as follows. Table A-9 also presents changes from 2007 to 2008.

Function	2008	2007	Changes from 2007 to 2008
General Government	\$ 12,854,496	\$ 13,484,050	\$ (629,554)
Judicial	49,139,054	44,669,178	4,469,876
Public Safety	37,789,097	35,670,175	2,118,922
Public Works	340,634	985,899	(645,265)
Human Services	149,908,799	148,002,817	1,905,982
Culture & Recreation	9,888,932	6,487,504	3,401,428
Conservation & Development	8,676,219	6,625,789	2,050,430
Debt Service Principle	5,465,009	5,157,248	307,761
Debt Service Interest	5,198,692	5,194,873	3,819
Capital Projects	10,859,547	9,080,930	1,778,617
Payment to Refunded Bond Escrow Agent	16,700,000	13,806,358	2,893,642
Depreciation Fair Market Value Investments	-	85,006	(85,006)
Swap Option Termination Payments	-	974,000	(974,000)
Loss on Asset Disposal	-	258,767	(258,767)
Transfer to Component Units	-	-	-
Operating Transfers Out	23,958,646	31,017,142	(7,058,496)
Total Expenditures	\$ 330,779,125	\$ 321,499,736	\$ 9,279,389

Governmental fund expenditures totaled \$330,779,125 for the year ended December 31, 2008. This represents an increase of approximately \$9.3 million over 2007.

Almost half of the overall increase in expenditures from 2007 to 2008 is in the 'Judicial' category. Factors contributing to this increase included the fact that several union contracts were settled in 2008 requiring large retro salary payments to a majority of the workers in this area. There were also big payments made in the MDJ System for upgrades to some of the offices, and there were numerous new grants primarily in the District Attorney's Office that helped to drive up these costs. 28 new positions were also added here in 2008.

The increase in the 'Payment to Refunded Bond Escrow Agent' category is due to the refunding of the 2007 Variable Rate Bonds for the EMA Radio Project as disclosed in several of the previous sections of this analysis.

The 'Culture & Recreation' expenses grew in 2008 as a result of the increase in the Hotel Tax rates passed by the State.

Most of the increase in the 'Conservation & Development' category is due to the addition of the Gaming Fund in 2008 which accounts for the monies received from Hollywood Casino.

Governmental Fund Balances

Table A-10 reflects ending balances for governmental funds and net assets for proprietary funds at December 31, 2008.

Table A-10: 2008 Ending Fund Balances, Governmental Funds; Net Assets, Proprietary Funds		
Fund	Governmental Funds	Proprietary Funds
General Fund	\$ 61,770,285	\$ -
Mental Health/Mental Retardation Fund	-	-
Children & Youth Fund	-	-
State Grants Fund	784,126	-
Capital Projects Fund	9,765,718	-
Other Governmental Funds	16,304,667	-
County Home Fund	-	-
Health Choices Fund	-	89,954
Human Services Building Fund	-	(2,998,490)
EMA 911 and Act 56 Funds	-	6,213,777
Other Enterprise Funds	-	4,163,597
Total	\$ 88,624,796	\$ 7,468,838

The County's governmental funds reported a combined fund balance of \$88,624,796 at December 31, 2008. Of the total, \$60,776,079 was unreserved in the General Fund and is available to meet the County's current and future needs. This unreserved portion is up significantly from the \$48.6 million undesignated balance at the end of 2007. The Proprietary Funds are showing a balance of \$7,468,838 at year-end. Most of the balance shown in the Capital Projects Fund will cover the cost of the EMA Radio Project.

A detailed breakdown of ending fund balance for the \$16,304,667 million in 'Other Governmental Funds' can be found on page 132 in the Required Supplementary Information section of the financial statements. A detailed breakdown of ending fund balance for the \$4,163,597 million in 'Other Enterprise Funds' can be found on page 138 also in the Required Supplementary Information section.

Budgetary Highlights

The County budget director revises the budget on an ongoing basis. These revisions include common budget transfers from one line item to another, and amendments to the bottom-line of individual funds. The line item transfers are submitted by department directors, and if reasonable, are entered into the system. No commissioner approval is required for these types of budget revisions. Budget Amendments, which represent increases or decreases to the bottom-line of an individual fund, are entered as new sources of revenue are identified or unplanned operating expenditures become evident. New grants are a common source of budget amendments. The County Board of Commissioners approves these amendments on a quarterly basis.

On December 12, 2007 the Dauphin County Commissioners approved the 2008 General Fund Budget in the amount of \$125,875,652. There was no budgeted draw down of fund balance necessary to meet the initial budgeted expenditures for 2008. Throughout the year, budget amendments in the amount of \$1,853,415 were approved. The budget amendments resulted in a final General Fund budget for 2008 in the amount of \$127,729,067.

Total General Fund revenue came in well over budget for the fourth consecutive year. Tax revenue exceeded projections once again as properties in Dauphin County continue to hold their value. Interest income was down in 2008 as investment rates dropped dramatically, but actual receipts still exceeded the budgeted figure. New grant revenue was again strong in 2008 particularly in the law enforcement and economic development areas.

Expenditures came in under budget as well despite the fact that several large union settlement payments came due during the year. 36 new positions were approved as part of the 2008 budget at a cost of approximately \$1.9 million. 28 of these positions were part of the Judicial category of the County's budget and 6 were in Public Safety. The budgeted transfers to other County Funds were virtually unchanged from 2007 in this second year without a County Nursing Home subsidy.

Economic Factors and Next Year's Budget

Economic Conditions

Unemployment in Dauphin County now stands at 8.0%, which is one of the lowest of Pennsylvania's 67 counties. This rate is less than Pennsylvania's average rate of 8.5 % and the national rate of 9.5%.

Homeownership in Dauphin County is at 66% with the median home value being \$152,308. There is currently an estimated 256,562 residents within Dauphin County. The estimated median household income is \$50,974.

With Dauphin County being listed as the 5th fastest growing hi-tech region in the nation, there are many family-sustaining job opportunities. The County is also home to many great companies such as the Hershey Company, HE&R, Milton S. Hershey/Penn State University Medical Center, Harman Stove Company, Phoenix Development Corporation, Pinnacle Health System, Capital Blue Cross, etc.

Furthermore, the County houses many institutions of higher education. Penn State University has a four-year campus in Middletown and Harrisburg University is located in the heart of downtown Harrisburg. Dickinson University and Widener University are located in Dauphin County and Harrisburg Area Community College (HACC) is located in Harrisburg. Eastern University, Temple University, the University of Phoenix, and Albright University all maintain campuses in the Harrisburg area offering select undergraduate and graduate degree programs. In addition, the Dixon University Center, also centrally located in Harrisburg, is a regional hub of undergraduate and graduate degree program where students can earn degrees from many statewide institutions such as Shippensburg University, Millersville University, Indiana University of PA, Elizabethtown University, East Stroudsburg University, West Chester University, Clarion University, and a few others.

The South-central Region of Pennsylvania is strategically located close to major domestic and international markets. Within a 500 mile radius of the Region lies 40% of the United States population and more than 60% of Canada's population. This fact makes Dauphin County a

major distribution hub for the movement of goods. It is estimated that approximately 61,000 freight carriers pass through the county daily and 33% of the nation's gross national product moves through Dauphin County.

These details have come together earning the Harrisburg-Carlisle MSA the distinction of being ranked 3rd on MSN's Real Estate Most-Livable Bargain Markets list. The list evaluates the most affordable housing markets in the one hundred largest United States metro areas. The nine most livable areas are identified where the unemployment rates are low, commute times are short, and entertainment and recreation opportunities are plentiful.

To support these growth patterns, new economic development projects continue to evolve such as the expansion of TecPort, The Hershey Center for Applied Research, Hollywood Casino, The Hershey Story, and other ongoing developments and redevelopments of commercial space throughout the county. There are also proposals for the continued development of the mid-town and downtown sections of Harrisburg, including the construction of additional hotel/retail/office space, as well as a new hotel located near the Pennsylvania Farm Show Complex. Advances also exist for a proposed regional rail service, Red Rose Capital Corridor and Corridor 2, and many alternative energy projects under consideration. These developments will provide economic vitality for Dauphin County for years to come.

Next Year's Budget

On December 17, 2008, the Board of Commissioners passed a \$150,372,541 General Fund Budget for 2009 maintaining the 6.876 millage rate. The revenue budget included an approximate \$8 million draw down on fund balance. There were 10 new positions approved.

In January 2009, the two 2008 Range Accrual Swaps with Deutsche Bank were terminated at a net final benefit to the County of approximately \$625,000.

Also in January, the County entered into a Basis Swap agreement with RBC. The notional amount of the swap was \$45,040,000. The terms stipulated that the County would pay the SIFMA rate to RBC on 5/15 and 11/15 of each year and RBC would pay 88.9% of 3-month Libor on the same dates. This swap was terminated on 8/6/09 at a final net benefit of approximately \$1.3 million.

On October 16, 2009 the County settled on a \$21,965,000 General Obligation Bond issue. The proceeds will be used to cover two separate projects at approximately \$11,000,000 each. The first is an energy conservation project which will upgrade fixtures and equipment in many of the County's buildings. The second will cover the construction of a new Female Work Release Center, the conversion of the existing center into a Night Court/Central Booking Center, the construction of a new Juvenile Court, and the construction of an Emergency Vehicle Storage Building.

The County has 7 labor contracts with four separate unions that represent approximately 58% of all employees. Three of the contracts (Teamsters at Schaffner Youth Center, PA Social Services Union, and the County Detectives Union) expire 12/31/09 and are currently under negotiation. All other contracts have been settled. Salary increases for the recently settled contracts came in around 5%. Non-union employees received approximately 4% in 2009.

Contacting the County's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability. Questions concerning this financial information or requests for additional information should be directed to:

County of Dauphin
Budget & Finance Department
P.O. Box 1295
Harrisburg, PA 17108

COUNTY OF DAUPHIN
STATEMENT OF NET ASSETS (DEFICIT)
DECEMBER 31, 2008

Primary Government

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	Component <u>Units</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 86,841,584	\$ 7,060,469	\$ 93,902,053	\$ 2,310,414
Investments	714,595	-	714,595	3,943,433
Inventory	-	-	-	97,209
Receivables:				
Accounts, Net of Allowance	2,003,885	616,216	2,620,101	1,365,744
Taxes	8,353,859	-	8,353,859	-
Interest and Dividends	53,679	-	53,679	-
Notes	-	-	-	126,380,000
Program Loans	-	-	-	68,168
Deferred Loans	2,751,220	-	2,751,220	-
Internal Balances	51,121	(51,121)	-	-
Due From Other Governments	20,198,202	-	20,198,202	314,136
Due From Component Units	151,426	-	151,426	-
Investment in Direct Financing Leases, Current	-	-	-	1,434,024
Prepaid Expenses	-	-	-	341,801
Other Assets	2,331,574	4,234	2,335,808	5,362
Deferred Issuance Costs on Bonds, Net	-	2,617	2,617	1,283,468
Bond Issuance Costs	-	-	-	1,674,489
Deferred Loss on Bonds	-	26,933	26,933	-
Deferred Interest from Refunding	2,327,600	-	2,327,600	-
Loans Receivable, Net of Current Portion	-	-	-	247,176
Investment in Direct Financing Leases, Net of Current Portion	-	-	-	10,177,725
Restricted Cash	2,401,146	-	2,401,146	6,378,874
Restricted Investments	-	-	-	74,871,136
Restricted Accrued Interest Income	165	-	165	531,419
Capital Assets, Not Being Depreciated	28,685,993	111,492	28,797,485	2,079,686
Capital Assets Being Depreciated, Net	53,742,771	8,352,562	62,095,333	75,084,674
Total Assets	\$ 210,608,820	\$ 16,123,402	\$ 226,732,222	\$ 308,820,441
<u>Liabilities</u>				
Accounts Payable	\$ 12,426,598	\$ 199,610	\$ 12,626,208	\$ 1,423,019
Accrued Liabilities	4,647,270	242,819	4,890,089	12,043,672
Bank Overdraft	-	-	-	159,684
Unearned Revenues	10,314,699	-	10,314,699	960,991
Due to Primary Government	-	-	-	151,426
Due to Related Party	-	-	-	98,321
Current Portion of Notes Payable	-	-	-	148,558
Current Portion of Loans Payable	-	-	-	5,775
Funds Held in Escrow	1,458,385	-	1,458,385	-
Funds Held in Fiduciary Capacity	651,751	-	651,751	-
Bond Premium	-	15,720	15,720	-
Security Deposits	-	-	-	7,841
Obligation to Construct	-	-	-	47,826
Other Liabilities	3,374,374	-	3,374,374	-
Long-term liabilities				
Portion Due or payable within one year:				
Obligation Under Capital Lease	675,356	1,109,832	1,785,188	-
General Obligation Debt	4,815,000	35,000	4,850,000	185,012,985
Bonds Called but not Presented	-	-	-	135,000
Portion Due or payable after one year:				
Obligation Under Capital Lease	5,487,923	5,245,000	10,732,923	-
General Obligation Debt	109,440,000	1,550,000	110,990,000	128,771,095
Loans Payable	-	-	-	182,302
Line of Credit	-	-	-	50,000
Deferred Charge on Debt Refunding, Net	-	-	-	(890,582)
Accrued Compensated Absences	7,430,042	256,583	7,686,625	-
Estimated Workers' Compensation				
Claims	2,237,310	-	2,237,310	-
Unfunded Other Postemployment Benefits	1,029,456	-	1,029,456	-
Total Liabilities	163,988,164	8,654,564	172,642,728	328,307,913
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	(17,589,895)	538,052	(17,051,843)	(21,781,394)
Restricted for:				
Debt Service	-	-	-	433,814
Workers Compensation	291,175	-	291,175	-
Program Purposes	16,072,367	-	16,072,367	3,506,773
Restricted Contributions/Fees	301,831	-	301,831	-
Permanent Fund	714,595	-	714,595	-
Unrestricted	46,830,583	6,930,786	53,761,369	(1,646,665)
Total Net Assets (Deficit)	\$ 46,620,656	\$ 7,468,838	\$ 54,089,494	\$ (19,487,472)

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
						Governmental Activities	Business-type Activities		Total
Primary government:									
Governmental activities:									
General Government	\$ 23,208,641	\$ (8,816,202)	\$ 5,280,856	\$ 25,784	\$ -	\$ (9,085,799)	\$ -	\$ (9,085,799)	
Judicial	45,963,260	4,487,267	10,264,888	7,264,399	-	(32,921,240)	-	(32,921,240)	
Public Safety	36,617,733	1,718,103	9,187,920	1,659,619	-	(27,488,297)	-	(27,488,297)	
Public Works	574,649	4,772	-	1,128,204	-	548,783	-	548,783	
Human Services	149,336,214	1,277,962	2,322,225	135,427,890	-	(12,864,061)	-	(12,864,061)	
Culture and Recreation	9,581,620	419,623	173,939	165,646	-	(9,661,658)	-	(9,661,658)	
Conservation and Development	8,518,775	176,006	723,996	14,488,789	-	6,518,004	-	6,518,004	
Interest and Fiscal Charges on Long Term Debt	5,298,211	-	-	-	-	(5,298,211)	-	(5,298,211)	
Total government activities	279,099,103	(732,489)	27,953,824	160,160,331	-	(90,252,479)	-	(90,252,479)	
Business-type activities:									
Human Services - Health Choices Fund	54,196,235	6,969	54,274,045	19,590	-	-	90,431	90,431	
Public Works - Human Service Building	1,391,170	543,076	1,645,202	-	-	-	(289,044)	(289,044)	
Other Programs:									
Public Works - Solid Waste Fund	1,041,462	49,238	784,691	30,661	-	-	(275,348)	(275,348)	
Public Safety - Emergency 911	5,127,855	133,186	6,201,552	192,470	-	-	1,132,981	1,132,981	
Culture and Recreation - Fort Hunter	105,561	-	45,134	2,023	-	-	(58,404)	(58,404)	
Total Other Programs	6,274,878	182,424	7,031,377	225,154	-	-	799,229	799,229	
Total business-like activities	61,862,283	732,489	62,950,624	244,744	-	-	600,616	600,616	
Total Primary government	\$ 340,961,386	\$ -	\$ 90,904,448	\$ 160,405,075	\$ -	\$ (90,252,479)	\$ 600,616	\$ (89,651,863)	
Component Units:									
Conservation District	591,170	-	380,545	782,267	-	-	-	-	\$ 571,642
General Authority	49,106,221	-	28,767,657	-	-	-	-	-	(20,338,564)
Mental Health/Mental Retardation	8,682,771	-	118,458	8,721,805	-	-	-	-	157,492
Case Management Unit	1,342,158	-	551,193	873,307	-	-	-	-	82,342
Dauphin County Economic Development Corporation	6,460,378	-	350,124	4,172,271	-	-	-	-	(1,937,983)
Total Component Units	66,182,698	-	30,167,977	14,549,650	-	-	-	-	(21,465,071)
General revenues:									
Taxes:									
Property taxes, levied for general purposes						96,267,073		96,267,073	
Hotel taxes						8,169,200		8,169,200	
In-lieu of taxes						1,737,651		1,737,651	
Unrestricted investment earnings						2,626,764	55,336	2,682,100	15,839,395
Gain / loss from asset disposal						(7,878)		(7,878)	
Depreciation in Fair Market Value of Investments						(165,228)		(165,228)	
Option Sale Premium Proceeds						800,000		800,000	
Proceeds from Basis Swap						593,114		593,114	130,001
Insurance Recoveries						-		-	
Transfers from Component Unit						-		-	
Transfers from (to) Primary Government						1,788,076	(1,788,076)	-	(593,114)
Transfers						11,808,772	(1,732,740)	10,076,032	15,376,282
Total general revenues, special items, and transfers						111,808,772	(1,732,740)	110,076,032	15,376,282
Change in net assets						21,556,293	(1,132,124)	20,424,169	(6,088,789)
Net assets (deficit) - beginning, as restated (Note 31)						25,064,363	8,600,962	33,665,325	(13,398,683)
Net assets (deficit) - ending						\$ 46,620,656	\$ 7,468,838	\$ 54,089,494	\$ (19,487,472)

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

Assets	General	Mental/Health Mental Retardation	Children and Youth	State Grants	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 57,513,149	\$ 6,637,293	\$ 2,500	\$ 437,929	\$ 22,250,713	\$ 86,841,584
Investments	-	-	-	-	714,595	714,595
Receivables	1,627,244	24,436	169,827	39,368	143,010	2,003,885
Accounts, net	8,353,859	-	-	-	-	8,353,859
Taxes, net	-	-	-	-	2,751,220	2,751,220
Deferred Loans	-	-	-	141	9,786	53,679
Interest and Dividends	39,594	4,158	-	-	222,378	4,973,665
Due From Other Funds	4,573,802	-	128,792	48,693	-	20,198,202
Due From Other Governments	885,318	1,153,403	7,343,068	1,123,718	9,692,695	151,426
Due From Component Units	151,426	-	-	-	-	151,426
Other Assets	925,866	-	-	-	34,458	960,324
Restricted Assets	2,401,146	-	-	-	-	2,401,146
Cash	165	-	-	-	-	165
Interest Receivable	-	-	-	-	-	-
Total Assets	\$ 76,471,569	\$ 7,819,290	\$ 7,644,187	\$ 1,649,849	\$ 35,818,855	\$ 129,403,750

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2008

Liabilities and Fund Balances	General	Mental/Health Mental Retardation	Children and Youth	State Grants	Other Governmental Funds	Total Governmental Funds
Liabilities						
Accounts Payable	\$ 1,986,173	\$ 2,585,862	\$ 2,560,945	\$ 724,963	\$ 4,568,655	\$ 12,426,598
Accrued Liabilities	2,952,435	111,737	288,383	33,323	338,054	3,723,932
Deferred Revenues	5,772,977	5,121,691	588,551	99,472	4,442,011	16,024,702
Due to Other Funds	308,521	-	4,206,308	7,965	399,750	4,922,544
Funds Held in Escrow	1,458,385	-	-	-	-	1,458,385
Funds Held in Fiduciary Capacity	651,751	-	-	-	-	651,751
Other Liabilities	1,571,042	-	-	-	-	1,571,042
Total Liabilities	14,701,284	7,819,290	7,644,187	865,723	9,748,470	40,778,954
Fund Balances:						
Reserved For:						
Program Purposes	-	-	-	784,126	15,286,241	16,072,367
Restricted Contributions/Fees	-	-	-	-	301,831	301,831
Permanent Fund	-	-	-	-	714,595	714,595
Workers Compensation	291,175	-	-	-	291,175	291,175
Capital Projects	-	-	-	-	-	-
Human Service Building	67,324	-	-	-	9,765,718	9,765,718
Aging Fund	7,447	-	-	-	-	67,324
Accounts Receivable	635,707	-	-	-	-	7,447
Unreserved:						
Undesignated, reported in:						
General Fund	60,768,632	-	-	-	-	60,768,632
Total Fund Balances	61,770,285	-	-	784,126	26,070,385	88,624,796
Total Liabilities and Fund Balances	\$ 76,471,569	\$ 7,819,290	\$ 7,644,187	\$ 1,649,849	\$ 35,818,855	\$ 129,403,750

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Total fund balances for governmental funds \$ 88,624,796

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	335,663
Construction in progress - Infrastructure	136,789
Construction in progress	28,213,541
Infrastructure, net of \$5,243,975 accumulated depreciation	5,653,976
Buildings and improvements, net of \$38,469,235 accumulated depreciation	42,360,747
Machinery and Tools, net of \$6,310,800 accumulated depreciation	1,287,350
Leasehold assets, net of \$6,688,066 accumulated amortization	4,440,698

Total capital assets 82,428,764

The County is self insured for the costs of worker's compensation. The liability for workers' compensation is included in the statement of net assets in the following amount:

(2,237,310)

Some of the County'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 deferred revenue in the funds.

5,710,003

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year the County issued additional debt. The amount borrowed is received in the governmental funds and increases fund balance. The County incurred costs of \$163,345. The bond issuance costs will be amortized as an adjustment of interest expense over the remaining life of the new debt.

Balances at December 31, 2008 are:

Accrued interest on bonds	(923,338)
General obligation Debt	(114,255,000)
Less Deferred interest from refunding	2,327,600
Capital leases payable	(6,163,279)
Compensated absences	(7,430,042)
Deferred amount on bond issuance costs	1,371,250
Unamortized premiums/discounts	(1,803,332)
Unfunded Other Postemployment Benefits	(1,029,456)

(127,905,597)

Total net assets of governmental activities

\$ 46,620,656

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Mental/Health Mental Retardation	Children and Youth	State Grants	Other Governmental Funds	Total Governmental Funds
Revenues	\$	\$	\$	\$	\$	\$
Property Taxes	95,576,298	-	-	-	8,169,200	95,576,298
Hotel Taxes	-	-	-	-	26,989,736	26,989,736
Intergovernmental	7,959,594	64,504,363	30,524,910	31,129,327	993,444	161,107,930
Charges for Services	19,557,986	849,948	1,121,648	-	-	22,523,026
License and Permits	107,559	-	-	-	-	107,559
Court Costs and Fines	4,301,085	-	-	476,257	552,680	5,330,022
Interest and Rents	2,189,657	233,198	1,278	4,105	823,748	3,251,986
Depreciation in Fair Market Value of Investments	-	-	-	-	(165,228)	(165,228)
Miscellaneous Revenue	-	-	-	-	158,047	158,047
Total Revenues	129,692,179	65,587,509	31,647,836	31,609,689	37,521,627	296,058,840
Expenditures						
Current:						
General Government	12,854,496	-	-	-	6,257,892	12,854,496
Judicial	40,949,867	-	-	1,931,295	175,471	49,139,054
Public Safety	36,329,195	-	-	1,284,431	-	37,789,097
Public Works	-	-	-	-	340,634	340,634
Human Services	3,747,110	66,197,732	41,704,187	26,762,618	11,497,152	149,908,799
Culture and Recreation	1,999,582	-	-	-	7,889,350	9,888,932
Conservation and Development	3,080,053	-	-	1,858,658	3,737,508	8,676,219
Debt Service	4,962,135	117,874	-	-	385,000	5,465,009
Principle	5,060,315	64,394	-	-	73,983	5,198,692
Interest	-	-	-	-	10,859,547	10,859,547
Capital Projects	-	-	-	-	-	-
Total Expenditures	108,982,753	66,380,000	41,704,187	31,837,002	41,216,537	290,120,479
Excess of Revenues Over (Under)	20,709,426	(792,491)	(10,056,351)	(227,313)	(3,694,910)	5,938,361
Other Financing Sources (Uses)						
Transfer In	7,796,605	792,491	13,114,762	237,648	3,805,216	25,746,722
Transfers from Component Units	(18,251,100)	-	(3,058,411)	(320,035)	(2,329,100)	(23,958,646)
Proceeds (Loss) from Asset Disposal	593,114	-	-	-	-	593,114
Option Sale Premium Proceeds	(3,632)	-	-	3,850	5,300	5,518
Proceeds from Basis Swap	800,000	-	-	-	-	800,000
Depreciation in Fair Value of Investments	410,029	-	-	-	258,777	668,806
Capital Lease Proceeds	16,865,000	-	-	-	-	16,865,000
Proceeds of General Obligation Debt	(16,700,000)	-	-	-	-	(16,700,000)
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
Total Other Financing Sources(Uses)	(8,489,984)	792,491	10,056,351	(78,537)	1,740,193	4,020,514
Net change in fund balances	12,219,442	-	-	(305,850)	(1,954,717)	9,958,875
Fund Balances - Beginning of Year	49,550,843	-	-	1,099,976	28,025,102	78,665,921
Fund Balances - End of Year	\$ 61,770,285	\$ -	\$ -	\$ 784,126	\$ 26,070,385	\$ 88,624,796

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds \$ 9,958,875

The change in net assets reported for governmental activities in the statement of activities is different because:

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. This is the amount by which capital outlays (\$11,726,559) exceeded depreciation (\$3,007,419) and net book value of disposed fixed assets (\$13,396) in the current period. 8,705,744

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:			
General Obligation Debt		(16,865,000)	
Bond issuance costs on new debt issues		163,345	
Capital Leases		(668,134)	
Repayments:			
General Obligation Debt		4,595,000	
Payment to Refunded Bond Escrow Agent		16,700,000	
Capital Leases		873,492	
Net adjustment		4,798,703	4,798,703

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The differences for the items discussed above are:

Compensated absences expense	(2,002,679)	
Other postemployment benefits expense	(399,993)	
Amortization of debt premium/discount	208,746	
Amortization of bond issuance costs	(169,113)	
Amortization of deferred interest from refunding	(305,595)	
Accrued interest on long-term debt	155,683	
Combined adjustment	(2,512,951)	(2,512,951)

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/07 to 12/31/08. 690,775

The County is self insured for the costs of worker's compensation. The increase in liability related to the worker's compensation is reported as an increase in expenditures of the governmental activities. (84,853)

Change in net assets of governmental activities \$ 21,556,293

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Health Choices Fund	Human Service Building	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 148,154	\$ 100	\$ 6,912,215	\$ 7,060,469
Accounts Receivables	-	33,846	582,370	616,216
Other Assets	-	185	4,049	4,234
Total current assets	148,154	34,131	7,498,634	7,680,919
Noncurrent Assets				
Capital Assets, Not Being Depreciated	-	-	111,492	111,492
Capital Assets, Being Depreciated (Net)	-	4,955,004	3,397,558	8,352,562
Deferred Issuance Costs on Bonds, Net	-	2,617	-	2,617
Deferred Loss on Bonds, Net	-	26,933	-	26,933
Total noncurrent assets	-	4,984,554	3,509,050	8,493,604
Total assets	\$ 148,154	\$ 5,018,685	\$ 11,007,684	\$ 16,174,523
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 7,079	\$ 24,022	\$ 168,509	\$ 199,610
Accrued Liabilities	-	77,433	165,386	242,819
Due to Other Funds	51,121	-	-	51,121
Bond Premium	-	15,720	-	15,720
Obligation Under Capital Lease	-	1,070,000	39,832	1,109,832
General Obligation Debt	-	35,000	-	35,000
Total current liabilities	58,200	1,222,175	373,727	1,654,102
Noncurrent liabilities:				
Obligation Under Capital Lease	-	5,245,000	-	5,245,000
General Obligation Debt	-	1,550,000	-	1,550,000
Accrued Compensated Absences	-	-	256,583	256,583
Total noncurrent liabilities	-	6,795,000	256,583	7,051,583
Total liabilities	58,200	8,017,175	630,310	8,705,685
NET ASSETS (DEFICIT)				
Invested in Capital Assets				
Net of Related Debt	-	(2,931,166)	3,469,218	538,052
Unrestricted	89,954	(67,324)	6,908,156	6,930,786
Total net assets (deficit)	\$ 89,954	\$ (2,998,490)	\$ 10,377,374	\$ 7,468,838

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Health Choice Fund	Human Service Building	Other Enterprise Funds	Total
Operating Revenues				
Charges for Services	\$ 54,274,045	\$ 1,645,202	\$ 7,031,377	\$ 62,950,624
Total Operating Revenues	54,274,045	1,645,202	7,031,377	62,950,624
Operating Expenses				
Personnel Services	111,133	-	4,185,452	4,296,585
Contracted Services	31,112	108,974	354,986	495,072
Supplies and Materials	473	4,165	32,775	37,413
Repairs and Maintenance	-	58,632	325,185	383,817
Utilities	554	235,473	466,252	702,279
Other Services and Charges	22,243	543,076	547,199	1,112,518
Claims Expense	54,037,689	-	-	54,037,689
Depreciation and Amortization	-	693,852	541,626	1,235,478
Total Operating Expenses	54,203,204	1,644,172	6,453,475	62,300,851
Operating Income	70,841	1,030	577,902	649,773
Nonoperating Revenues (Expenses)				
Interest Income	19,590	8,354	239,452	267,396
Interest Expense	-	(290,074)	(3,827)	(293,901)
Grants	-	-	32,684	32,684
Total Nonoperating Revenues (Expenses)	19,590	(281,720)	268,309	6,179
Income Before Operating Transfers In (Out)	90,431	(280,690)	846,211	655,952
Transfers In	-	546,627	28,628	575,255
Transfers Out	(74,891)	-	(2,288,440)	(2,363,331)
Total Transfers In (Out)	(74,891)	546,627	(2,259,812)	(1,788,076)
Change In Net Assets	15,540	265,937	(1,413,601)	(1,132,124)
Total Net Assets (Deficit) - Beginning of Year	74,414	(3,264,427)	11,790,975	8,600,962
Total Net Assets (Deficit) - End of Year	\$ 89,954	\$ (2,998,490)	\$ 10,377,374	\$ 7,468,838

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Health Choice Fund	Human Service Building	Other Enterprise Funds	Totals
Cash Flows From Operating Activities				
Receipts from Health Choices Services	\$ 54,274,045	\$ -	\$ -	\$ 54,274,045
Receipts from Recycling Services	-	-	886,314	886,314
Receipts from Emergency Communications Services	-	-	6,240,414	6,240,414
Receipts from Recreational Activities	-	-	45,134	45,134
Receipts from Space and Parking Rentals	-	1,618,193	-	1,618,193
Payments to Employees	(111,133)	-	(4,076,435)	(4,187,568)
Payments to Suppliers	(178,739)	(948,241)	(1,744,310)	(2,871,290)
Payments for Claims	(54,037,689)	-	-	(54,037,689)
Internal Activity - Payments (from) to other funds	48,481	10,451	(8,097)	50,835
Net Cash Provided by (Used In) Operating Activities	(5,035)	680,403	1,343,020	2,018,388
Cash Flow From Noncapital Financing Activities				
Operating Transfers In (Out)	(74,891)	546,627	(2,259,812)	(1,788,076)
Operating Grants Received	-	-	32,684	32,684
Net Cash Provided by (Used in) Noncapital Financing Activities	(74,891)	546,627	(2,227,128)	(1,755,392)
Cash Flows from Capital and Related Financing Activities				
Purchase of Fixed Assets	-	(48,376)	-	(48,376)
Interest Paid	-	(297,516)	(3,827)	(301,343)
Principal Payments on Capital Lease	-	(1,065,000)	(37,626)	(1,102,626)
Principal Payments on Bonds	-	(35,000)	(103,565)	(138,565)
Net Cash Used in Capital and Related Financing Activities	-	(1,445,892)	(145,018)	(1,590,910)
Cash Flows from Investing Activities				
Interest Income	19,590	8,354	239,452	267,396
Net Cash Provided by Investing Activities	19,590	8,354	239,452	267,396
Net Decrease in Cash and Cash Equivalents	(60,336)	(210,508)	(789,674)	(1,060,518)
Cash and Cash Equivalents, Beginning of Year	208,490	210,608	7,701,889	8,120,987
Cash and Cash Equivalents, End of Year	\$ 148,154	\$ 100	\$ 6,912,215	\$ 7,060,469

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Health Choice Fund	Human Service Building	Other Enterprise Funds	Totals
Reconciliation of Operating income to net cash provided by (used in) operating activities				
Operating Income	\$ 70,841	\$ 1,030	\$ 577,902	\$ 649,773
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities				
Depreciation and Amortization Expense	-	693,852	541,626	1,235,478
Change in assets and liabilities				
Accounts Receivable	-	(26,846)	137,620	110,774
Other Assets	68	(163)	2,530	2,435
Inventory	-	-	-	-
Accounts Payable	(124,425)	2,542	(17,578)	(139,461)
Accrued Expenses	-	(463)	18,362	17,899
Estimated Workers' Compensation Claims	-	-	-	-
Accrued Vacation and Sick Pay	-	-	90,655	90,655
Due To/Due From Other Funds	48,481	10,451	(8,097)	50,835
Net Cash Provided by (Used In) Operating Activities	<u>\$ (5,035)</u>	<u>\$ 680,403</u>	<u>\$ 1,343,020</u>	<u>\$ 2,018,388</u>

COUNTY OF DAUPHIN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

	<u>Retirement Trust Fund</u>	<u>Agency Funds</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,555,922	\$ 7,692,771	\$ 14,248,693
Investments	136,800,908	-	136,800,908
Interest and Dividends Receivable	637,854	-	637,854
Employee Contributions Receivable	371	-	371
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 143,995,055</u>	<u>\$ 7,692,771</u>	<u>\$ 151,687,826</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 454,310	\$ 454,310
Benefits Payable	305,984	-	305,984
Funds Held in Escrow	-	5,558,162	5,558,162
Due To Other Governments	-	1,680,299	1,680,299
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>305,984</u>	<u>7,692,771</u>	<u>7,998,755</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 143,689,071</u>	<u>\$ -</u>	<u>\$ 143,689,071</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2008

	Retirement Trust Fund
Addition:	
Contributions:	
Employee	\$ 3,737,242
Employer	3,377,905
Total Contributions	7,115,147
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(49,824,339)
Interest	2,732,011
Dividends	1,222,280
Miscellaneous Revenue	36,899
	(45,833,149)
Less: Investment Expense	514,374
Net Investment Loss	(46,347,523)
Total Additions	(39,232,376)
Deductions:	
Benefits	8,950,003
Refunds of Contributions	601,556
Administrative Expenses	154,544
Total Deductions	9,706,103
Net Decrease	(48,938,479)
Net Assets - Beginning of Year	192,627,550
Net Assets End of Year	\$ 143,689,071

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
COMBINING STATEMENT OF NET ASSETS (DEFICITS)
COMPONENT UNITS
DECEMBER 31, 2008

<u>Assets</u>	Conservation District	General Authority	Case Management Unit	Industrial Development Authority	Dauphin County Economic Development Corporation	Total
Cash and Cash Equivalents	\$ 671,162	\$ 784,076	\$ 128,918	\$ 714,717	\$ 11,541	\$ 2,310,414
Investments	500,000	3,443,433	-	-	-	3,943,433
Inventory	-	97,209	-	-	-	97,209
Receivables:						
Accounts, Net of Allowance	411	666,871	698,462	-	-	1,365,744
Interest and Dividends	-	-	-	-	-	-
Loans	-	-	-	44,605	23,563	68,168
Due from Other Governments	131,138	-	-	-	182,998	314,136
Due from Primary Government	-	-	-	-	-	-
Investment in Direct Financing Leases, Current	-	1,313,591	-	120,433	-	1,434,024
Notes Receivable, Current	-	126,380,000	-	-	-	126,380,000
Prepaid Expenses	-	255,620	86,181	-	-	341,801
Other Assets	-	5,362	-	-	-	5,362
Due from Related Party	-	-	-	105,226	126,277	231,503
Deferring financing costs (net of accumulated amortization)	-	1,249,488	-	-	33,980	1,283,468
Bond Issuance Costs	-	1,671,898	-	2,591	-	1,674,489
Loans Receivable, Net of Current Portion	-	-	-	172,418	74,758	247,176
Notes Receivable, Net of Current Portion	-	-	-	-	-	-
Investment in Direct Financing Leases, net of Current Portion	-	7,872,776	-	2,304,949	-	10,177,725
Restricted Cash	-	3,568,378	-	82,647	2,727,849	6,378,874
Restricted Investments	-	74,871,136	-	-	-	74,871,136
Restricted Accrued Interest Income	-	531,419	-	-	-	531,419
Capital Assets, Not Being Depreciated	-	2,028,786	-	50,900	-	2,079,686
Capital Assets, Being Depreciated, Net	799,249	70,044,565	630,484	1,706,862	1,903,514	75,084,674
Total Assets	\$ 2,101,960	\$ 294,784,608	\$ 1,544,045	\$ 5,305,348	\$ 5,084,480	\$ 308,820,441
<u>Liabilities</u>						
Accounts Payable	\$ 1,275	\$ 1,325,033	\$ 96,711	\$ -	\$ -	\$ 1,423,019
Accrued Liabilities	-	11,309,639	667,235	-	66,798	12,043,672
Bank Overdraft	-	-	-	-	159,684	159,684
Unearned Revenues	-	879,162	6,100	75,729	-	960,991
Due to Other Governments	-	-	-	-	-	-
Due to Primary Government	151,426	-	-	-	-	151,426
Due to Related Party	-	-	-	-	98,321	98,321
Current Portion of Notes Payable	-	-	-	148,558	-	148,558
Current Portion of Loans Payable	-	-	-	5,775	-	5,775
Security Deposits	-	-	-	7,841	-	7,841
Obligation to Construct	-	47,826	-	-	-	47,826
Long-term liabilities						
Portion Due or payable within one year:						
General Obligation Debt	-	184,792,985	-	-	220,000	185,012,985
Bonds Called but not Presented	-	135,000	-	-	-	135,000
Portion Due or payable after one year:						
General Obligation Debt	-	120,182,020	-	3,834,075	4,755,000	128,771,095
Loans Payable	-	-	-	182,302	-	182,302
Line of Credit	-	-	-	50,000	-	50,000
Deferred Charge on Debt Refunding, Net	-	(890,582)	-	-	-	(890,582)
Total Liabilities	152,701	317,781,083	770,046	4,304,280	5,299,803	328,307,913
Net Assets (Deficits)						
Invested in Capital Assets, Net of Related Debt	799,249	(23,223,561)	630,484	12,434	-	(21,781,394)
Restricted for:						
Program Purposes	-	3,436,054	143,515	115,030	(187,826)	3,506,773
Debt Service	-	433,814	-	-	-	433,814
Unrestricted	1,150,010	(3,642,782)	-	873,604	(27,497)	(1,646,665)
Total Net Assets (Deficits)	\$ 1,949,259	\$ (22,996,475)	\$ 773,999	\$ 1,001,068	\$ (215,323)	\$ (19,487,472)

COUNTY OF DAUPHIN
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues					Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Conservation District	General Authority	Case Management Unit	Industrial Development Authority	Dauphin County Economic Development Corporation	Total
Conservation District Conservation and Development	\$ 591,170	\$ 380,545	\$ 782,267	\$ -	\$ 571,642	-	-	-	\$	571,642
General Authority General Authority Operations	49,106,221	28,767,657	-	-	-	(20,338,564)	-	-	-	(20,338,564)
Case Management Unit Human Services	8,682,771	118,458	8,721,805	-	-	-	157,492	-	-	157,492
Industrial Development Authority	1,342,158	551,193	873,307	-	-	-	-	82,342	-	82,342
Dauphin County Economic Development Corporation	6,460,378	350,124	4,172,271	-	-	(1,937,983)	-	-	(1,937,983)	(1,937,983)
Tourism and Economic Development	\$ 66,182,698	\$ 30,167,977	\$ 14,549,650	\$ -	\$ 571,642	\$ (20,338,564)	\$ 157,492	\$ 82,342	\$ (1,937,983)	\$ (21,465,071)
Total Component Units										
General revenues:										
Unrestricted investment earnings					24,182					15,839,395
Insurance Recoveries					(593,114)					130,001
Transfer from / (to) primary government					(568,932)	15,782,342				(593,114)
Total general revenue, special items, transfers					2,710	(4,556,222)				643
Change in net assets					1,946,549	(18,440,253)	157,492	244,571	(1,937,340)	(6,088,789)
Net assets (Deficit) -beginning, as restated (Note 30)					\$ 1,949,259	\$ (22,996,475)	\$ 773,999	\$ 1,001,068	\$ (215,323)	\$ (13,398,663)
Net assets (Deficit) -ending										\$ (19,487,472)

The accompanying notes are an integral part of the financial statements.

COUNTY OF DAUPHIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

A. Reporting Entity

The County of Dauphin (the "County") operates under the direction of an elected Board of Commissioners, and provides the following services: general administrative services, tax assessments and collections, judicial, public improvements, public safety and human services programs. The County follows the criteria promulgated by the Governmental Accounting Standards Board ("GASB") Statement No. 39 for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County of Dauphin (the Primary Government) and its Component Units. The Component Units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely Presented Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Component Units discussed below have been included in the financial reporting entity as discretely presented Component Units.

Dauphin County Conservation District ("District"): The District was formed by the County Commissioners in 1952 pursuant to the Conservation District Law ("Law"). The seven-member board is made up of one County Commissioner and six members appointed by the County Commissioners from a list of nominees received from organizations approved by the Commonwealth of Pennsylvania. The District was formed to manage the conservation of natural resources in the County. The Law gives the Commonwealth certain powers to supervise and direct the operations of the District. Employees of the District are County employees subject to the County Salary Board. The Law also gives the County Commissioners the ability to unilaterally disband the District if they believe a substantial portion of landowners desire such action.

The District operates and reports on a calendar year basis.

Dauphin County General Authority ("General Authority"): The General Authority was incorporated on March 17, 1984. It was created for the purpose of acquiring, financing, holding, constructing, improving, maintaining and operating, owning, and leasing, either in the capacity of lessor or lessee, projects of the kind and character contemplated by law for a general purpose authority. The General Authority's five-member board is appointed by the County Commissioners.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Dauphin County General Authority ("General Authority"): (Continued)

The County has guaranteed the General Authority Revenue Bonds Series of 1993 (golf course debt). The proceeds were used to finance the construction of the golf course operated by the General Authority. The General Authority has agreed to pay the County 90% of the revenues net of operating expenses and debt service earned in connection with the golf course. The County has also guaranteed the General Authority's 1992 Series Bonds (lease debt) related to the long-term lease of the human services building. The County Commissioners must approve all of the General Authority's bond issues, but neither the County or the General Authority has an ongoing liability for these bond issues other than the golf course and lease debt.

The General Authority reports on a calendar year basis.

Case Management Unit: The Case Management Unit serves as the base service unit for the County Mental Health/Mental Retardation Program ("MH/MR Program") providing case management services to residents of Dauphin County. The MH/MR Program approves the Case Management Unit administrator and board member appointments. The County has the ability to dissolve the Case Management Unit. Revenues are primarily from contracts with the County.

The Case Management Unit operates on a fiscal year ending June 30.

Dauphin County Industrial Development Authority ("IDA"): The IDA was organized in 1967 as a standing authority of Dauphin County. It operates in compliance with the Industrial Development Authority Law, Act No. 102, August 23, 1967.

The IDA acts as a financing vehicle for industrial development in the County. The IDA's serves as a financing vehicle for industrial development in Dauphin County. The IDA arranges financing through tax exempt and taxable bonds as well as mortgages for manufacturers, non-profits and companies establishing corporate headquarters in the County. The IDA participates in new construction and rehabilitation each year through its industrial recruitment and expansion projects. The IDA also owns several commercial properties which it leases.

The County pays for all significant management and administrative costs required to operate the IDA on a day-to-day basis. IDA's management and support staff are employees of the County. In addition the County have the sole power to appoint members of the IDA's Board of Directors and guarantees the IDA's debts.

The IDA operates and reports on a fiscal year ending September 30.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Dauphin County Economic Development Corporation ("DCEDC"): The DCEDC is a nonprofit organization which operates in compliance with Section 7502 of the Nonprofit Corporation Law of 1972 and Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The DCEDC, an industrial development corporation, was established to partner in real estate development projects and to channel grant funding to communities and organizations in need of community and economic development assistance. The DCEDC administers programs to promote tourism and regional development.

The DCEDC is administered by the County of Dauphin through the Dauphin County Department of Community and Economic Development. The Commissioners of Dauphin County have the sole power to appoint members of the DCEDC's Board of Directors. The County pays for all significant management and administrative costs required to operate the DCEDC on a day-to-day basis as the DCEDC's management and support staff are employees of the County. The County also provides significant operating revenue to the DCEDC, primarily through distributions of hotel tax collections.

The DCEDC operates and reports on a calendar year end basis.

B. Related Organizations

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these organizations does not extend beyond making appointments. The County does not designate management nor does it have the ability to significantly influence the operations of these entities. In addition, the County does not supply any funding (either directly or as a result of special financing relationships) and has no responsibility for fiscal matters for these entities (i.e., not responsible for deficits or entitled to surpluses, no guarantees of debt, etc.). These organizations include:

Authorities

Dauphin County Housing Authority
 Dauphin County Redevelopment Authority
 Dauphin County Hospital Authority
 Dauphin County Library System

Advisory Boards

Dauphin County Parks and Recreation
 Dauphin County Planning Commission
 Aging Advisory Council
 Child Care Advisory Committee
 Mental Health/Mental Retardation Advisory Board
 Woodside Juvenile Detention Center Advisory Board
 Drugs and Alcohol Advisory Board
 Fort-Hunter Board

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

C. Joint Ventures

The County is a participant with other municipalities in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations and therefore they should not be included in its financial reporting entity. Separately published audit reports of the Joint Ventures are available for public inspection in the Controller's Office. Condensed financial information relative to these entities is included in the notes herein:

<u>Name of Organization</u>	<u>Cumberland, Dauphin Harrisburg Transit Authority</u>	<u>Tri-County Regional Planning Commission</u>
Services Provided	Bus Services	Regional Planning
Dauphin County Board Representation	3 of 7 Members	13 of 31 Members
Fiscal Year	June 30, 2008	December 31, 2008
Current Assets	\$ 3,707,334	\$ 540,727
Total Assets	\$ 29,372,384	\$ 569,870
Net Assets/Fund Balance	\$ 25,885,333	\$ 386,176
Operating Revenues	\$ 6,493,711	\$ 2,123,259
Operating Revenue (Loss)	\$ (12,911,184)	\$ 16,577
Net Income	\$ (1,547,141)	\$ 20,032
Dauphin County Contribution to Operations	\$ 361,269	\$ -
Dauphin County Working Capital Advances	None	None

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges 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 the 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 a separate column in the fund financial statements.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating and capital grants, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The County reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial revenues of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund including operation of general County government, boards, commissions, the court systems, and health and welfare services.
- The Mental Health/Mental Retardation Fund is used to account for specific revenue sources related to the provisions of Mental Health/Mental Retardation services that are restricted to expenditures for those specified purposes.
- The Children and Youth Families Fund is used to account for specific revenue sources related to the provisions of Children and Youth that are restricted to expenditures for those specified purposes.
- The State Grant Fund is used to account for specific revenue sources related to various grant programs that are restricted to expenditures for those specified purposes.

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, "Accounting and financial reporting for Proprietary funds and other Governmental entities that use Proprietary Fund Accounting", the County has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standard Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

The County reports the following major proprietary funds:

- Health Choices Fund accounts for the fiscal activities of the County Behavioral Health Program that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.
- Human Services Building Fund accounts for the fiscal activities of the County's Human Services Building that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

Additionally, the County reports the following fund types:

- The Pension Trust Fund accounts for the revenue (i.e. member contributions, County contributions, and net investment income) and the expenses (i.e. contributions refunded, retirement allowances and death benefits paid) of the Pension Trust Fund.
- The Agency Funds that consist of restricted revenues of the various row offices of the County. The row office funds, in essence are escrow funds maintained by the row offices for bail posted, funds held for sheriff sales, realty transfer taxes held and owed to other governmental entities and other funds received for disposition of legal action.

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Assets or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables

• 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 "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for doubtful accounts.

• Unbilled Service Receivables

The County's Enterprise Funds bill services currently and accordingly no unbilled service receivable exists.

3. Investments

Investments for the County are reported at fair value.

4. Restricted Assets

Restricted Assets represent revenues set-aside for liquidation of specific obligations, as detailed in Note 5.

5. Capital Assets

Capital Assets, which include property, plant and equipment and infrastructure assets (e.g. bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Assets or Fund Balances (Continued)

5. Capital Assets (continued)

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

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	40
Machinery and Equipment	3-20
Infrastructure	40
Leasehold Assets	5-20

6. Allowance for Doubtful Accounts

Accounts Receivable have been reported net of allowance for doubtful accounts.

7. Compensated Absences

County policy permits employees to accumulate a limited amount of earned, but unused vacation and sick leave. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Assets or Fund Balances (Continued)

9. Unearned and Deferred Revenues

Revenues that are received but not earned are deferred in the government-wide and enterprise fund financial statements. In the County's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized. The County deems revenues received within 365 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

10. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

11. Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board of Commissioners and management and can be increased, reduced, or eliminated by similar actions.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Assets or Fund Balances (Continued)

12. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

G. Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the remaining provisions of GASB Statement No. 50, "*Pension Disclosures*". The adoption of this statement resulted in the modification of the employee retirement plan footnote (See Note 21).

The County adopted the provisions of GASB No. 55 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB No. 56 "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*". The adoption of these statements had no effect on previously reported amounts.

The County adopted the requirements of GASB statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*". The adoption of this statement had no effect on previously reported amounts.

H. Pending Changes in Accounting Principles

In June 2007 the GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*". The County is required to adopt Statement No. 51 for its calendar year 2010 financial statements.

In November 2007 the GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*". The County is required to adopt Statement No. 52 for its calendar year 2009 financial statements.

In June 2008 the GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". The County is required to adopt Statement No. 53 for its calendar year 2010 financial statements.

In March 2009 the GASB issued Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*." The County is required to adopt Statement No. 54 for its calendar year 2010 financial statements.

The County has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies

Dauphin County Conservation District

Basis of Accounting

The financial statements of the District are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Capital Assets

Capital assets are recorded at cost. Depreciation is being provided on a straight line method over the estimated useful lives of the assets.

Dauphin County General Authority

Basis of Accounting

The General Authority financial statements are reported using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Net assets are segregated into "invested in capital assets, net of related debt", "restricted" and "unrestricted" components. The financial statements are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The General Authority follows Statement No. 20 of the Governmental Accounting Standards Board ("GASB No. 20"), *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."* GASB No. 20 provides for, and the General Authority elected to apply GASB pronouncements only, rather than pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

Conduit Debt Issues

The General Authority participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the General Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together for which it receives an administrative fee. Although the General Authority is a party to the Trust Indenture with the trustee, the agreements are structured such that there is no recourse against the General Authority in the case of default. As such, the corresponding debt is not reflected on the General Authority's balance sheet.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the General Authority considers all highly liquid investments of a maturity of three months or less when purchased to be cash equivalents.

Investments

With the exception of guaranteed investment contracts which are at contract value, investments are stated at fair value.

Direct Financing Lease Transactions

The General Authority accounts for its leases with various agencies as direct financing leases in accordance with FASB Statement No. 13.

Notes Receivable Transactions

The General Authority entered into agreements with various entities for which it received general obligation and other notes.

Capital Assets

Capital Assets are recorded at cost. The General Authority provides for depreciation and amortization over the estimated useful lives of the assets using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation or amortization of such assets are removed from the accounts and any resulting gain or loss is credited or charged to income for the period. Expenditures for maintenance and repairs are charged to income as incurred. Capital assets are defined by the General Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Inventory consists of consumable supplies used for operations and maintenance and also represents items for sale. Inventory is expensed when the items are used or sold.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Deferred Financing Costs

Deferred financing costs, representing issuance costs for the outstanding bonds, net of reimbursement, are being amortized over the outstanding terms of the bonds on the straight-line method. Certain bond issues were extinguished prior to the original term of the bonds. Therefore, amortization of deferred financing costs for these bonds has been adjusted accordingly.

Bond Discount

Bond discounts, representing the underwriters' discount on bonds issued and/or the discount for bonds issued at less than par value, are amortized over the outstanding terms of the bonds by the straight-line method. Certain bond issues were extinguished prior to the original term of the bonds. Therefore, amortization of bond discounts for these bonds has been adjusted accordingly.

Restricted Assets

Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the General Authority or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities.

Net Assets

Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net assets not included in the above categories. For the time period that the revenue bonds are outstanding and the trust indenture is in effect in each fund, the net assets of the fund are presented as restricted for fund operations.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the General Authority, these revenues are charges for services, investment income and miscellaneous revenues. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the General Authority.

Case Management Unit

Basis of Presentation

The Case Management Unit's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Case Management Unit applies all GASB pronouncements as well as FASB statements and interpretations and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

Revenue Recognition

Revenue from County program funded contracts is recognized as reimbursable costs are incurred as established by regulations promulgated by the Pennsylvania Department of Public Welfare. Reimbursable costs are reduced by other program income including third-party reimbursements, private payments, and interest income.

Net patient service revenue consists of Healthchoices, medical assistance and client fees. These revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Case Management Unit (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets of Dauphin County Mental Health/Mental Retardation Case Management Unit include furniture and equipment and leasehold improvements and are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of 3 years.

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

Capital assets of Dauphin County Mental Health/Mental Retardation Case Management Unit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Equipment	3-10
Leasehold Improvements	10

Income Taxes

The Dauphin County Mental Health/Mental Retardation Case Management Unit has been recognized as a not-for-profit corporation which is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and also from state income taxes.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Case Management Unit (Continued)

Compensated Absences

The Dauphin County Mental Health/Mental Retardation Case Management Unit policy permits employees to accumulate a limited amount of earned, but unused vacation and sick leave. These benefits are payable to employees upon separation of service. All leave pay is accrued when incurred in the financial statements. A liability for these amounts is recorded. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

Dauphin County Industrial Development Authority ("IDA")

Basis of Accounting

The Dauphin County Industrial Development Authority operations are reported as a proprietary fund. This fund is used to account for activities which are associated with the financing of industrial development projects in the County of Dauphin. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Industrial Development Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements.

Cash and Cash Equivalents

The IDA considers all highly-liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents at September 30, 2008 consist of cash held in bank accounts.

Restricted Assets

Restricted assets represent cash balances from gaming revenues which are restricted for the purpose of providing municipal grants. Restricted assets also consist of cash related to the revolving loan program which is restricted for the purpose of providing loans to businesses. At September 30, 2008, the restricted cash balance was \$82,647.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Industrial Development Authority ("IDA") (Continued)

Capital Assets

Capital Assets which include office equipment and furnishings and buildings and building improvements, are recorded at original cost at the time title reverts to the IDA and said assets are in operating condition. The IDA records all capital outlays as capital assets. Capital assets are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives for office equipment furnishings range from three to seven years. The estimated useful life for buildings and building improvements are forty years and fifteen years, respectively.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions in the IDA's financial statements related to the collectability of loans and other receivables and the useful lives of fixed assets. Actual results could differ from those estimates.

Long-Term Obligations

Long-term debt and other obligations are reported as noncurrent liabilities. Bond issuance costs in connection with issuing debt are a deferred charge and amortized to expense over the life of the bonds.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at outstanding principal. Account balances generally are written off when management judges such balances uncollectible such as an account in bankruptcy. Management continually monitors and reviews loan receivable balances. Interest at rates ranging from 3-5% is charged on unpaid balance and is recognized in revenue upon receipt. The IDA's management evaluates the risk and when determined to be necessary, provides an allowance for loans which may become uncollectible. Management considers all loan receivables to be fully collectible at September 30, 2008. Loans receivable for the revolving loan program have been deferred until such time as the principle loan balances are collected, at which time revenue will be recorded.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Industrial Development Authority ("IDA") (Continued)

Direct Financing Lease Transactions

The IDA accounts for its leases with the County of Dauphin as direct financing leases in accordance with FASB No. 13.

Debt Related Costs

Debt related costs include bond issuance costs that have been capitalized and are amortized to interest expense using the straight-line method over the term of the associated debt.

Net Assets

Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- a. *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- b. *Restricted Net Assets* – This category represents net assets of the Authority, that are restricted for project or other purposes.
- c. *Unrestricted Net Assets* – This category represents net assets of the Authority, not restricted for any project or other purpose.

Dauphin County Economic Development Corporation ("DCEDC")

Basis of Accounting

The financial statements for the year ended December 31, 2008 have been prepared on the accrual basis of accounting under which revenue is recognized when earned and expenses are recognized when incurred.

Net Assets

DCEDC follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, DCEDC is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Economic Development Corporation ("DCEDC")
(Continued)

Revenue

Revenue is classified as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any legal restrictions. DCEDC's Hotel Tax, CDBG, HOME, and Section 108 revenue is considered to be temporarily restricted because its use is restricted to specific programs and activities. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the applicable use restrictions, i.e., when they are used for the purpose for which they are intended.

Cash and Cash Equivalents

DCEDC considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at December 31, 2008 consist of cash held in bank checking accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Loans Receivable

Loans receivable that DCEDC's management has the intent and ability to hold for the foreseeable future or until maturity of payoff are reported at outstanding principal. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. DCEDC's management continually monitors and reviews loan receivable balances. Interest at a 3% rate is charged on unpaid balances and is recognized in revenue upon receipt.

DCEDC's management evaluates the risk and, when determined to be necessary, provides an allowance for loans which may become uncollectible.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Economic Development Corporation ("DCEDC")
(Continued)

Capital Assets

Purchases of capital assets are recorded at their original cost and are depreciated on a straight line basis over their estimated useful lives. Estimated lives for office equipment and furnishings range from three to seven years. Estimated life for buildings is 39 years. Depreciation expense for the year ended December 31, 2008 was \$56,831.

Concentration of Credit Risk

Financial instruments which potentially subject the DCEDC to credit risk consist primarily of cash. DCEDC maintains its cash deposits with various regional financial institutions. DCEDC's bank accounts at December 31, 2008 were insured by the Federal Deposit Insurance Corporation or were collateralized in accordance with Act 72. Uninsured balances at December 31, 2008 totaled \$1,233,539.

Income Taxes

DCEDC is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code and files Form 990, return of Organization Exempt from Income Tax. Certain revenue deemed to be unrelated to a nonprofit corporation's tax-exempt purpose is subject to federal income taxes. DCEDC received no revenues deemed to be unrelated to its tax-exempt purpose during the year ended December 31, 2008.

Restricted Assets

Restricted assets represent cash balances from hotel tax and grant program distributions received from Dauphin County. These distributions are restricted for the purpose of promoting tourism and regional development and for the CDGG, Home and Section 108 programs. At December 31, 2008 the restricted cash balance was \$2,727,849.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 2: BUDGETARY DATA

County Budget Process

Formal budgetary accounting is employed as a management control for the General Fund, Certain Special Revenue Funds, and Capital Project Funds of the County. Annual operating budgets are adopted each year through the passage of an annual budget ordinance and accounting principles generally accepted in the United States of America are used to complete the budget. The County of Dauphin follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) During July and August, the department heads are supplied with current financial status reports for their programs which they are to use as a basis or guide for financial projections for the ensuing year. These proposed budgets are then submitted to the County Commissioners for review.
- (2) During September, the Finance Department interviews each department head to discuss their budgets as submitted and allow them to substantiate projected expenditures and recommends an expenditure amount.
- (3) The County Commissioners then interview each department head to discuss their budgets as submitted and allow them to substantiate projected expenditures.
- (4) Upon consolidation of the department and agency expenditure projections, the County Commissioners must ascertain the most viable method of financing them.
- (5) Subsequently, the Director of Budget assembles the preliminary projections of revenues and expenditures into a final budget incorporating any revisions or adjustments resulting from the aforementioned County Commissioners' review.
- (6) By early December, the final budget is presented to the County Commissioners. Pursuant to budgetary requirements, as set forth in the County Code, public notice is given that the proposed budget is available for inspection for a period of 20 days.
- (7) After the 20-day inspection period but no later than December 31, the County Commissioners adopt the final budget by enacting an appropriate ordinance.
- (8) As required by the Commonwealth of Pennsylvania County Code, the proposed budget is made available for public inspection for at least 20 days prior to the date of adoption, with adoption required by December 31. Subsequent to the budget approval, the County Commissioners adopt the appropriation measures required to put the budget into effect and fix the rate of taxation. Within 15 days subsequent to the legal adoption of the budget, the County Commissioners file a copy of the budget with the Department of Community and Economic Development of the Commonwealth of Pennsylvania.

Legal Requirements

An annual budget is required to be legally adopted for the General Fund since real estate taxes are levied to finance its operations. Although not legally required, the County also adopts annual budgets for its Capital Projects Fund, and certain additional Special Revenue Funds (the Domestic Relations and Liquid Fuels Fund). Budgetary data is presented on the basis of accounting principles generally accepted in the United States of America for all funds that adopt annual budgets.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 2: BUDGETARY DATA (CONTINUED)

Level of Control

The County is legally required to maintain budgetary controls at the major function level. In practice, the County maintains budgetary control at the fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue sources may arise. As a result, funds are occasionally transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and are approved by the County Commissioners.

Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with operating departments.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2008 were as follows:

	Cost	Market
Governmental Funds		
Fort Hunter Permanent Fund		
Fixed Income Mutual Funds - Bonds	\$ 446,175	\$ 451,790
Fixed Income Mutual Funds - Stocks	318,156	262,805
Total Permanent Fund	764,331	714,595
Total Governmental Funds	764,331	714,595
Fiduciary Funds		
Retirement Fund		
U.S. Government Securities	27,064,658	27,814,369
Corporate Bonds	21,614,845	21,382,161
Common Stocks	64,895,230	52,857,644
Equity Funds	48,073,091	34,746,734
Total Retirement Fund	161,647,824	136,800,908
Total Fiduciary Funds	161,647,824	136,800,908
Total Investments	\$ 162,412,155	\$ 137,515,503

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2008, the County had the following debt investments and maturities within its excess operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund - Bonds	\$ 451,790	\$ 451,790	\$ -	\$ -	\$ -
Total	\$ 451,790	\$ 451,790	\$ -	\$ -	\$ -

As of December 31, 2008, the County had the following debt investments and maturities within its retirement plan accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Treasuries	\$ 16,140,388	\$ 2,204,747	\$ 10,174,970	\$ 3,760,671	\$ -
U.S. Government Agencies	11,673,981	-	5,759,817	1,368,709	4,545,455
Corporate Bonds	21,382,162	2,097,981	11,671,324	5,230,356	2,382,501
Total	\$ 49,196,531	\$ 4,302,728	\$ 27,606,111	\$ 10,359,736	\$ 6,927,956

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's Operating Funds Investment Policy states that maturities shall be set to generally match the projected cash flow requirements for the County as determined by the County Controller.

The County's Retirement Plan Investment Policy Statement ("Retirement Investment Policy") states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. The average effective duration of domestic intermediate fixed income securities shall never be more than 25 percent of the published average or effective duration of the Lehman Brothers Intermediate Government Bond Index.

Credit Risk. The County's Operating Investment Policy limits investments to direct obligations of the United States Government or its agencies or instrumentalities; other obligations that are either insured or guaranteed by the United States Government; deposits with banks within the Commonwealth of Pennsylvania properly insured in accordance with the requirements of the County Code or properly collateralized in accordance with the County Code and Act 72 of 1971 P.S. Section 3836-1, et seq.; or investments with the Pennsylvania Local Government Investment Trust ("PLGIT").

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2008, the County's operating investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Fixed Income Mutual Funds	Aaa	81%
Fixed Income Mutual Funds	Aa	3%
Fixed Income Mutual Funds	A	9%
Fixed Income Mutual Funds	Baa	7%

The County's Retirement Investment Policy limits the average quality of fixed income securities to a minimum of "A2" or better, the third broad investment grade as determined by Moody's. The minimum quality of any single fixed income investment shall be investment grade, as defined by two out of three of the following rating agencies; Moody's, Standard and Poors, or Fitch. If an investment is made in commercial paper, the single standard shall be "A1", "P1", or "Prime".

As of December 31, 2008, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
U.S. Government Agencies	AAA	100%
Corporate Bonds	AAA	7%
Corporate Bonds	AA1	2%
Corporate Bonds	AA2	3%
Corporate Bonds	AA3	11%
Corporate Bonds	A1	10%
Corporate Bonds	A2	34%
Corporate Bonds	A3	8%
Corporate Bonds	BAA1	7%
Corporate Bonds	BAA2	14%
Corporate Bonds	BAA3	3%
Corporate Bonds	Not Rated	1%

Custodial Credit Risk. For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2008, \$110,274,160 of the County's deposits were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. None of the County's retirement investments were exposed to custodial credit risk at December 31, 2008.

Concentration of Credit Risk. The County's Operating Investment Policy does not allow a single issuer or guarantor to represent more than 10% of the total value of holdings at the time of acquisition.

The County's Retirement Investment Policy limits single investments in U.S. Treasury securities and zero coupon securities to 30% and 10%, respectively, of the domestic intermediate fixed income investments. Agency securities are limited to 50% of fixed income investments at market value, 25% per agency and to 10% per any single issue. Other types of securities are limited to 5% for each single security.

At December 31, 2008, the County is not subject to concentration of credit risk.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk

Dauphin County Conservation District

Deposits and Investments

Custodial credit risk. For Deposits and investments custodial credit risk is the risk that in the event of a bank failure, the Conservation District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2008, the Conservation District's cash balance was \$671,162, and its bank balance was \$683,163. Of this bank balance, \$122,943 was exposed to custodial credit risk, as it was collateralized with securities held by the pledging financial institution and uninsured. In addition, at December 31, 2008, the Conservation District held \$500,000 in fully insured certificates of deposit which are classified as investments on the financial statements.

Dauphin County General Authority

Deposits and Investments

Cash and investments are held by trustees, pursuant to provisions of various Trust Indentures, except for the Administrative Fund cash account and the Dauphin Highlands Golf Course cash account, which are administered by the General Authority's Executive Director.

The Municipality Authorities Act provides for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations or their agencies or instrumentalities and insured or collateralized time deposits and certificates of deposit. The Act does not prescribe regulations relating to demand deposits.

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. At December 31, 2008, the carrying amount of the Authority's unrestricted deposits was \$784,076 and the bank balance was \$949,642. Of the unrestricted bank balance, \$549,308 was covered by federal depository insurance and the remaining unrestricted bank balance of \$400,334 was collateralized under Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors. At December 31, 2008, the book balance of Authority's restricted deposits was \$3,568,378 and the bank balance was \$3,608,669. Of the restricted bank balance, \$135,000 was covered by federal depository insurance, and the remaining restricted bank balance, \$3,473,669, was collateralized under Act 72.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)Dauphin County General Authority (Continued)Investments

Total General Authority investments reported on the balance sheet at December 31, 2008 are as follows:

	<u>Fair Value</u>
Unrestricted	
Money market funds	\$ 1,224,241
U.S. government obligations	2,391
U.S. government agencies obligations	2,216,801
	<u>\$ 3,443,433</u>
Restricted	
Money market funds	\$ 35,776,276
U.S. Government agencies obligations	994,860
Municipal obligations	8,410,000
Guaranteed investment contracts	29,690,000
	<u>\$ 74,871,136</u>

Concentration of credit risk. The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5 percent of the Authority's investments were held with the following issuers:

	<u>Fair Value</u>	<u>Percent of Investment</u>
Guaranteed Investment Contracts		
FSA Capital Management	\$28,860,000	36.85%
Dallastown, Pennsylvania Area School District	\$8,410,000	10.74%

Credit Risk. The Authority does not have a formal policy that would limit investment choices with regard to credit risk. The Authority's money market funds and fixed income investments had the following level of exposure to credit risk as of December 31, 2008:

	<u>Fair Value</u>	<u>Rating</u>
Unrestricted		
Money market funds	\$ 1,224,241	AAA
U.S. government agencies	2,216,801	AAA
Restricted		
Money market funds	35,776,276	AAA
U.S. government agencies obligations	994,860	AAA
Municipal obligations	8,410,000	AAA
Guaranteed investment contracts	29,690,000	Unrated

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)Dauphin County General Authority (Continued)Investments (Continued)

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
Unrestricted					
Money market funds	\$ 1,224,241	\$ 1,224,241	\$ -	\$ -	\$ -
U.S. Government obligations	\$ 2,391	-	-	-	\$ 2,391
U.S. government agency obligations	2,216,801	2,216,801	-	-	-
	<u>\$ 3,443,433</u>	<u>\$ 3,441,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,391</u>
Restricted					
Money market funds	\$ 35,776,276	\$ 35,776,276	\$ -	\$ -	\$ -
U.S. government agency obligations	994,860	994,860	-	-	-
Municipal obligations	8,410,000	-	-	-	8,410,000
	<u>\$ 45,181,136</u>	<u>\$ 36,771,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,410,000</u>

Case Management UnitCash Concentrations

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, CMU will not be able to recover the value of its deposits that are in the possession of an outside party. As of June 30, 2008, CMU's cash balance was \$128,918 and its bank balance was \$162,276, respectively. Of the bank balance for June 30, 2008, \$60,752, respectively, of the CMU's deposits were exposed to custodial credit risk, as they are collateralized with securities held by pledging financial institution and uninsured.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)

Dauphin County Industrial Development Authority (“IDA”)

Deposits

Custodial credit risk. For deposits, custodial credit risk is the risk that in the event of failure of the counterparty, the IDA will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At September 30, 2008, \$501,475 of the IDA's deposits were exposed to custodial credit risk as they were uninsured, and are held by the counterparty's trust department or agent but not in the IDA's name. The IDA does not have a formal policy to limit its exposure to custodial credit risk.

NOTE 4: NOTES RECEIVABLE

Component Unit - Notes Receivable

Dauphin County General Authority

At December 31, 2008, the General Authority has completed financing agreements with the following entities for which it received general obligation notes:

General Obligation Notes

Ridley School District	\$ 2,875,000
Cornwall Lebanon School District	1,000,000
Philadelphia School District	99,980,000
N.E. Bradford School District	3,145,000
Penncrest School District	2,155,000
Great Valley School District	11,630,000
Susquehanna Township School District	3,495,000
Susquehanna Township School District	<u>2,100,000</u>
Total general obligation notes	<u>\$ 126,380,000</u>
Current portion	\$ 126,380,000
Noncurrent portion	<u>-</u>
	<u>\$ 126,380,000</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 5: RESTRICTED ASSETS

Assets whose use is limited to a specific purpose have been classified as "restricted" in the balance sheet. Restricted assets are composed of the following:

	<u>Cash and Accrued Interest</u>
Governmental Funds	
General Fund	
Amounts held in escrow for purposes including tax protest ordered liabilities	\$1,458,385
Amounts held in fiduciary capacity District Attorney's Office	651,751
Amounts Reserved for Workers' Compensation Liabilities	<u>291,175</u>
Total General Fund	<u>2,401,311</u>
Total Governmental Funds	<u>\$2,401,311</u>

NOTE 6: RISK MANAGEMENT

The County is exposed to risk of loss related to self-insurance activities for workers' compensation. The County records the liability for the risk associated with the workers' compensation. The County has excess workers' compensation insurance with a self-insured retention per occurrence of \$750,000, and a maximum indemnity per occurrence of \$1,000,000.

As required by the Pennsylvania Department of Labor and Industry, the County has established a trust amount for workers' compensation. The cash balance at December 31, 2008, was \$291,010 and is included in the restricted cash amount in the General Fund. The County was required to fund the amount in 2008, a result of the County's loss reserves exceeding the loss reserves calculated by the Pennsylvania Department of Labor and Industry. The purpose of the account is to provide a source of funds for claimants entitled to benefits under Article III Section 305 of the Pennsylvania Workers' Compensation Act in case the County could not pay claims.

The County maintains workers' compensation reserves for claims incurred and claims incurred but not reported on the funds to which, per the County's estimate, they apply. Independent of these reserves, the County maintains a \$120,000 deposit with a third-party administrator to facilitate claim processing. This amount is recorded in the General Fund.

The accrued liability for workers' compensation claims is determined by an actuary in accordance with actuarial principles; such claims are discounted at 3.5% for workers' compensation. Accrued workers' compensation self-insurance liabilities at December 31, 2008, are summarized as follows:

Governmental Activities

\$2,237,310

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 6: RISK MANAGEMENT (CONTINUED)

The following summary provides aggregate information on self-insurance liabilities, incurred claims, and payments during the years ended December 31, 2008 and 2007.

<u>2008</u>			
January 1, 2008, Liability	Incurred Claims and Changes in Estimate	Payments	December 31, 2008, Liability
<u>\$2,152,457</u>	<u>\$286,470</u>	<u>\$(201,617)</u>	<u>\$2,237,310</u>
<u>2007</u>			
January 1, 2007, Liability	Incurred Claims and Changes in Estimate	Payments	December 31, 2007, Liability
<u>\$2,117,945</u>	<u>\$132,264</u>	<u>\$(97,752)</u>	<u>\$2,152,457</u>

There have been no significant reductions in insurance coverage from coverage in the prior year and the amount of settlements have not exceeded insurance coverage for each of the past three years.

Component Units – Risk ManagementCase Management Unit

CMU has elected to self-insure itself for medical insurance for certain employees. CMU is liable for all claims up to an aggregate of \$954,232 or \$75,000 per individual for any one plan year. Once the deductible has been met, all future stop loss reimbursements for that contract year are payable. CMU purchased stop loss insurance to cover all claims incurred in excess of these deductible points of \$70,264. As of June 30, 2008, CMU has recorded a liability for claims incurred. No settlements exceeded insurance coverage for each of the past three years. The claims liability is included in accrued expenses on the financial statements.

Balance as of June 30, 2007	\$ 58,937
Add: Incurred claims relating to:	
Current year	<u>1,117,943</u>
	1,176,880
Less: Payment of claims relating to:	
Prior years	58,937
Current year	<u>1,047,679</u>
	1,106,616
Balance as of June 30, 2008	<u>\$ 70,264</u>

Dauphin County Industrial Development Authority ("IDA")

The IDA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages during 2008. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 226,212	\$ 109,451	\$ -	\$ 335,663
Construction in Progress - Infrastructure	298,479	112,294	(273,984)	136,789
Construction in Progress	18,178,472	10,619,812	(584,743)	28,213,541
Total Capital Assets, Not Being Depreciated	18,703,163	10,841,557	(858,727)	28,685,993
Capital Assets, Being Depreciated				
Infrastructure	10,581,517	316,434	-	10,897,951
Buildings and Improvements	80,245,239	584,743	-	80,829,982
Machinery and Tools	7,342,814	432,523	(177,187)	7,598,150
Leasehold Assets	10,749,981	410,029	(31,246)	11,128,764
Total Capital Assets, Being Depreciated	108,919,551	1,743,729	(208,433)	110,454,847
Less Accumulated Depreciation and Amortization For:				
Infrastructure	(4,964,677)	(279,298)	-	(5,243,975)
Buildings and Improvements	(37,157,384)	(1,311,851)	-	(38,469,235)
Machinery and Tools	(5,999,404)	(475,187)	163,791	(6,310,800)
Leasehold Assets	(5,778,229)	(941,083)	31,246	(6,688,066)
Total Accumulated Depreciation and Amortization	(53,899,694)	(3,007,419)	195,037	(56,712,076)
Total Capital Assets, Being Depreciated, Net	55,019,857	(1,263,690)	(13,396)	53,742,771
Governmental Activities Capital Assets, Net	\$ 73,723,020	\$ 9,577,867	\$ (872,123)	\$ 82,428,764
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 111,492	\$ -	\$ -	\$ 111,492
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	111,492	-	-	111,492
Capital Assets, Being Depreciated				
Buildings and Improvements	3,609,100	-	-	3,609,100
Machinery and Equipment	10,628,018	48,376	-	10,676,394
Furniture and Fixtures	65,346	-	-	65,346
Leasehold Assets	15,574,509	-	-	15,574,509
Total Capital Assets, Being Depreciated	29,876,973	48,376	-	29,925,349
Less Accumulated Depreciation and Amortization For:				
Buildings and Improvements	(1,592,622)	(91,268)	-	(1,683,890)
Machinery and Equipment	(8,779,586)	(410,844)	-	(9,190,430)
Furniture and Fixtures	(61,150)	(2,204)	-	(63,354)
Leasehold Assets	(9,928,258)	(706,855)	-	(10,635,113)
Total Accumulated Depreciation and Amortization	(20,361,616)	(1,211,171)	-	(21,572,787)
Total Capital Assets, Being Depreciated, Net	9,515,357	(1,162,795)	-	8,352,562
Business-Type Activities Capital Assets, Net	\$ 9,626,849	\$ (1,162,795)	\$ -	\$ 8,464,054

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 946,676
Judiciary	725,929
Conservation and Development	18,842
Human Services	389,152
Culture and Recreation	81,383
Public Safety	564,200
Public Works	<u>281,237</u>
Total Depreciation Expense – Governmental Activities	<u>\$3,007,419</u>
<u>Business-Type Activities:</u>	
Public Works	\$ 669,566
Public Safety	324,865
Other Programs	<u>216,740</u>
Total Depreciation Expense – Business-Type Activities	<u>\$1,211,171</u>

Component Units – Capital AssetsDauphin County Conservation District

Capital Assets consists of the following:

	<u>Cost</u>	<u>Estimated Useful Lives</u>
Land Improvements	\$ 110,095	20 years
Buildings and Improvements	1,106,805	40 years
Machinery and Equipment	150,961	5-6 years
Leasehold Assets	<u>15,241</u>	5 years
	<u>1,383,102</u>	
Less: Accumulated Amortization and Depreciation	<u>(583,853)</u>	
	<u>\$ 799,249</u>	

Depreciation expense for the year ended December 31, 2008 was \$38,287.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 7: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets (Continued)Dauphin County General Authority

Changes in Capital Assets of the business-type activities at December 31, 2008, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,028,786	\$ -	\$ -	\$ 2,028,786
Construction in progress	1,168,179	611,609	(1,779,788)	-
Total capital assets, not being depreciated	3,196,965	611,609	(1,779,788)	2,028,786
Capital assets, being depreciated				
Land improvements	5,743,097	-	-	5,743,097
Buildings	93,339,509	1,912,088	-	95,251,597
Building improvements	365,983	-	-	365,983
Golf course equipment	889,834	-	(3,726)	886,108
Other equipment	888,595	312,534	-	1,201,129
Total capital assets, being depreciated	101,227,018	2,224,622	(3,726)	103,447,914
Less accumulated depreciation for:				
Land improvements	(2,336,574)	(191,437)	-	(2,528,011)
Buildings	(26,237,948)	(3,173,453)	-	(29,411,401)
Building improvements	(202,443)	(24,323)	-	(226,766)
Golf course equipment	(708,743)	(48,404)	3,726	(753,421)
Other equipment	(406,411)	(77,339)	-	(483,750)
Total accumulated depreciation and amortization	(29,892,119)	(3,514,956)	3,726	(33,403,349)
Capital assets, being depreciated, net	71,334,899	(1,290,334)	-	70,044,565
Capital assets, net	\$74,531,864	\$(678,725)	\$ (1,779,788)	\$72,073,351

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 7: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets (Continued)Dauphin County General Authority

Depreciation and amortization was calculated on the straight-line method using the following useful lives:

	<u>Estimated Useful Life</u>
Land improvements	30 years
Buildings	30 years
Building improvements	15 years
Golf course equipment	7 years
Other equipment	7-10 years

Case Management Unit

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets being depreciated:				
Furniture and Equipment	\$1,222,712	\$ 138,068	\$ -	\$1,360,780
Leasehold Improvements	99,750	-	-	99,750
Total Capital Assets, Being Depreciated	<u>1,322,462</u>	<u>138,068</u>	<u>-</u>	<u>1,460,530</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	630,929	152,967	-	783,896
Leasehold Improvements	36,175	9,975	-	46,150
Total Accumulated Depreciation	<u>667,104</u>	<u>162,942</u>	<u>-</u>	<u>830,046</u>
Total Capital Assets, net	<u>\$655,358</u>	<u>\$24,874</u>	<u>\$ -</u>	<u>\$630,484</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 7: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets (Continued)Dauphin County Industrial Development Authority (“IDA”)

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2008:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
Capital assets, not being depreciated:				
Land	\$ 50,900	\$ -	\$ -	\$ 50,900
Total capital assets, not Depreciated	50,900	-	-	50,900
Capital assets, being depreciated:				
Buildings held for lease	474,354	-	-	474,354
Building Improvements	550,830	843,092	-	1,393,922
Office furniture and equipment	5,243	-	-	5,243
Total capital assets, being depreciated	1,030,427	843,092	-	1,873,519
Less accumulated depreciation for:				
Buildings held for lease	(29,647)	(11,859)	-	(41,506)
Building improvements	(55,083)	(64,825)	-	(119,908)
Office furniture and equipment	(5,243)	-	-	(5,243)
Total accumulated depreciation	(89,973)	(76,684)	-	(166,657)
Total capital assets, being depreciated, net	940,454	766,408	-	1,706,862
Total capital assets, net	\$991,354	\$766,408	\$ -	\$ 1,757,762

NOTE 8: CONDUIT DEBT ISSUES

Component Unit - Conduit Debt IssuesDauphin County General Authority

The following Conduit debt issues were outstanding at December 31, 2008:

Pennsylvania Higher Education Assistance	\$ 175,000
Reading Hospital and Medical Center	7,855,000
Dauphin County Library System	1,123,885
Pinnacle Health Systems	53,935,000
Pinnacle Health Systems	63,400,000
	<u>\$126,488,885</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT

A summary of changes in long-term debt obligations excluding obligations under capital lease follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General obligation bonded debt	\$118,685,000	\$16,865,000	\$(21,295,000)	\$114,255,000	\$ 4,815,000
Total bonds and notes payable	<u>\$118,685,000</u>	<u>\$16,865,000</u>	<u>\$(21,295,000)</u>	<u>\$114,255,000</u>	<u>\$ 4,815,000</u>
Other Liabilities:					
Compensated absences	5,427,363	2,002,679	-	7,430,042	-
Estimated workers compensation claims	2,152,457	84,853	-	2,237,310	-
Total Other Liabilities	<u>\$ 7,579,820</u>	<u>\$ 2,087,532</u>	<u>\$ -</u>	<u>\$ 9,667,352</u>	<u>\$ -</u>
Governmental Activities Long-Term Liabilities	<u>\$126,264,820</u>	<u>\$18,952,532</u>	<u>\$(21,295,000)</u>	<u>\$123,922,352</u>	<u>\$ 4,815,000</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
General obligation debt	\$ 1,723,565	\$ -	\$ (138,565)	\$ 1,585,000	\$ 35,000
Total bonds and notes payable	<u>\$ 1,723,565</u>	<u>\$ -</u>	<u>\$ (138,565)</u>	<u>\$ 1,585,000</u>	<u>\$ 35,000</u>
Other Liabilities:					
Compensated absences	\$ 165,928	\$ 90,655	\$ -	\$ 256,583	-
Total Other Liabilities	<u>\$ 165,928</u>	<u>\$ 90,655</u>	<u>\$ -</u>	<u>\$ 256,583</u>	<u>\$ -</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,889,493</u>	<u>\$ 90,655</u>	<u>\$ (138,565)</u>	<u>\$ 1,841,583</u>	<u>\$ 35,000</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

An analysis of debt service requirements to maturity on the Governmental Activities obligations follows:

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2009	\$ 4,815,000	\$ 4,497,606	\$ 9,312,606
2010	4,755,000	4,297,199	9,052,199
2011	6,720,000	4,067,735	10,787,735
2012	7,170,000	3,893,008	11,063,008
2013	7,005,000	3,633,921	10,638,921
2014-2018	35,500,000	14,164,336	49,664,336
2019-2023	43,255,000	6,531,560	49,786,560
2024-2028	5,035,000	191,265	5,226,265
	<u>\$114,255,000</u>	<u>\$41,276,630</u>	<u>\$155,531,630</u>

An analysis of debt service requirements to maturity on the Business-Type Activities obligations follows:

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2009	\$ 35,000	\$ 70,490	\$ 105,490
2010	1,110,000	45,895	1,155,895
2011	440,000	11,000	451,000
	<u>\$1,585,000</u>	<u>\$127,385</u>	<u>\$1,712,385</u>

Pertinent information regarding long-term debt obligations outstanding is presented below:

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2008</u>
1998	\$ 1,660,000	Repayment of debt incurred to finance the initial start up cost of the Solid Waste Authority. This debt was assumed by the County when the Solid Waste Authority dissolved in March 2000 (final maturity in 2008).	\$ -
2002	\$ 3,500,000	Provide funds to construct road and transportation improvements (final maturity in 2012).	\$1,670,000
2002	\$ 16,500,000	Current refunding of general obligation note Series A of 2001 and pay the cost of issuance related to the bond issue (Final Maturity in 2024).	\$16,475,000
2003	\$ 7,910,000	Series A and B issued for refinancing current principal and interest payment of general obligation bonds Series of 1993, 1998, 2001, and defeased general obligation notes Series 2000 B and F and pay the cost of issuance related to the bond issue (Final Maturity in 2010).	\$2,950,000

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

<u>Date of Issue</u>	Amount of Original Issue	<u>Purpose</u>	Balance Outstanding at December 31, 2008
2004	\$ 6,775,000	Series A and B issued for refinancing current principal and interest payments of general obligation bonds Series of 1998, 1999, 2001 and 2002A and pay the cost of issuance related to the Bond issue (Final Maturity in 2014).	\$ 6,755,000
2004	\$ 39,760,000	General Obligation Bonds, Series 2004 and General Obligation Notes, Series C and D issued for defeasing General Obligation Bonds, Series of 1998, 1999 Series A of 2003 and to partially refund the Second Series of 2001 and to pay the cost of issuance related to the bond issue (Final Maturity in 2024).	\$ 21,740,000
2005	\$ 33,990,000	General Obligation Bonds, Series of A, B and C of 2005 issued to currently refund General Obligation Bonds, Series A of 2000; to advance refund General Obligation Bonds, Second Series of 2001; and to advance refund General Obligation Bonds, Series of 2002 (Final Maturity in 2024)	\$ 27,680,000
2005	\$ 5,315,000	General Obligation Bonds, Series D of 2005 issued to currently refund General Obligation Notes, Series E of 2000 (Final Maturity in 2011)	\$ 5,265,000
2006	\$ 16,450,000	General Obligation Bonds, Series of 2006 issued to fund the costs of the emergency communications project and to pay the cost of issuance related to the bond issue (Final Maturity 2023)	\$ 16,440,000
2008	\$ 16,865,000	General Obligation Bonds, Series of 2008 issued to currently refund the County's outstanding General Obligation Bond, Series 2007 (Final Maturity 2023). These bonds bear a weekly variable rate not to exceed 25% per annum.	\$ 16,865,000
			<u>\$115,840,000</u>

Interest rates on the above obligations range from 1.8% to 5.4%. The County has pledged its taxing power as security for outstanding general obligation debt.

In February 2003, the County issued \$3,420,000 in General Obligation Notes, Series B of 2003 to refund general obligation debt of the County. As a result of the refunding, the Human Service Building Fund recognized a loss of \$172,010 that is being amortized on the interest method over the term of the notes. The balance of the deferred loss at December 31, 2008 is \$26,933.

In August 2005, the County issued \$4,120,000 in General Obligation Bonds, Series A of 2005 to currently refund general obligation debt of the County. The Human Service Building Fund recognized a bond premium of \$41,144 as a result of this refunding. The premium is being amortized on the interest method over the term of the bonds. The balance of the premium at December 31, 2008 is \$15,720.

In March 2008, the County issued \$16,865,000 of General Obligation Bonds. The Series 2008 Bonds mature on November 15, 2023 and carry a variable interest rate based on a weekly floating rate not to exceed 25%. The proceeds of the Series 2008 Bonds were used to pay bond issuance costs of \$165,000, and \$16,700,000 was paid to a bond escrow agent to currently refund the County's outstanding General Obligation Bond Series of 2007. This refunding transaction resulted in an estimated cash flow savings of \$3,328,409 for the County and an estimated economic gain of \$2,964,333.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

In the current and prior years, the County defeased various general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying general purpose financial statements. At December 31, 2008, the principal amount outstanding relative to defeased debt was \$29,440,000.

Component Units - Long-term DebtDauphin County General Authority

Long-term debt outstanding at December 31, 2008, is as follows:

School District Pooled Financing Program I	\$165,650,000
School District Pooled Financing Program II	15,560,000
Office and Parking Revenue Bonds (Riverfront Office Center)	
Series A of 1998	32,125,000
Series C of 1998 Capital Appreciation Bonds	10,784,244
Hotel and Conference Center Bonds (Hyatt Hotel Project) Series of 1998	60,835,000
Dauphin County Guaranteed Lease Revenue Bonds - Series of 2001 (Building Bonds)	4,725,000
Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 (Building Bonds) Capital Appreciation Bonds	1,525,761
Lease Revenue Bonds (100 Chestnut Street)	
Series A of 2003	2,490,000
Series B of 2003	415,000
Dauphin County Guaranteed Revenue Bonds – Series A and B of 2005 (Dauphin Highlands)	10,865,000
	<u>\$304,975,005</u>

Long-term debt is shown on the balance sheet as follows:

Current portion of long-term debt	\$184,792,985
Long-term debt, net of current portion	120,182,020
	<u>\$304,975,005</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)

Long-term liability activity for the General Authority for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt	\$522,168,691	\$ 836,314	\$(218,030,000)	\$304,975,005	\$184,792,985
Deferred charge	(974,430)	-	83,848	(890,582)	-
	<u>\$521,194,261</u>	<u>\$ 836,314</u>	<u>\$(217,946,152)</u>	<u>\$304,084,423</u>	<u>\$184,792,985</u>

Each of the General Authority's financing programs is described below. The General Authority has complied with the covenants contained in its debt agreements for the year ended December 31, 2008 except as described in Note 26.

School District Pooled Financing Program I

On July 15, 1986, the General Authority issued demand revenue bonds in the amount of \$200,000,000. The bond proceeds may be used to finance the acquisition or construction of capital assets at the request of public school districts within the Commonwealth of Pennsylvania. The General Authority enters into either a Project Sale Agreement or a Project Loan Agreement with the districts and receives General Obligation Notes from the districts. The terms of each Agreement require that the school district pay sufficient amounts to allow the General Authority to pay the principal and interest on the bonds, program administrative costs, and other expenses associated with the program. Excess profits may be applied toward loan-related expenses.

The bonds were originally set to mature on June 1, 2026, and bore interest at variable rates adjusted periodically by the Remarketing Agent. The rate was set to be the rate necessary to enable the Remarketing Agent to sell the bonds (exclusively of accrued interest, if any) at a price equal to their principal amount. The rates at December 31, 2008 ranged from 3.60% to 4.95%.

During the year ended December 31, 2008, the weekly rate associated with the bond insurance was higher than historical rates and the Authority would not have been able to renew the liquidity facility. As a result, all participating school districts have either prepaid their loans or have given the notice of intention to do so. The Authority has elected to redeem bonds upon repayments of participating school districts and the pool program is to end effective June 2009, when the bonds are anticipated to be paid in full. As a result of this, the full amount of bonds payable and notes receivable outstanding as of December 31, 2008 totaling \$165,650,000 and \$111,650,000, respectively, is deemed current for financial statement purposes.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County General Authority (Continued)

School District Pooled Financing Program I (Continued)

In June 2009, the remaining loans were repaid by the participating school districts, the balance of the School Revenue bonds were paid in full by the Authority, and the pool was collapsed. The remaining net assets of the School Pool I fund, if any, are to be transferred to the Authority's internal service fund.

As required by a mandatory sinking fund provision, the trustee maintains \$30,000,000 and \$15,000,000 of bond proceeds in the Debt Service Reserve Account and Debt Service Account, respectively.

School District Pooled Financing Program II

On October 8, 1997, the General Authority issued school revenue bonds in the amount of \$250,000,000. The bond proceeds may be used to finance the acquisition or construction of capital assets at the request of public school districts within the Commonwealth of Pennsylvania. The General Authority enters into either a Project Sale Agreement or a Project Loan Agreement with the districts and receives General Obligation Notes from the districts. The terms of each Agreement require that the school district pay sufficient amounts to allow the General Authority to pay the principal and interest on the Bonds, program administrative costs and other expenses associated with the program. Excess profits may be applied toward loan-related expenses.

During 2002, \$100,000,000 in revenue bonds were called to effectuate a reduction in the program. The remaining bonds were to mature on September 1, 2032, and bore interest at variable rates adjusted periodically by the Remarketing Agent. The rate set will be the rate necessary to enable the Remarketing Agent to sell the bonds (exclusively of accrued interest, if any) at a price equal to their principal amount. The rate at December 31, 2008, was 1.20%.

During the year ended December 31, 2008, an adequate line of credit could not be obtained and the bonds were not insured by a municipal bond guaranty insurance policy. As a result, the bonds could not be remarketed, and the Authority notified the participating school district's that repayment was required. Proceeds from the repayment of the outstanding loans were used to repay the outstanding bonds held by the Authority. At December 31, 2008, the Authority was owed \$14,730,000 in outstanding loans receivable from participating school districts. The balance of outstanding School Revenue Bonds was \$15,560,000 at December 31, 2008. The outstanding balances for the loans receivable and bonds are shown as current for financial statement purposes.

In February 2009, the remaining loans were repaid by the participating school districts, the balance of the School Revenue Bonds was paid in full by the Authority, and the pool was collapsed. The remaining net assets of the School Pool II fund were transferred to the Authority's internal service fund.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County General Authority (Continued)

Education and Health Loan Program Pool

On November 1, 1997, the General Authority issued Variable Rate Demand Revenue Bonds in the amount of \$99,995,000. The bond proceeds are to be used for projects involving the financing and refinancing of capital assets for education and health care facilities. The bond proceeds will be used: (a) to provide a source of funds from which to provide financing to eligible hospitals, health centers, and educational institutions (each a participant) to undertake certain projects, and in certain cases, to refund outstanding debt of a participant, and (b) to pay certain costs of issuing the bonds. The bonds are insured by a municipal bond guaranty insurance policy.

The bonds were originally set to mature on November 1, 2027, and bore interest at variable rates adjusted periodically by the Remarketing Agent. The rate set will be the rate necessary to enable the Remarketing Agent to sell the bonds (exclusively of accrued interest, if any) at a price equal to their principal amount.

The General Authority entered into a Note Agreement with each participant evidencing the proceeds borrowed by the participant and the terms of repayment. As the principal was collected on the outstanding receivable, the fund repaid principal on the outstanding bonds payable.

During the year ended December 31, 2008, the participants repaid their loans in full and the Authority used the proceeds to extinguish the debt in full. At December 31, 2008, there was no balance outstanding on the Variable Rate Demand Revenue Bonds.

Office and Parking Revenue Bonds – Series A, B and C of 1998 (Riverfront Office Center)

On June 30, 1998, the General Authority issued Office and Parking Revenue Bonds Series A, B, and C in the principal amounts of \$38,950,000, \$1,120,000, and \$5,235,436 respectively. The bond proceeds were used to acquire certain real estate and parking facilities in the City of Harrisburg, known as the "Riverfront Office Center," to fund a debt service reserve, and to pay the costs of issuance. The bonds were issued without a municipal bond guaranty insurance policy.

The bonds, as issued, consisted of Current Interest and Capital Appreciation Bonds. The Series A and B are Current Interest Bonds and the Series C are Capital Appreciation Bonds.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Office and Parking Revenue Bonds – Series A, B and C of 1998 (Riverfront Office Center) (Continued)

The Current Interest Bonds bear interest and mature as follows:

Series A

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	5.75%	\$ 1,025,000	\$ 1,922,188	\$ 2,947,188
2010	5.75%	1,100,000	1,863,250	2,963,250
2011	6.00%	1,160,000	1,800,000	2,960,000
2012	6.00%	1,230,000	1,730,400	2,960,400
2013	6.00%	1,305,000	1,656,600	2,961,600
2014-2018	6.00%	7,800,000	7,009,800	14,809,800
2019-2023	6.00%	10,440,000	4,371,900	14,811,900
2024-2025	6.00%	8,065,000	819,000	8,884,000
		<u>\$32,125,000</u>	<u>\$21,173,138</u>	<u>\$53,298,138</u>

Series B

There was no balance remaining on the Series B bonds at December 31, 2008.

Series C

The Capital Appreciation Bonds, which have an effective yield of 7%, bear no stated interest and have stated initial principal values as follows:

<u>Maturity Dates</u>	<u>Stated Values at Issuance</u>	<u>Maturity Values</u>	<u>Discount</u>	<u>Accreted Value</u>
July 1, 2024	\$ 304,140	\$ 1,820,000	\$1,193,501	\$ 626,499
January 1, 2025	293,857	1,820,000	1,214,704	605,296
July 1, 2025	283,920	1,820,000	1,235,161	584,839
January 2, 2026	274,310	1,820,000	1,254,945	565,055
July 1, 2026	265,047	1,820,000	1,274,055	545,945
January 1, 2027	256,074	1,820,000	1,292,509	527,491
July 1, 2027	247,411	1,820,000	1,310,345	509,655
January 1, 2028	3,310,677	25,205,000	18,385,536	6,819,464
	<u>\$5,235,436</u>	<u>\$37,945,000</u>	<u>\$27,160,756</u>	<u>\$10,784,244</u>

As required by a mandatory sinking fund provision, the trustee deposited \$2,964,300 of bond proceeds to the Debt Service Reserve Account.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Hotel and Conference Center Revenue Bonds – Series of 1998 (Hyatt Hotel Project)

On July 1, 1998, the General Authority issued Hotel and Conference Center Revenue Bonds, Series 1998 in the principal amount of \$64,500,000. The bond proceeds were used to provide funds to design, construct, and equip the Hyatt Regency Pittsburgh International Airport Hotel and Conference Center, to capitalize interest through the construction period, to fund a debt service reserve, to fund an operating reserve and pay the costs of issuance. The bonds were issued without a municipal bond guaranty insurance policy.

The Bonds bear interest and mature as follows:

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	6.00%	\$ 1,205,000	\$ 3,730,350	\$ 4,935,350
2010	6.00%	1,430,000	3,651,300	5,081,300
2011	6.00%	1,580,000	3,559,420	5,139,420
2012	6.20%	1,675,000	3,458,515	5,133,515
2013	6.20%	1,770,000	3,351,720	5,121,720
2014-2018	6.20%	10,660,000	14,911,000	25,571,000
2019-2023	6.20%	14,155,000	11,086,065	25,241,065
2024-2028	6.20%	19,065,000	5,978,505	25,043,505
2029	6.20%	9,295,000	288,145	9,583,145
		<u>\$60,835,000</u>	<u>\$50,015,020</u>	<u>\$110,850,020</u>

As required by a mandatory sinking fund provision, the trustee deposited \$5,189,000 of bond proceeds to the Debt Service Reserve Account. Bond Redemption and Improvement Funds were used to meet the 2009 debt service requirements.

Dauphin County Guaranteed Lease Revenue Bonds - Series of 2001 (Building Bonds)

On November 21, 2001, the General Authority issued \$5,620,000 Dauphin County Guaranteed Lease Revenue Refunding Bonds – Series A of 2001 and \$4,750,000 Dauphin County Guaranteed Lease Revenue Bonds, Series B of 2001. The proceeds of Series A of 2001 were used to defease the County Building Bonds Series of 1997, as issued, consisted of Current Interest Bonds of \$8,535,000. The bonds are insured by a municipal bond guaranty insurance policy. The General Authority used the Series A of 2001 Bond proceeds to advance refund the Current Interest Bonds, resulting in defeasance of the bonds. As a result, the liability for those bonds has been removed from the Building Bond Fund. The balance outstanding on the County Building Bonds Series of 1997 at December 31, 2008, is zero.

The Series B of 2001 Bonds were issued to make renovations and improvements to a portion of the building; upgrade the electrical, plumbing and HVAC systems and installation of a new steam heating system to the property; and to pay the costs of issuance associated with issuing the bonds.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Dauphin County Guaranteed Lease Revenue Bonds - Series of 2001 (Building Bonds) (Continued)

The County has pledged its taxing power to support its lease rental payments related to both principal and interest due on the General Authority's Bonds. These bonds mature as follows:

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.00%	\$ 10,000	\$ 225,888	\$ 235,888
2010	4.00%	10,000	225,488	235,488
2011	4.00%	305,000	225,088	530,088
2012	4.25%	315,000	212,888	527,888
2013	4.38%	330,000	199,500	529,500
2014-2018	4.75%-5.00%	1,885,000	754,039	2,639,039
2019-2022	5.00%	1,870,000	239,250	2,109,250
		<u>\$ 4,725,000</u>	<u>\$ 2,082,141</u>	<u>\$ 6,807,141</u>

Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 (Building Bonds)

The General Authority issued \$11,845,695 Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 on July 1, 1992, the proceeds of which were used to defease the County Building Bonds - Series of 1986. The balance outstanding on the defeased bonds at December 31, 2008, is \$1,590,000. The bonds are insured by a municipal bond guaranty insurance policy.

The 1992 Bonds, as issued, consisted of Current Interest Bonds and Capital Appreciation Bonds of \$10,900,000 and \$945,695, respectively. The bonds are insured by a municipal bond guaranty insurance policy. Through the issuance of the County Building Bonds Series of 1997, the General Authority advance refunded the Current Interest Bonds resulting in defeasance of the bonds. The balance outstanding on the defeased bonds at December 31, 2008, is zero.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 (Building Bonds) (Continued)

The 1992 Capital Appreciation Bonds mature as follows:

<u>Maturity Dates</u>	<u>Stated Values at Issuance</u>	<u>Maturity Values</u>	<u>Discount</u>	<u>Accreted Value</u>
March 1, 2009	\$ 188,346	\$ 530,000	\$ 5,436	\$ 524,564
September 1, 2009	182,553	530,000	21,579	508,421
March 1, 2010	176,935	530,000	37,224	492,776
	<u>\$ 547,834</u>	<u>\$ 1,590,000</u>	<u>\$ 64,239</u>	<u>\$1,525,761</u>

Lease Revenue Bonds – Series A and B of 2003 (100 Chestnut Street)

On October 1, 2003, the Authority issued Tax Exempt Lease Revenue Bonds, Series A in the principal amount of \$2,490,000 and Federally Taxable Lease Revenue Bonds, Series B in the principal amount of \$1,355,000. The Authority used the 2003 bond proceeds to advance refund the Lease Revenue Bonds, Series A and B of 1998, resulting in defeasance of the bonds. The bonds are insured by a municipal bond guaranty insurance policy.

The bonds bear interest and mature as follows:

Series A

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	N/A	\$ -	\$ 102,927	\$ 102,927
2010	3.40%	75,000	102,927	177,927
2011	3.65%	265,000	100,378	365,378
2012	3.80%	275,000	90,706	365,706
2013	4.00%	280,000	80,256	360,256
2014-2018	4.10%-4.60%	1,595,000	216,426	1,811,426
		<u>\$2,490,000</u>	<u>\$ 693,620</u>	<u>\$3,183,620</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Lease Revenue Bonds – Series A and B of 2003 (100 Chestnut Street)
(Continued)Series B

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.55%	\$ 240,000	\$ 19,495	\$ 259,495
2010	4.90%	175,000	8,575	183,575
		<u>\$ 415,000</u>	<u>\$ 28,070</u>	<u>\$ 443,070</u>

Lease Revenue Bonds – Series A and B of 1998 (100 Chestnut Street)

On September 1, 1998, the General Authority issued Tax Exempt Lease Revenue Bonds, Series A in the principal amount of \$4,285,000 and Federally Taxable Lease Revenue Bonds, Series B in the principal amount of \$340,000. The bond proceeds were used to acquire certain real estate in the City of Harrisburg, known as "100 Chestnut Street," to fund certain renovations to the facility, to fund a debt service reserve, and to pay the costs of issuance. On October 1, 2003, the General Authority advance refunded the Series A and B of the 1998 Bonds, resulting in a defeasance of the bonds. As a result, the liability for those bonds has been removed from the 100 Chestnut Street Fund. The balance outstanding on the defeased Series A bonds on December 31, 2008 is \$2,815,000. The Series B bonds matured in 2006 and were paid in full.

Dauphin County Guaranteed Revenue Bonds – Series A and B of 2005 (Dauphin Highlands)

On January 6, 2005, the General Authority issued Tax Exempt County Guaranteed Revenue Refunding Bonds, Series A of 2005 and Taxable County Guaranteed Revenue Refunding Bonds, Series B of 2005 in the principal amount of \$8,565,000 and \$2,435,000, respectively. The bonds are insured by a municipal bond guaranty insurance policy. The net proceeds were used to advance refund the 1993 Series Capital Appreciation Bonds, advance refund the County Guaranteed Revenue Bonds, Series of 2003 and pay the costs of issuing the bonds. As a result, the liability for those bonds has been removed from Dauphin Highlands. At December 31, 2008, the maturity value and accreted value of the bonds outstanding on the 1993 Series Capital Appreciation Bonds are \$14,005,000 and \$8,804,454, respectively. At December 31, 2008, the County Guaranteed Revenue Bonds, Series of 2003 were paid in full.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Dauphin county Guaranteed Revenue Bonds – Series A and B of 2005 (Dauphin Highlands) (Continued)

Dauphin County has pledged its full faith, credit and taxing power to guarantee the debt service payments related to both principal and interest due on the Series A of 2005 Revenue Refunding Bonds. These bonds mature as follows:

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	2.75%	\$ 5,000	\$ 392,634	\$ 397,634
2010	3.00%	5,000	392,498	397,498
2011	3.25%	5,000	392,348	397,348
2012	3.50%	5,000	392,166	397,166
2013	3.60%	5,000	392,010	397,010
2014-2018	4.00%	25,000	1,959,150	1,984,150
2019-2023	4.00%- 4.50%	1,015,000	1,922,750	2,937,750
2024-2028	4.50% - 4.63%	2,800,000	1,501,850	4,301,850
2029-2033	4.63% - 4.70%	3,810,000	758,808	4,568,808
2034	4.70%	875,000	41,166	916,166
		<u>\$ 8,550,000</u>	<u>\$ 8,145,380</u>	<u>\$ 16,695,380</u>

Dauphin County has pledged its full faith, credit and taxing power to guarantee the debt service payments related to both principal and interest due on the Series B of 2005 Revenue Refunding Bonds. These bonds mature as follows:

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.00%	\$ 65,000	\$ 120,256	\$ 185,256
2010	4.25%	80,000	117,656	197,656
2011	4.50%	95,000	114,254	209,254
2012	4.65%	115,000	109,980	224,980
2013	5.15%	135,000	104,632	239,632
2014-2018	5.15%-5.50%	1,025,000	395,700	1,420,700
2019-2021	5.50%	800,000	83,050	883,050
		<u>\$ 2,315,000</u>	<u>\$ 1,045,528</u>	<u>\$ 3,360,528</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County Industrial Development Authority

Variable Rate Demand Revenue Bonds (WITF, Inc. Project), Series of 2005

On September 23, 2005, the IDA issued Variable Rate Demand Revenue Bonds, Series of 2005 (the Bonds) in the aggregate principal amount of \$19,000,000. The IDA appointed Fulton Financial Advisors, N.A., to serve as trustee, bond registrar and paying agent for the Bonds. The bonds are limited obligations of the IDA, payable solely from the payments required to be made by WITF, Inc. (the Borrower) under a loan agreement by and between DCIDA and the Borrower (the Agreement.)

Pursuant to the Agreement, the IDA lent the full proceeds of the Bonds to the Borrower for the acquisition and construction of a public media center to be occupied and used by the Borrower, and payment of related costs and expenses, including a portion of the costs incurred to issue the Bonds. The Borrower is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the IDA, until the Bonds mature in 2026.

The IDA assigned all of its rights under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Borrower is obligated to make the payments directly to the Trustee in amounts necessary to satisfy the debt service requirements of the Bonds. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Bonds.

Lease Revenue Bonds, Series of 2005 (Pennsylvania Fish and Boat Commission)

On September 28, 2005, the IDA issued Lease Revenue Bonds, Series of 2005 (the Bonds) in the aggregate principal amount of \$4,220,000. The IDA appointed Manufacturers and Traders Trust Company, to serve as trustee, bond registrar and paying agent for the Bonds. The bonds are limited obligations of the IDA, payable solely from the payments required to be made by PA Fish and Boat Commission (the Borrower) under a lease/purchase agreement by and between DCIDA and the Borrower (the Agreement).

Pursuant to the Agreement, the IDA lent the full proceeds of the Bonds to the Borrower to advance refund Lease Revenue Bonds, Series of 1999, fund a debt service reserve fund, and pay Bond issuance costs. The Borrower is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the IDA, until the Bonds mature in 2015.

The IDA assigned all of its rights under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Borrower is obligated to make timely payments directly to the Trustee in amounts necessary to satisfy the debt service requirement of the Bonds. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Bonds.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County Industrial Development Authority (Continued)

Taxable Mortgage Revenue Bonds, Series 2006 Bentley Harrisburg Senior Living Facility) (Continued)

On April 6, 2006, the Authority issued Taxable Mortgage Revenue Bonds, Series 2006 (the Bonds) in the aggregate principal amount of \$2,720,000. The IDA appointed Wells Fargo Bank, N.A. to serve as trustee, bond registrar and paying agent for the Bonds. The bonds are limited obligations of the Authority, payable solely from the payments required to be made by Harrisburg Senior Living, LLC and Bentley Harrisburg Senior Center, LLC (the Borrowers) under the loan agreement by and between IDA and the Borrowers (the Agreement). Pursuant to the Agreement, the IDA lent the full proceeds of the Bonds to the Borrowers to refinance certain short-term debt incurred by the Borrowers to acquire the facility, to fund certain working capital needs for the facility, and to pay Bond issuance costs. The Borrower is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the IDA, until the Bonds mature in 2039.

The IDA assigned all of its rights under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Borrower is obligated to make timely payments directly to the Trustee in amounts necessary to satisfy the debt service requirements of the Bonds. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Bonds.

Federally Taxable Tax Increment Financing Bond, Series of 2006 (The Harrisburg East Mall Tax Increment Financing District)

On June 30, 2006, the IDA issued a Tax Increment Financing Bond, Series of 2006 (the Bond) in the aggregate principal amount of \$3,200,000. The IDA appointed Manufacturers and Traders Trust Company, to serve as trustee, bond registrar and paying agent for the Bonds. The bonds are limited obligations of the IDA, payable solely from the Tax Increment Financing revenues (TIF revenues) under a reimbursement and trust agreement by and between DCIDA and the Trustee (the Agreement.)

Pursuant to the Agreement, the IDA will reimburse Feldman Lubert Adler Harrisburg, LP (the Company) for costs incurred and paid and eligible to be funded pursuant to the Tax Increment Financing Act, Act of July 11, 1990, P.L. 465, as amended and supplemented. The Trustee, via TIF revenues, is obligated to make payments in amounts equal to scheduled principal and interest to the Company, along with certain annual administrative expenses of the IDA, until the Bond matures in 2015.

The IDA assigned, transferred and pledged all moneys held from time to time by the Trustee, the TIF Agreement and all pledged receipts under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Trustee is obligated to make timely payments directly to the Company in amounts necessary to satisfy the debt service requirements of the Bond. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Bond.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County Industrial Development Authority (Continued)

Mortgage Revenue Note, Series of 2007 (Yellow Breeches Educational Center, Inc. Project)

In December 2008, the Authority authorized the issuance of a Mortgage Revenue Note (Note) totaling \$437,000 for the purpose of assisting a Pennsylvania non-profit corporation in the acquisition, of an existing educational facility, and the acquisition of the sewer treatment plant, which serves said educational facility. Final Maturity on the Note is December 2023. The note is secured by various assets of the borrower, accordingly, no recourse can be made against the Authority for payment of principal or interest on the bond.

Other Projects Financed by Limited Obligation Mortgages and Bond Issues

The IDA serves as a financing vehicle for industrial development in the County of Dauphin, using tax exempt and taxable bonds, as well as mortgage financing. Such projects are amortized through lease rentals received from respective tenants. The terms range from 15 to 27 years with various interest rate structures. Industrial projects are leased or sold to tenants under the provisions of long-term noncancellable leases or installment sales agreements. The leases provide a purchase option under which the tenant may acquire the property by assuming the unpaid principal balance of the mortgage or bond issue. The bond issues are limited obligations of the IDA, payable from the payments required to be made by the projects or tenant. No recourse can be made against the IDA for payment of principal or interest. The mortgages are arranged between private contractors and the banks by the IDA, but are not obligations of the IDA. The installment sales agreements provide for a purchase price equal to the indebtedness of the IDA. The aggregate principal amount payable for these bonds and mortgages could not be determined; however, their original issue amounts totaled approximately \$84,000,000.

The total aggregate principal amount payable for conduit debt could not be determined; however, the original issue amounts of all conduits issued by the IDA as of September 30, 2008 was approximately \$114,000,000.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations

\$488,000 Guaranteed Lease Revenue Note, Series of 2004, due in monthly installments of \$4,855 through November 4, 2014 plus interest at 3.63%.

The proceeds of the note, dated November 4, 2004, were used for and towards the acquisition of a building situated at 1805 North Cameron Street in the City of Harrisburg, Dauphin County; and paying the costs and expenses related to the foregoing purposes and to the issuance of the Note.

Under a lease agreement dated November 4, 2004 between the IDA, as lessor, and the County, as lessee, the County is obligated to make monthly payments to or on behalf of the IDA in amounts required by the note. The County is currently making monthly payments directly to the bank. The County guarantees payment of principal and interest on the Note.

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series 2004:

Principal	Interest	Interest Rate	Maturity Date
\$ 47,378	\$ 10,887	3.63%	2009
49,126	9,138	3.63%	2010
50,940	7,325	3.63%	2011
52,820	5,445	3.63%	2012
54,770	3,495	3.63%	2013
66,458	1,518	3.63%	2014 to 2015
<u>\$ 321,492</u>	<u>\$ 37,808</u>		

\$900,000 Guaranteed Lease Revenue Note, Series of 2005, due in monthly installments of interest only through June 1, 2006 and in monthly installments of \$6,319 through June 1, 2026. Interest is at 5.75%.

The proceeds of the note, dated June 1, 2005, were used for and towards the acquisition of a building located at 112 Market Street in the City of Harrisburg, Dauphin County, known as the Veterans Building; certain renovations and improvements thereto; and paying the costs and expenses related to the foregoing purposes of the note.

The IDA's payment obligations under the note and loan agreement are secured by a pledge of the IDA's right, title and interest in and to the receipts, revenues and moneys derived by the IDA in any manner from the operation of the Veterans Building. The County guarantees payment of principal and interest on the note. This note is a limited obligation of the IDA secured solely as provided in the loan agreement.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations (Continued)

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series of 2005:

Principal	Interest	Interest Rate	Maturity Date
\$ 28,125	\$ 47,700	5.75%	2009
29,786	46,039	5.75%	2010
31,544	44,281	5.75%	2011
33,407	42,418	5.75%	2012
35,380	40,446	5.75%	2013
210,805	168,319	5.75%	2014 to 2018
280,830	98,295	5.75%	2019 to 2023
192,413	16,075	5.75%	2024 to 2026
<u>\$ 842,290</u>	<u>\$ 503,573</u>		

\$900,000 Guaranteed Lease Revenue Note, Series of 2006, due in monthly installments of \$5,677 through April 5, 2026 plus interest at 4.40%.

The proceeds of the note, dated April 5, 2006, were used for and towards the acquisition of a building situated at 1300 Rolleston Street in the City of Harrisburg, Dauphin County; and paying the costs and expenses related to the foregoing purposes and to the issuance of the Note.

Under a lease agreement dated April 5, 2006 between the IDA, as lessor, and the County, as lessee, the County is obligated to make monthly payments to or on behalf of the IDA in amounts required by the note. The County is currently making monthly payments directly to the bank. The County guarantees payment of principal and interest on the Note.

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series 2006:

Principal	Interest	Interest Rate	Maturity Date
\$ 31,789	\$ 36,332	4.40%	2009
33,236	34,885	4.40%	2010
34,749	33,372	4.40%	2011
36,242	31,879	4.40%	2012
37,982	30,139	4.40%	2013
217,406	123,200	4.40%	2014 to 2018
271,647	68,961	4.40%	2019 to 2023
165,920	10,061	4.40%	2024 to 2026
<u>\$ 828,971</u>	<u>\$ 368,829</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations (Continued)

Loan Payable, Vartan Bank, due in monthly installments of interest only through May 13, 2006 and in monthly installments of \$1,563 through March 16, 2026. Interest is fixed at 7.00% through March 13, 2009 then is adjusted monthly with the Wall Street Journal Prime (WFJP) for the balance of the term.

The proceeds of the loan, dated March 13, 2006, were used for and towards renovations and improvements to a building located at 112 Market Street in the city of Harrisburg, Dauphin County, known as the Veterans Building.

The following is a maturity schedule for the Loan Payable, Vartan Bank:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 5,775	\$ 12,981	Var.	2009
6,192	12,564	Var.	2010
6,640	12,116	Var.	2011
7,127	11,629	Var.	2012
7,617	11,139	Var.	2013
46,374	47,406	Var.	2014 to 2018
66,060	27,720	Var.	2019 to 2023
42,292	3,039	Var.	2024 to 2026
<u>\$ 188,077</u>	<u>\$ 138,594</u>		

\$410,651 Guaranteed Lease Revenue Note, Series 2007A, due in monthly installments of \$2,688 through August 16, 2027 plus interest at 4.83%.

The proceeds of the note, dated August 16, 2007 were used for and towards the acquisition of a building situated at 2125 Paxton Church Road in the City of Harrisburg, Dauphin County; and paying the costs and expenses related to the foregoing purposes and to the issuance of the Note.

Under a lease agreement dated August 16, 2007 between the Authority, as lessor, and the County, as lessee, the County is obligated to make monthly payments to or on behalf of the Authority in amounts required by the note. The County is currently making monthly payments directly to the bank. The County guarantees payment of principal and interest on the Note.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations (Continued)

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series 2007A:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 13,092	\$ 19,161	4.83%	2009
13,748	18,505	4.83%	2010
14,437	17,816	4.83%	2011
15,112	17,141	4.83%	2012
15,917	16,336	4.83%	2013
92,327	68,938	4.83%	2014 to 2018
117,892	43,372	4.83%	2019 to 2023
114,731	11,593	4.83%	2024 to 2027
<u>\$ 397,256</u>	<u>\$ 212,862</u>		

\$900,000 Guaranteed Lease Revenue Note Series 2007, due in monthly installments of \$5,291 through November 29, 2027 plus interest at 4.89%.

The proceeds of the note, dated November 29, 2007, were used for and towards the acquisition of a building situated at 5925 Stevenson Avenue in Lower Paxton Township, Dauphin County, Pennsylvania; and paying the costs and expenses related to the foregoing purposes and the issuance of the Note.

Under a lease agreement dated November 29, 2007 between the IDA, as lessor and the County, as lessee, the County is obligated to make monthly payments to or on behalf of the IDA in amounts required by the note. The County is currently making payments directly to the bank. The County guarantees payment of the principal and interest on the Note.

The following is a maturity schedule for the Guaranteed Lease Revenue Note, Series 2007:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 28,174	\$ 2,874	4.83%	2009
29,603	41,445	4.83%	2010
31,105	39,944	4.83%	2011
32,574	38,475	4.83%	2012
34,334	36,714	4.83%	2013
199,532	155,709	4.83%	2014 to 2018
255,559	99,682	4.83%	2019 to 2023
266,782	29,048	4.83%	2024 to 2027
<u>\$ 877,663</u>	<u>\$ 443,891</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations (Continued)

\$1,000,000 Guaranteed Construction Note (Veterans Building Project) Series of 2008 (Taxable) interest due in monthly installments at a rate of 4.40% APR on the outstanding principle balance. The balance of all principle outstanding is due on the Notes maturity date on June 1, 2010.

The proceeds of the note, dated June 17, 2008, are to be used to finance the costs acquisition, construction, and installation of improvements on an 8 story building located at 112 Market Street in the City of Harrisburg known generally as the "Veterans Building". The IDA draws on the note as needed to fund the capital project. The principal balance outstanding on the note at September 30, 2008 was \$714,961.

The following is a maturity schedule for the Guaranteed Construction Note Series 2008:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ -	\$ 31,458	4.40%	2009
714,961	20,972	4.40%	2010
<u>\$ 714,961</u>	<u>\$ 52,430</u>		

The following is a summary of long-term debt for the year ended September 30, 2008:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008	Due Within One Year
Guaranteed lease revenue notes:					
Series of 2004	\$ 367,183	\$ -	\$ 45,691	\$ 321,492	\$ 47,378
Series of 2005	868,847	-	26,557	842,290	28,125
Series of 2006	859,274	-	30,303	828,971	31,789
Series of 2007	-	900,000	22,337	877,663	28,174
Series of 2007(A)	409,671	-	12,415	397,256	13,092
Subtotal	2,504,975	900,000	137,303	3,267,672	148,558
2008 Construction Note	-	714,961	-	714,961	-
Loan Payable	193,427	-	5,350	188,077	5,775
Total	<u>\$ 2,698,402</u>	<u>\$ 1,614,961</u>	<u>\$ 142,653</u>	<u>\$ 4,170,710</u>	<u>\$ 154,333</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Economic Development Corporation

Long-term debt at December 31, 2008, consisted of the following:

Note payable available of \$2,200,000 to a bank, payable in variable annual installments plus interest at the LIBOR rate determined and in effect on the applicable adjustment date not to exceed 10%, initial principal payment due 2006, final payment due December 2030, bank has the option to call the note in December 2014, secured by assignment of leases and rentals \$ 1,975,000

Section 108 Note payable in the amount of \$3,000,000 issued for the purpose of redeveloping a brownfield site at an approximate interest rate of 5.4% and final payment due August 2026. 3,000,000

4,975,000
 Less current portion (220,000)
 Long-term debt \$ 4,755,000

Maturities of long-term debt are as follows:

2009	\$ 220,000
2010	220,000
2011	225,000
2012	225,000
2013	230,000
Thereafter	<u>3,855,000</u>
	<u>\$ 4,975,000</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 10: GUARANTEED DEBT

The County is currently the guarantor of four Swaps that were issued through the Harrisburg Authority.

The first swap is related to the Resource Recovery Multi-Modal Bonds, Series D of 2003 (the "2003D Bonds"), originally issued in the amount of \$96,480,000. The synthetic variable swap (the "2003 Variable Swap") was executed in the amount of \$31,480,000. The 2003 Variable Swap was entered into with the Royal Bank of Canada (the Counterparty). The effective date of the 2003 Variable Swap was December 30, 2003 and the termination date is December 1, 2008. The Harrisburg Authority pays to the Counterparty SIFMA and received from the Counterparty a fixed rate of 2.66%.

The second swap is related to the Resource Recovery Multi-Modal Bonds, Series D of 2003, originally issued in the amount of \$96,480,000. The synthetic variable swap (the "Second 2003 Variable Swap") was executed in the amount of \$65,000,000. The Second 2003 Variable Swap was entered into with the Royal Bank of Canada (the Counterparty). The effective date of the Second 2003 Variable Swap was December 30, 2003 and the termination date is December 1, 2013. The Harrisburg Authority pays to the Counterparty SIFMA and receives from the Counterparty a fixed rate of 3.37%.

The third swap is related to the Resource Recovery Multi-Modal Bonds, Series D of 2003 (the "2003D Bonds"), originally issued in the amount of \$96,480,000. The floating-to-fixed swap (the "2006 Fixed Payor") was executed in the amount of \$96,480,000. The 2006 Fixed Payor was entered into with the Royal Bank of Canada (the Counterparty). The 2006 Fixed Payor had an effective date of June 1, 2006 and a termination date of June 1, 2011. The Harrisburg Authority pays to the Counterparty a fixed rate of 3.35% and receives from the Counterparty 68% of One-Month LIBOR.

The fourth swap is related to the Resource Recovery Multi-Modal Bonds, Series D of 2003 (the "2003D Bonds"), originally issued in the amount of \$96,480,000. A 6% cap (the "2003D Cap") was purchased from the Royal Bank of Canada (the Counterparty), commenced in 2006 and expires in 2033.

Component Units – Guaranteed Debt

Dauphin County Economic Development Corporation

On August 15, 2002, the Dauphin County Industrial Development Authority (IDA) issued County Guaranteed Revenue Bonds, Series of 2002 (the Bonds) in the aggregate principal amount of \$3,500,000.

The IDA appointed M & T Bank (formerly Allfirst), to serve as trustee, bond registrar and paying agent for the Bonds. The Bonds are limited obligations of IDA, payable solely from the funds pledged by the County of Dauphin (the County) under an agreement titled "Repayment Agreement by and between Dauphin County Industrial Development Authority and County of Dauphin, Pennsylvania regarding \$3,500,000 Dauphin County Industrial Development Authority County Guaranteed Revenue Bonds, Series of 2002," (the Repayment Agreement).

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 10: GUARANTEED DEBT (CONTINUED)

Component Units – Guaranteed Debt (Continued)Dauphin County Economic Development Corporation (Continued)

Pursuant to the Repayment Agreement, the IDA lent the full proceeds of the Bonds to the County to finance road and transportation improvements related to tourism and regional promotion and to pay costs incurred to issue the bonds. The County is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the IDA, until the Bonds mature in 2012.

Under the bond indenture and the Repayment Agreement, the County is obligated to make timely payments directly to the Trustee in amounts necessary to satisfy the debt service requirements of the Bonds. DCEDC will make debt service payments to the Trustee on behalf of the County using transfers in from Dauphin County revenue. However, the Bonds are the obligations of the County, not DCEDC, and therefore are not reflected as a liability in the financial statements of DCEDC as of December 31, 2008.

Scheduled interest rates and principal maturities on the Bonds are as follows:

<u>Maturity</u> <u>November 15</u>	<u>Rate of</u> <u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2009	3.45%	\$ 395,000	\$ 61,470	\$ 456,470
2010	3.55%	410,000	47,843	457,843
2011	3.75%	425,000	32,878	457,878
2012	3.85%	440,000	16,940	456,940
		<u>\$1,670,000</u>	<u>\$159,131</u>	<u>\$1,829,131</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 11: INTEREST RATE SWAPS

2005 SWAP

Objectives and terms of the swap. In October 2005, the County entered into a basis swap with the Royal Bank of Canada as the Counterparty. The basis swap is structured such that the notional principle schedule matches the principle amortization of the County's General Obligation Notes, Series D of 2004. The County pays the Counterparty the SIFMA Municipal Swap Index, while the Counterparty pays the County 67% of 1-month LIBOR plus a pre-determined .39% per annum.

The terms, fair values, and credit ratings of the basis swap as of December 31, 2008 were as follows. The notional amount of the swap match the principal amount of the 2004 D Series Notes.

Associated Bond Issue	Notional Amount	Effective Date	County Pays	County Receives	Fair Value	Swap Termination Date	Counterparty Credit Rating
Series D of 2004 GON	\$ 14,805,000	10/1/2005	SIFMA	67% of USD-LIBOR + .39%	\$ (331,257)	3/1/2019	Aaa/ AA-/ AA

Fair market value. The swap had a negative fair market value as of December 31, 2008. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2008. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap fair value. As of December 31, 2008, the counterparty was rated Aaa by Moody's Investors Service, AA- by Standard & Poor's, and AA by Fitch Ratings.

The County's Master Swap Agreement contains netting provisions applicable to circumstances in which the County enters into more than one derivative transaction with a single counterparty. Under these netting provisions, should one party become insolvent or otherwise default on its obligations, the close-out netting provisions permit the nondefaulting party to terminate all affected transactions and net any settlement amounts payable so that a single sum will be owed by, or owed to, the nondefaulting party.

Interest Rate Risk. The swap increases the County's exposure to interest rate risk.

Termination Risk. The swap was issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the County will be responsible for the underlying variable rate bond obligation. Also, if at the time of termination the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 11: INTEREST RATE SWAPS (Continued)

2006 SWAPS

Objectives and terms of the swap. In June 2006, the County entered into a floating to fixed rate basis swap with the Deutsche Bank as the Counterparty. This swap was subsequently amended and restated in March 2008 in the amount of \$16,865,000 (the "2008 Fixed Swap"). The County entered into the fixed swap with the Deutsche Bank as the Counterparty. The County will pay the Counterparty a fixed rate of 3.979%, while the Counterparty will pay the County 67% of 1-month LIBOR.

The terms, fair values, and credit ratings of the basis swap as of December 31, 2008 were as follows. The notional amount of the swap match the principal amount of the 2008 Series Bonds.

Associated Bond Issue	Notional Amount	Effective Date	County Pays	County Receives	Fair Value	Swap Termination Date	Counterparty Credit Rating
Series of 2008 GOB	\$ 16,865,000	3/27/2008	3.979%	67% of 1 MONTH-LIBOR	\$ (244,550)	10/15/2023	Aa1/ AA-/ AA-

Fair market value. The swap had a negative fair market value as of December 31, 2008. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2008. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap fair value. As of December 31, 2008, the counterparty was rated Aa1 by Moody's Investors Service, AA- by Standard & Poor's, and AA- by Fitch Ratings.

The County's Master Swap Agreement contains netting provisions applicable to circumstances in which the County enters into more than one derivative transaction with a single counterparty. Under these netting provisions, should one party become insolvent or otherwise default on its obligations, the close-out netting provisions permit the non-defaulting party to terminate all affected transactions and net any settlement amounts payable so that a single sum will be owed by, or owed to, the non-defaulting party.

Interest Rate Risk. The swap increases the County's exposure to interest rate risk.

Termination Risk. The swap was issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the County will be responsible for the underlying variable rate bond obligation. Also, if at the time of termination the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 11: INTEREST RATE SWAPS (Continued)

2007 SWAPS

Objectives and terms of the swaps. In September 2007 the County executed fixed to variable rate swaps. The 2005C fixed to variable rate swap has a beginning notional amount of \$16,975,000 and is structured to match the principal amortization of the 2005C Bonds. The Counterparty will have the right to place the County into the swap quarterly beginning November 15, 2007, through and including November 15, 2012, thus creating "synthetic variable rate debt". In exchange for this right, the Counterparty made an upfront payment to the County in the amount of \$424,200. The 2002A fixed to variable rate swap has a beginning notional amount of \$16,480,000 and is structured to match the principal amortization of the 2002A Bonds. The Counterparty will have the right to place the County into the swap quarterly beginning November 15, 2007, through and including November 15, 2012, thus creating "synthetic variable rate debt". In exchange for this right, the Counterparty made an upfront payment to the County in the amount of \$411,850. The Series B of 2005 fixed to variable rate swap has a beginning notional amount of \$6,600,000 and is structured to match the principal amortization of the 2005B Bonds. The Counterparty will have the right to place the County into the swap quarterly beginning November 15, 2007, through and including November 15, 2012, thus creating "synthetic variable rate debt". In exchange for this right, the Counterparty made an upfront payment to the County in the amount of \$164,950.

The terms, fair values, and credit ratings of the outstanding transactions as of December 31, 2008, were as follows:

Transaction Type	Associated Bonds	County Pays	County Receives	Effective Date	Maturity Date	Initial Notional	Counterparty	Counterparty Credit Rating	Fair Value
Swaption	Series 2005C	SIFMA	3.735%	9/25/2007	11/15/2012	\$ 16,975,000	DEPFA Bank	A2 / A / BBB	\$ (1,520,000)
Swaption	Series 2002A	SIFMA	3.735%	9/25/2007	11/15/2012	\$ 16,480,000	DEPFA Bank	A2 / A / BBB	\$ (1,470,000)
Swaption	Series 2005B	SIFMA	3.775%	9/25/2007	11/15/2012	\$ 6,600,000	DEPFA Bank	A2 / A / BBB	\$ (638,000)

Fair Market Values. The swaps had negative fair market values as of December 31, 2008. The fair market values are a calculation of the mid-market value were the County to exit the swaps. Mid-market values exclude transaction costs. These are estimated using the zero-coupon method and market standard option pricing methods. This method calculates the future net settlement payments required by the swaps, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2008. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap fair value. As of December 31, 2008, the counterparty was rated A2 by Moody's Investors Service, A by Standard & Poor's, and BBB by Fitch Ratings.

Interest Rate Risk. The swaps increase the County's exposure to interest rate risk.

Termination Risk. The swaps were issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the County will be responsible for the underlying fixed rate bond obligations. Also, if at the time of termination the swaps have a negative fair value, the County would be liable to the counterparty for a payment equal to the swaps fair values.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 11: INTEREST RATE SWAPS (Continued)

2008 SWAPS

Objectives and terms of the swaps. In September 2008 the County executed two range accrual swaps (2008 SWAP I and 2008 SWAP II). The 2008 Swap I has a beginning notional amount of \$30,685,000 and a maturity date of September 1, 2018. The notional amount of the 2008 Swap I will be related to portions of the 2002A Bonds (2018-2022 maturities), 2004C Notes (2023 maturity), 2005B Bonds (2018-2022 maturities), 2005C Bonds (2018-2022 maturities), and 2006 Bonds (2018-2022 maturities). From September 1, 2008 through September 1, 2009, the County will pay the Counterparty 3-month LIBOR, and the Counterparty will pay the County 3-month LIBOR plus a fixed spread. From September 1, 2009 through the maturity date, the County will pay the Counterparty 3-month LIBOR, and the Counterparty will pay the County 3-month LIBOR plus the Fixed Spread I, multiplied by a Ratio. The Ratio is defined as N/D , where N equals the number of calendar days in the observation period for which 3-month LIBOR is less than or equal to 7.00%, and D equals the actual number of calendar days in such observation period. The 2008 Swap II has a beginning notional amount of \$11,110,000 and a maturity date of September 1, 2023. The notional amount of the 2008 Swap II will be related to portions of the 2002A Bonds (2023-2024 maturities), 2004C Notes (2024 maturity), 2005C Bonds (2023-2024 maturities), and 2006 Bonds (2023 maturity). From September 1, 2008 through September 1, 2009, the County will pay the Counterparty 3-month LIBOR, and the Counterparty will pay the County 3-month LIBOR plus a fixed spread. From September 1, 2009 through the maturity date, the County will pay the Counterparty 3-month LIBOR, and the Counterparty will pay the County 3-month LIBOR plus the Fixed Spread II, multiplied by a Ratio. The Ratio is defined as N/D , where N equals the number of calendar days in the observation period for which 3-month LIBOR is less than or equal to 7.00%, and D equals the actual number of calendar days in such observation period.

The terms, fair values, and credit ratings of the outstanding transactions as of December 31, 2008, were as follows:

Transaction Type	Associated Bonds	County Pays	County Receives	Effective Date	Maturity Date	Initial Notional	Counterparty	Counterparty Rating	Fair Value
Swaption	Various	3 Month LIBOR	3 Month LIBOR + 171 bp	9/1/2008	9/1/2018	\$ 30,685,000	Deutsche Bank AG	Aa1 / AA- / AA-	\$ (550,729)
Swaption	Various	3 Month LIBOR	3 Month LIBOR + 262 bp	9/1/2008	9/1/2023	\$ 11,110,000	Deutsche Bank AG	Aa1 / AA- / AA-	\$ (188,672)

Fair Market Values. The swaps had negative fair market values as of December 31, 2008. The fair market values are a calculation of the mid-market value were the County to exit the swaps. Mid-market values exclude transaction costs. These are estimated using the zero-coupon method and market standard option pricing methods. This method calculates the future net settlement payments required by the swaps, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2008. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap fair value. As of December 31, 2008, the counterparty was rated Aa1 by Moody's Investors Service, AA- by Standard & Poor's, and AA- by Fitch Ratings.

Interest Rate Risk. The swaps increase the County's exposure to interest rate risk.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 12: DIRECT FINANCING LEASES

Component Unit - Direct Financing LeasesDauphin County General Authority

The General Authority's County Building Bond Fund leasing operation consists of leasing a parking garage/office building to the County of Dauphin under a direct financing lease arrangement, with the lease assigned to a trustee as collateral for the County Building Bonds. Subsequent to leasing, the County designated the General Authority as agent to operate the facility. All operating costs remain the responsibility of the County and are accounted for on the County's records. The term of the lease is 20 years and expires in 2022.

The General Authority's 100 Chestnut Street Bond Fund leasing operation consists of leasing an office building to the County of Dauphin under a direct financing lease arrangement, with the lease assigned to a trustee as collateral for the Chestnut Street Revenue Bonds. The Chestnut Street Revenue Bonds were refunded in 2003. The term of the revised lease agreement is 15 years and expires in 2018.

Following is a schedule of minimum lease payments for all direct financing leases:

<u>Years Ending December 31,</u>	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Total</u>
2009	\$ 1,268,870	\$ 362,422	\$ 1,631,292
2010	728,264	361,503	1,089,767
2011	530,088	365,377	895,465
2012	527,888	365,705	893,593
2013	529,500	360,255	889,755
2014-2018	2,639,039	1,811,425	4,450,464
2019-2022	2,109,250	-	2,109,250
	<u>\$ 8,332,899</u>	<u>\$ 3,626,687</u>	<u>\$ 11,959,586</u>

The net investment in direct financing leases consists of the following at December 31, 2008:

	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Total</u>
Total Minimum Lease			
Payments to be Received	\$ 8,332,899	\$ 3,626,687	\$ 11,959,586
Less: Unearned Income	2,082,138	691,081	2,773,219
	<u>\$ 6,250,761</u>	<u>\$ 2,935,606</u>	<u>\$ 9,186,367</u>
Current Portion	\$ 1,042,985	\$ 270,606	\$ 1,313,591
Noncurrent Portion	5,207,776	2,665,000	7,872,776
	<u>\$ 6,250,761</u>	<u>\$ 2,935,606</u>	<u>\$ 9,186,367</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 12: DIRECT FINANCING LEASES (CONTINUED)

Component Unit - Direct Financing Leases (Continued)

Dauphin County Industrial Development Authority

On November 4, 2004 the IDA entered into a lease agreement with the County of Dauphin for a building for a fifteen year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series of 2004 Guaranteed Lease Revenue Note used for the purchase of the building. The County has the right to purchase the leased buildings and equipment for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series of 2004 Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2008 is \$321,492.

On April 5, 2006, the IDA entered into a lease agreement with the County of Dauphin for a building for a twenty year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series of 2006 Guaranteed Lease Revenue Note used for the purchase of the building. The County has the right to purchase the leased building for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series of 2006 Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2008 is \$828,971.

On August 15, 2007 the IDA entered into a lease agreement with County of Dauphin for a building for a twenty year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series of 2007A Guaranteed Lease Revenue Note. The County has the right to purchase the leased building for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series of 2007A Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2008 is \$397,256.

On November 29, 2007 the IDA entered into a lease agreement with the County of Dauphin for a building for a twenty-year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series 2007 Guaranteed Lease Revenue Note. The County has the right to purchase the leased building for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series 2007 Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2008 is \$877,663.

Following is a schedule of minimum lease payments for the direct financing leases:

Years Ending <u>September 30,</u>	
2009	\$ 229,687
2010	229,687
2011	229,688
2012	229,688
2013	229,687
2014 - 2018	925,086
2019 - 2023	857,110
2024 - 2028	598,139
	<u>\$ 3,528,772</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 12: DIRECT FINANCING LEASES (CONTINUED)

Component Unit - Direct Financing Leases (Continued)Dauphin County Industrial Development Authority (Continued)

The net investment in direct financing lease consists of the following at September 30, 2008:

Total Minimum Lease Payments to be Received		\$ 3,528,772
Less: Unearned Interest Income		<u>(1,103,390)</u>
		<u>2,425,382</u>
Current Portion		\$ 120,433
Noncurrent Portion		<u>2,304,949</u>
		<u>\$ 2,425,382</u>

NOTE 13: CAPITAL LEASE OBLIGATIONS

Obligations under capital lease consists of a lease payable to the General Authority for the Human Services Building Fund that is accounted for as an Enterprise Fund bearing interest at rates from 2.10% to 5.00% and for the Chestnut Street Building that is accounted for in the Governmental Activities bearing interest rates from 1.90% to 5.875%. The County also has four lease payables to the Industrial Development Authority for District Justice Offices that are accounted for in the Governmental Activities bearing interest rates from 3.63% to 4.89%. The County has also entered into capital lease agreements for computer equipment, office and other equipment, and a security system which are accounted for in the Governmental Activities. Also, the County has entered into capital lease agreements for computer equipment in the 911 EMA Fund that is accounted for as an Enterprise Fund.

In 2008, the County entered into two new capital leases. These leases included a server for the prison in the amount of \$382,204 and a print shop lease in the amount of \$27,153, which are accounted for in the Governmental Activities. In addition, during 2008, the County incurred an increase in the capital lease obligation for one of the District Justice offices in the amount of \$258,777 due to additional construction.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 13: CAPITAL LEASE OBLIGATIONS (CONTINUED)

The following is a schedule of future minimum lease payments under the capital lease agreements, together with the present value of the net minimum lease payments as of December 31, 2008:

<u>Years Ending December 31</u>	<u>Governmental Activities</u>	<u>Human Services Building Enterprise Fund</u>	<u>911 EMA Fund</u>
2009	\$ 999,684	\$ 1,295,888	\$ 41,271
2010	941,012	765,488	-
2011	702,288	530,088	-
2012	595,393	527,888	-
2013	690,447	529,501	-
2014-2018	2,723,057	2,639,038	-
2019-2023	857,116	2,109,250	-
2024-2028	520,561	-	-
Total Minimum Lease Payments	8,029,558	8,397,141	41,271
Less: Amount Representing Interest	1,866,279	2,082,141	1,439
Total Present Value of Net Minimum Lease Payments	6,163,279	6,315,000	39,382
Less: Amounts Due within One Year	675,356	1,070,000	39,382
	\$ 5,487,923	\$ 5,245,000	\$ -

NOTE 14: LINE OF CREDIT

Component Unit – Line of CreditCase Management Unit

At June 30, 2008, CMU had a \$600,000 line of credit with a bank secured by all accounts receivable which expires December 10, 2008. Interest on outstanding borrowing is due monthly at .5% above the bank's prime rate, which was 5.5% at June 30, 2008. There were \$1,360,000 in borrowings on the line and \$1,360,000 in repayments for the year ended June 30, 2008. There was no principle balance on the line as of June 30, 2008.

Dauphin County Industrial Development Authority

During 2008, the IDA entered into a \$50,000 line of credit with PNC Bank, secured by gross revenues from the Trinity Harvest LLC project, which expires on September 1, 2013. Interest on outstanding borrowing is due monthly at the Lenders Prime Rate of 5% on September 30, 2008 less 2%. Interest paid on the line during 2008 was \$125. The outstanding principle balance on the Line at September 30, 2008 was \$50,000.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 15: RESERVED FUND BALANCES/NET ASSETS

The reservations of fund balance/net assets included in the fund financial statements represent portions of fund balances/net assets that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following reservations are included in the fund financial statements.

Governmental FundsGeneral Fund

<u>Workers Compensation</u>	<u>\$ 291,175</u>
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This reserve represents cash and accrued interest that is held in trust for workers compensation (See Note 5 for further detail).

<u>Accounts Receivable</u>	<u>\$635,707</u>
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This reserve represents the amount due from the Dauphin County General Authority as a result of rent overpayments to the Authority. As of December 31, 2008, this balance has not been returned to the County.

<u>Human Service Building</u>	<u>\$ 67,324</u>
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This reserve represents amounts reserved for the Human Service Building Fund unrestricted net asset deficit.

Special Revenue Funds

<u>Restricted Contributions/Fees</u>	<u>\$ 414,719</u>
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This reserve represents unexpended contributions and fees that are to be utilized to fund future expenditures of various programs.

<u>Program Purposes</u>	<u>\$ 15,959,479</u>
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This reserve represents amounts reserved for the payment of specific program expenditures.

<u>Capital Projects Fund</u>	<u>\$ 9,765,718</u>
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This reserve represents the restriction of funds for capital projects.

<u>Permanent Fund</u>	<u>\$ 714,595</u>
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This reserve represents unexpended contributions that are to be used to fund future expenditures of the Fort Hunter Trust Fund.

<u>Fiduciary Funds</u>	<u>\$ 143,689,071</u>
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This reserve represents funds restricted to the retirement fund use for future payments of members' benefits.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 15: RESERVED FUND BALANCES/NET ASSETS (CONTINUED)

Component Units-Reserved Fund Balance/Net AssetsDauphin County Economic Development Corporation ("DCEDC")

Temporarily restricted net assets are available for the following as of December 31, 2008:

Tourism and regional promotion	\$ 1,996,870
State of the County event	97,067
Team PA Calling Program	46,421
Community Development Block Grant	15,929
Community Development Block Grant – Section 108 Loan Guarantees	(2,351,498)
HOME Investment Partnerships Program	7,385
	<u>\$ (187,826)</u>

NOTE 16: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2008:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 4,573,802	\$ 308,521
Special Revenue Funds		
Children and Youth Families Fund	128,792	4,206,308
State Grants Fund	48,693	7,965
Human Services Development Fund	21,071	-
Aging Fund	-	249,000
Drug and Alcohol Fund	103,936	59,408
Low Income Housing Fund	6,029	-
Drug Forfeited State Property Fund	91,342	-
Drug Forfeited Federal Property Fund	-	91,342
Total Governmental Funds	<u>4,973,665</u>	<u>4,922,544</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choices Fund	-	51,121
Total Proprietary Funds	<u>-</u>	<u>51,121</u>
	<u>\$ 4,973,665</u>	<u>\$ 4,973,665</u>

Component Unit-Interfund Receivables and Payables

The County utilizes a pooled operating fund to enhance investment return, therefore, interfund receivables and payables are recorded to recognize amounts held by the General Fund in the pooled account on behalf of other funds. In addition, the General Fund has paid expenses on behalf of other funds, therefore, a corresponding interfund receivable and payable has been recorded.

	<u>Due From Component Units</u>	<u>Due to Primary Government</u>
Dauphin County Conservation District	<u>\$151,426</u>	<u>\$151,426</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 17: INTERFUND OPERATING TRANSFERS

Interfund Transfers are executed as a result of the requirements for certain funds to fund a portion of the expenditures or expenses of other funds. Interfund operating transfers are as follows:

	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental Funds:		
General Fund	\$ 7,796,605	\$18,251,100
Special Revenue Funds		
Mental Health/Mental Retardation Fund	792,491	-
Children and Youth Families Fund	13,114,762	3,058,411
Domestic Relations	1,879,458	-
Weatherization Program Fund	112,739	77,532
State Grants Fund	237,648	320,035
Human Services Development Fund	27,741	111,122
Aging Fund	90,000	23,606
Drug and Alcohol Fund	103,936	219,975
Drug Forfeited Fed Property Fund	-	91,342
Drug Forfeited State Property Fund	91,342	-
Gaming Fund	-	1,536,356
Total Special Revenue Funds	<u>16,450,117</u>	<u>5,438,379</u>
Capital Projects Fund	<u>1,500,000</u>	<u>269,167</u>
Total Governmental Funds	<u>\$25,746,722</u>	<u>\$23,958,646</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choice Fund	-	74,891
Human Services Building Fund	546,627	-
Emergency 911 Operating Fund	<u>28,628</u>	<u>2,288,440</u>
Total Proprietary Funds	<u>575,255</u>	<u>2,363,331</u>
	<u>\$26,321,977</u>	<u>\$26,321,977</u>

Component Unit - Interfund Operating Transfers

	<u>Transfers From Component Unit</u>	<u>Transfers to Primary Government</u>
Dauphin County Conservation District	<u>\$593,114</u>	<u>\$593,114</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 18: PROPERTY TAXES

Real Estate Property Taxes

Real estate property taxes attach as an enforceable lien on property on January 1, based on the assessed value listed as of the prior December 31 for all real property located in the County. Assessed values are established by the County Assessment Board at approximately 100% of calculated market value. Taxes are billed on or about February 1, payable under the following terms: 2% discount, February 1 through March 31; face amount, April 1 through July 31, and 5% penalty June 1 through July 31, and a 10% penalty from August 1 through December 31. The County bills its own property taxes, which are collected by elected tax collectors. Real estate property taxes levied for 2008 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2008 and expected to be collected within the first sixty (60) days of 2009 are recognized as revenue in 2008. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2008 was 6.876 mills, for general purposes. In addition, a special tax of .35 mills was approved for the County Library System.

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County incurred debt to finance the initial start-up of the Solid Waste Enterprise Fund that is backed by the full faith and credit of the County. Summary financial information is presented below.

	<u>Solid Waste Enterprise Fund</u>
CONDENSED STATEMENT OF NET ASSETS	
Assets:	
Current Assets	\$ 1,541,524
Capital Assets	2,054,694
Total Assets	3,596,218
Liabilities:	
Current liabilities	69,685
Noncurrent liabilities	12,206
Total Liabilities	81,891
Net Assets:	
Invested in capital assets, net of related debt	2,054,694
Unrestricted	1,459,633
Total Net Assets	\$ 3,514,327
 CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	
Operating revenues	\$ 784,691
Depreciation and amortization expense	(164,557)
Other operating expenses	(925,962)
Operating Income/(Loss)	(305,828)
Nonoperating revenues (expenses):	
Interest income	44,093
Interest expense	(181)
Grants	30,661
Change in net assets	(231,255)
Beginning net assets	3,745,582
Ending net assets	\$ 3,514,327

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ (56,896)
Noncapital financing activities	30,661
Capital and related financing activities	(103,746)
Investing activities	44,093
Net increase/(decrease)	<u>(85,888)</u>
Beginning cash and cash equivalents	1,502,425
Ending cash and cash equivalents	<u>\$ 1,416,537</u>

Component Units – Segment Information for Enterprise FundsDauphin County General Authority

The General Authority has issued revenue bonds to finance various activities. The pooled financing funds consist of School Pool I, School Pool II and the Education and Health Program. The nonmajor enterprise funds consist of the County Building Bond Fund, 100 Chestnut Street Fund and the Dauphin Highlands Golf Course Fund. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities of the related guarantee, if applicable, for repayment. Summary financial information for the funds is presented on the following pages:

CONDENSED BALANCE SHEET	<u>School Pool I</u>	<u>School Pool II</u>	<u>Education and Health Program</u>
ASSETS			
Current assets	\$ 111,650,000	\$ 14,730,000	\$ -
Restricted assets	55,389,656	1,178,979	-
Total assets	<u>\$ 167,039,656</u>	<u>\$ 15,908,979</u>	<u>\$ -</u>
LIABILITIES			
Current liabilities	\$ 166,404,930	\$ 15,575,446	\$ -
Total liabilities	166,404,930	15,575,446	-
NET ASSETS			
Restricted	634,726	333,533	-
Total liabilities and net assets	<u>\$ 167,039,656</u>	<u>\$ 15,908,979</u>	<u>\$ -</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Component Units – Segment Information for Enterprise Funds (Continued)Dauphin County General Authority (Continued)

	School Pool I	School Pool II	Education and Health Program
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
Operating revenues	\$ 7,013,465	\$ 5,981,333	\$ 2,173,942
Operating expenses	(8,374,861)	(6,424,174)	(2,517,461)
Operating income (loss)	(1,361,396)	(442,841)	(343,519)
Beginning net assets	1,996,122	776,374	343,519
Ending net assets	\$ 634,726	\$ 333,533	\$ -

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used in):			
Operating activities	\$ 46,681,509	\$ 132,729,619	\$ 48,047,290
Investing activities	(5,988,559)	6,559,844	2,675
Noncapital financing activities	(40,712,950)	(139,289,463)	(48,049,965)
Net increase (decrease)	(20,000)	-	-
Cash and cash equivalents – beginning	155,000	-	-
Cash and cash equivalents – ending	\$ 135,000	\$ -	\$ -

CONDENSED BALANCE SHEET

	County Building Bond Fund	100 Chestnut Street Fund	Dauphin Highlands Golf Course Fund
ASSETS			
Current assets	\$ 1,042,985	\$ 541,336	\$ 69,002
Noncurrent investment in direct financing lease	5,207,776	2,665,000	-
Capital asset	-	-	6,153,827
Restricted assets	124,370	1,062,424	158,586
Other noncurrent assets	-	-	322,378
Total assets	\$ 6,375,131	\$ 4,268,760	\$ 6,703,793
LIABILITIES			
Current liabilities	\$ 1,094,129	\$ 1,005,313	\$ 244,005
Noncurrent liabilities	5,207,776	2,665,000	12,585,205
Total liabilities	6,301,905	3,670,313	12,829,210
NET ASSETS (DEFICITS)			
Invested in capital assets, net of related debt	-	-	(3,339,627)
Restricted	73,226	598,447	-
Unrestricted	-	-	(2,785,790)
Total net assets	73,226	598,447	(6,125,417)
Total liabilities and net assets (deficits)	\$ 6,375,131	\$ 4,268,760	\$ 6,703,793

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Component Units – Segment Information for Enterprise Funds (Continued)Dauphin County General Authority (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	County Building Bond Fund	100 Chestnut Street Fund	Dauphin Highlands Golf Course Fund
Operating revenue	\$ 367,611	\$ 525,079	\$ 1,652,323
Operating expenses	(365,644)	(415,438)	(2,251,475)
Operating income (loss)	1,967	109,641	(599,152)
Beginning net assets	71,259	488,806	(5,526,265)
Ending net assets	\$ 73,226	\$ 598,447	\$ (6,125,417)
 CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided by (used in):			
Operating activities	\$ 1,290,797	\$ 226,753	\$ 387,835
Investing activities	291	146,157	(13,181)
Capital and related financing	-	(129,737)	(523,121)
Noncapital financing activities	(1,291,088)	(235,000)	164,400
Net increase	-	8,173	15,933
Cash and cash equivalents – beginning	-	31,940	4,672
Cash and cash equivalents – ending	\$ -	\$ 40,113	\$ 20,605

NOTE 20: LEGAL COMPLIANCE

Net Asset Deficit

For the year ended December 31, 2008, the following funds had a deficit unrestricted fund balance / net asset balance:

Governmental Funds:	
Aging Fund	<u>\$ 7,447</u>
Enterprise Funds:	
Human Service Building Fund	<u>\$67,324</u>

The above deficits resulted from additional expenses that will be paid through contributions by the General Fund. At December 31, 2008, the County has reserved a portion of the General Fund fund balance for these deficit amounts.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 20: LEGAL COMPLIANCE (CONTINUED)

Component Unit/DeficitDauphin County General Authority

The following funds of the General Authority had negative net assets as of December 31, 2008:

<u>Fund</u>	<u>Amount</u>
Dauphin Highlands Golf Course	\$ 6,125,417
Riverfront Office Center	\$ 7,370,449
Pittsburgh Hyatt Hotel and Conference Center	\$ 16,731,823

Revenue, receipts, and property of each fund and the guarantee of debt, if applicable, are pledged as collateral on the bonds and are not cross collateralized.

NOTE 21: EMPLOYEES RETIREMENT PLAN

Plan Description

The Employees' Retirement Trust Fund Plan (the "Plan") is a contributory defined benefit single employer retirement plan covering substantially all full-time employees of the County and part-time employees exceeding 1,000 hours per year. The Plan is included in the financial statements of the County as a pension trust fund. The financial statements of the Retirement Trust Fund are prepared on the accrual basis of accounting. Plan members and employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

At December 31, 2008, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and Beneficiaries Receiving Benefits	940
Terminated Employees Entitled to Benefits but not yet Receiving Them	147
Active Plan Participants	<u>1,566</u>
Total Membership	<u>2,653</u>

Employees are required to contribute a portion of their salaries (5% of earnings in 2008) to the Plan and employees can elect to contribute up to 15% of their salaries. Per Act 96 of 1971, as amended, contribution requirements of the Plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account. Administrative costs of the Plan are financed through investment earnings.

The County does not issue a publicly available financial report for the Plan.

Investments

All investments of the pension trust fund are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 21: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Funding Status and Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was 95.6 percent funded. The actuarial accrued liability for benefits was \$210.4 million, and the actuarial value of assets was \$201.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.3 million. The actuarial value of assets as a percentage of the actuarial accrued liability was 95.6%. The covered payroll was \$66.2 million, and the ratio of the UAAL to the covered payroll was 14.0%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The aggregate actuarial cost method is used to determine the annual required contribution for the County. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan.

Actuarial Methods and Assumptions

The annual required contribution was determined based on the most recent annual actuarial valuation dated December 31, 2008. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually; (b) projected salary increases of 4.50% per year, and (c) an inflation rate of 3.00%. The method used to determine the actuarial value of assets is a five year smoothed market. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

Year Ended December 31,	Annual Required Contribution (ARC)	Interest on Net Pension Asset	ARC Adjustment	Pension Cost	County Contribution	Percentage of Annual Pension Cost Contributed	Change in Net Pension Asset	Net Pension Asset
2008	\$3,377,905	\$ (1,729)	\$ (2,745)	\$3,378,921	\$3,377,905	99.97%	\$ 1,016	\$ 22,039
2007	4,340,916	-	-	4,340,916	4,363,971	100%+	23,055	23,055
2006	6,683,297	-	-	6,683,297	6,683,297	100%	-	-

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 21: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Legally Required Reserves

At December 31, 2008, the County has a balance of \$48,099,706 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested member of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2008. Since those accumulations represent the present value as of December 31, 2008 of future benefits, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$45,499,619 in the County Annuity Reserve Account as of December 31, 2008. This balance and the amounts expected to be credited in the future, plus investment earnings thereon, represent the reserves set aside for the payment of the County's share of the retirement allowances.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County annuity reserve account to the retired members' reserve account to provide for such County annuities actually entered upon. Thus, this reserve is always fully funded.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid. The balance in this account was \$74,936,663 as of December 31, 2008.

The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in investment values either directly invested or tied to the equity markets. These declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs may take some time. The major resulting impact of the equity markets' decline on the County will be in the form of increased annual required contributions and increased pension expense with respect to its pension plan.

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN

Plan Description. The County sponsors a post-employment benefits plan that covers health and life insurance benefits for eligible retirees. The County provides health and life insurance coverage for eligible retirees under the terms of agreements with the unions that represent them. Groups of retirees that are eligible for OPEB are: Shaffner, Court Related Teamster, Court AFSME, Probation Officers, Prison Guards, PSSU, CIT, and Captains and Lieutenants. The Plan does not issue a publicly available financial report.

Funding Policy. The contribution requirements of the County are established and may be amended through future union negotiations. The Plan does require contributions from some retirees. Retiree contributions depend upon the terms of the various union contracts. The County funds the Plan on a pay-as-you-go basis. For 2008, the County contributed \$498,200 to the plan for current premiums.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Plan:

	Governmental <u>Activities</u>
Annual required contribution	\$ 905,528
Interest on net OPEB obligation	29,188
Adjustment to annual required contribution	<u>(36,523)</u>
Annual OPEB cost (expense)	898,193
Contributions made	<u>(498,200)</u>
Increase in net OPEB obligation	399,993
Net OPEB obligation – beginning of year	<u>629,463</u>
Net OPEB obligation – end of year	<u>\$ 1,029,456</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 898,193	55.47%	\$ 1,029,456
12/31/2007	905,528	30.49%	629,463

The County adopted GASB 45 on a prospective basis in 2007; therefore, only two years are presented in the above schedule.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funding Progress. As of January 1, 2008 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$7,304,005 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,304,005. The covered payroll (annual payroll of active employees covered by the plan) was \$66,233,427, and the ratio of the UAAL to the covered payroll was 11%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and the 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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.5% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5%. The UAAL is being amortized using the level dollar method over a period of 30 years on an open basis.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2007	\$ -	\$6,868,259	\$6,868,259	0.00%	\$ 63,649,794	10.8%
1/1/2008	\$ -	\$7,304,005	\$7,304,005	0.00%	\$ 66,233,427	11.0%

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 23: COMPENSATED ABSENCES

County policy applicable to vacation and sick pay for employees is as follows:

Vacation Pay

Time accrues at various rates based on length of service. Employees are encouraged to utilize earned vacation time by December 31 of each period; however, current practice allows for the carryover of 20 unused vacation days. Time carried over in this manner is considered vested.

Sick Pay

Employees earn 1¼ sick days for each month of service or 15 days per year. An employee may accumulate up to a maximum of 200 days. Time carried over in this manner is considered vested.

Applicable GASB pronouncements require accrual of sick and vacation pay that meet certain specific conditions. The County has determined that such conditions apply to vested vacation pay and accumulated sick pay of Governmental Funds and the Proprietary Fund. To the extent vacation and sick pay liabilities are expected to be incurred, they are accrued in the government-wide and proprietary fund financial statements.

NOTE 24 LEASES

Operating Leases

The County leases office space under several operating leases with expiration dates through 2028.

Future minimum lease payment requirements under the various leases are as follows:

2009	\$1,423,910
2010	1,283,300
2011	1,131,091
2012	1,038,085
2013	845,932
2014-2018	762,236
2019-2023	730,615
2024 - 2028	<u>240,475</u>

Total minimum payments required \$7,455,644

Total rental expense for these leases during 2008 approximated \$1,480,690.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 24 LEASES (CONTINUED)

Component Units – LeasesCase Management Unit

The Case Management Unit leased its principal office space. Rent expense totaled \$562,275 for the fiscal year ended June 30, 2008.

The lease agreement is for a period of ten consecutive years with two additional five-year renewal periods. Monthly rent increases 2.75% at the beginning of each lease year.

CMU also has a lease on the Millersburg, Pennsylvania office. The lease agreement is for a period of twenty-five years. Rent for this lease is based on a set price per square foot per year. These payments range from \$45,484 – 69,632 and are payable in four equal quarterly installments commencing on January 1, 2009.

Future minimum lease payments under the above leases are as follows:

Year ending June 30,	Amount
2009	\$ 599,476
2010	615,861
2011	632,678
2012	649,948
2013	667,703
2014 - 2018	477,947
2019 - 2023	295,613
2024 - 2028	318,480
2029 - 2033	307,509
	<u>\$4,565,215</u>

Dauphin County Economic Development Corporation

The DCEDC leases office space from the Dauphin County Industrial Development Authority under a year-to-year operating lease. Minimum rental payments at December 31, 2008, are as follows:

2009	<u>\$25,500</u>
Total	<u>\$25,500</u>

Rental expense totaled \$23,940 for the year ended December 31, 2008.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 25: RELATED PARTY TRANSACTIONS

Component Units - Related Party Transactions

Dauphin County General Authority

The General Authority is a component unit of Dauphin County. The General Authority has entered into certain lease financing arrangements with the County. Lease payments from the County to the General Authority for 2008 were \$687,077.

The County has been paying rent in excess of the lease requirement to the General Authority since 2000. The total amount of these overpayments is \$482,559 at December 31, 2008 and is reported as unearned revenue on the Statement of Net Assets.

Dauphin County Industrial Development Authority

The County of Dauphin pays for all significant management and administrative costs required to operate the IDA on a day-to-day basis. The IDA's management and support staff are employees of the County and other significant operating expenses such as telephone service, office maintenance and insurance are paid for by the County. The amount of the County's support and the corresponding operating costs are not reported as revenue and expenses in the IDA's financial statements.

See Note 9 for additional information concerning long-term debt transactions with the County.

The IDA shares management, support staff and office space, and performs various administrative and program functions in conjunction with the Dauphin County Department of Community and Economic Development (DCDCED) which is an internal department of the County and the Dauphin County Economic Development Corporation (DCEDC), a non-profit corporation created by the County to partner in real estate development projects and to channel grant funding to communities and organizations in need of community and economic development assistance.

The IDA is not owned in part or in total by DCEDC or DCDCED, and has no ownership interest in either organization. The IDA and DCEDC are both governed by the same Board of Directors which is appointed by the Commissioners of Dauphin County.

Case Management Unit

The Dauphin County Mental Health/Mental Retardation Case Management Unit is a component unit of the County. The operating lease described in Note 24 is held with the County and the lease payments are at market value.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Dauphin County Economic Development Corporation

DCEDC is administered by the County of Dauphin ("County") through the Dauphin County Department of Community and Economic Development. DCEDC is not owned in part or in total by the County. However, the Commissioners of Dauphin County have the sole power to appoint members of the Corporation's Board of Directors.

The County pays for all significant management and administrative costs required to operate the Corporation on a day-to-day basis. DCEDC's management and support staff are employees of the County.

The County also provides significant operating revenue, primarily through Hotel Tax distributions passed-through to DCEDC. Revenue from the County was \$2,265,687 in 2008, representing 50% of total revenue.

The DCEDC shares management, support staff and office space with the Dauphin County Department of Community and Economic Development and with the Dauphin County Industrial Development Authority. The DCEDC is not owned in part or in total by the IDA, has no interest ownership therein, and receives no revenue from the IDA. However, the IDA and DCEDC are governed by the same Board of Directors, which is appointed by the Commissioners of Dauphin County.

At December 31, 2008 due from related party was comprised of the following pass-through items:

2% Hotel Tax Distribution	\$ 21,044
Transfer in from Dauphin County	<u>105,233</u>
	<u>\$126,277</u>

The amounts reported above are considered by management to be collectible and accordingly, no allowance for uncollectible receivables was considered necessary.

The IDA acts as property management for the Market Square Plaza Parking owned by DCEDC. In this capacity, the IDA collects parking rent fees and remits such fees to the DCEDC on a periodic basis. Parking fees for the year ended December 31, 2008 were \$263,952.

NOTE 26: COMMITMENTS AND CONTINGENCIES

- A. In the normal course of business, there are various claims and suits pending against the County and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the County's financial position at December 31, 2008.
- B. In 2006, the County entered into a contract for the Emergency Management Act (EMA) Radio Project. The contract value approximated \$34,000,000 of which \$27,976,713 has been expended at December 31, 2008.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies

Dauphin County General Authority

Payments in Lieu of Taxes and Real Estate Taxes

The General Authority, as part of its construction of the Hyatt Hotel Project, committed to make payments in lieu of property taxes to the County of Allegheny in return for exempting this property from real estate taxes. This payment in lieu of taxes (PILOT) will be made from the respective funds if sufficient resources exist to make such payments are available, on an annual basis, from the respective funds revenues after meeting operating costs and debt service payments. The PILOTs for the Hyatt Hotel Project have been accrued for the years ended December 31, 2000, 2001, 2002, 2003, 2004, 2006, 2007 and 2008 in the amounts of \$460,000, \$537,000, \$614,000, \$680,000, \$767,000, \$767,000, 767,040, \$767,040, and 767,000, respectively.

Project Viability

The continued operation of the Dauphin Highlands Golf Course is dependent on the Administrative Fund providing working capital to fund any deficits created by operations of this golf course. The Dauphin County General Authority's Administrative Fund has provided, and intends to continue to provide funds for working capital needs of the Dauphin Highlands Golf Course, as discussed in Note 16. The Administrative Fund provided \$285,000 of working capital advances during 2008 to the Dauphin Highlands Golf Course. As of December 31, 2008, \$120,000 has been repaid to the Administrative Fund.

The Dauphin Highland's rate covenant calculation required under applicable trust indentures pertaining to the Tax Exempt County Guaranteed Revenue Refunding Bonds, Series A of 2005, and the Taxable County Guaranteed Revenue Refunding Bonds, Series B of 2005, has not been met for the year ended December 31, 2008. If the Authority fails to generate sufficient revenues to pay debt service on the Series A of 2005 and the Series B of 2005, or ceases revenue generating operations, or if other monies set aside for such purposes are insufficient, Dauphin County will be required to pay principal and interest on such bonds when due pursuant to the County Bond Guaranty Agreement among the County, the Authority, and the trustee for the bonds. The Dauphin Highlands Golf Course has incurred substantial accumulated losses, which have resulted in cash flow difficulties.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies (Continued)

Dauphin County General Authority (Continued)

Project Viability (Continued)

The Pittsburgh Hyatt Hotel and Conference Center project viability is dependent upon the facility maintaining sufficient operating cash flows to meet debt service payments. Operations of the facility commenced June 29, 2000, and the bond proceeds included a working capital reserve that approximated eighteen (18) months of working capital necessary for operations. In 2002, funds sufficient to meet the debt service payments were transferred from the Construction Fund. In 2003, the facility generated sufficient cash flows from operations to meet debt service requirements on the facility. However, in January 2004, an unscheduled withdrawal was made on the Bond Redemption Improvement Fund in order to satisfy the January 2004 interest payment. The operating revenues of the facility were sufficient to meet the July 2004 and January 2005 debt service payment. However, the Authority made unscheduled withdrawals from the Bond Reserve Fund in order to satisfy the July 2005, January 2006 and July 2006 debt service payments. Under the trust indenture, the Authority has within 12 months of such withdrawal to replenish the Bond Reserve Fund. At December 31, 2006, the Authority was in technical default because the Bond Reserve Fund had not been replenished as required by the trust indenture in the amount of approximately \$750,000. On July 1, 2007 the Debt Service Reserve Fund has been fully funded in accordance with the terms of the Indenture. The operating revenues of the facility were sufficient to meet the January 2007, July 2007, and January 2008 debt service payments. On July 1, 2008, a total of \$384,000 was transferred out of the Bond Redemption and Improvement Fund because it was believed that the facility had not generated sufficient cash flows from operations to meet the July 1, 2008 debt service requirements. However, there were sufficient cash flows to cover the July 1, 2008 debt service requirements prior to the transfer from the Bond Redemption and Improvement Fund. A total of \$625,000 remained in the Bond Fund after the July 1, 2008 debt service payment was made. This amount remained in the Bond Fund and was used to service the debt payment made on January 2, 2009.

Cease and Desist Order

In April 2004, the Securities and Exchange Commission entered a cease and desist order against the General Authority alleging that the General Authority had omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer, sale or purchase of a series of bonds. The General Authority has consented to the entry of the order imposing remedial sanctions under the Securities Act of 1933 to cease and desist or causing any violation or future violations of Section 17(a) of the Securities Act of 1933, which does not include any monetary fine or sanction.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 27: ADMINISTRATIVE FEES

Component Units – Administrative FeesDauphin County General Authority

Provisions of the financing documents of the bond issues require administrative fees to be paid to the General Authority. For 2008, these fees, as paid by each fund, are as follows:

Administrative Fund:

County Building Bonds	\$ 20,000
School Pools	49,995
Riverfront Office Center	265,596
Chestnut Street	31,056
Dauphin Highlands Golf Course	24,000
Education and Health Program	6,721
Pittsburgh Hyatt Hotel & Convention Center	37,584
Nonrecourse Debt Issues	5,014
Total Administrative Fees	<u>\$439,966</u>

NOTE 28: HOTEL TAX DISTRIBUTIONS AND RELATED EXPENSES

The Hotel Tax revenues are derived from a hotel room excise tax imposed by the County of Dauphin. Ordinance No. 3-1999 enacted by the Commissioners imposed a 2% hotel room excise tax effective January 1, 2001. Ordinance No. 3-2002, which repealed and replaced Ordinance No. 3-1999, imposed a 3% hotel room excise tax effective April 1, 2002. Ordinance No. 1-2008, which repealed and replaced Ordinance No. 3-2002, imposed a five-percent hotel room excise tax effective March 1, 2008. The ordinances were enacted pursuant to 16 P.S. Section 1770.5, an act of the General Assembly of the Commonwealth of Pennsylvania, which permits the imposition of a 5% hotel tax, providing for the distribution of 50% of the revenues to the Tourist Promotion Agency and the separate distribution of the other 50% of the revenue to be distributed for the purposes of promoting tourism and regional development.

Of the original 2% hotel tax revenue, the County distributes 20% to the City of Harrisburg, 70% to the Derry Township Industrial Authority and 10% to DCEDC to be remitted, in full to the Hershey Harrisburg Region Vacations Bureau (the County's Tourist Promotion Agency) to be used solely for tourism and regional promotion purposes.

The next 1% hotel tax revenue may be distributed at the discretion of the County Commissioners, to be used solely for tourism and regional promotion purposes. DCEDC is the County's sole recipient and administrator of this 1% Hotel Tax revenue. These funds are required to be kept in an account separate from other funds received by DCEDC. DCEDC had transfers in from Dauphin County of \$2,265,687 for the year ended December 31, 2008.

Of the remaining 2% hotel tax revenue, the County distributes 50.0% to the Hershey Harrisburg Region Vacations Bureau (the County's Tourist Promotion Agency) to be used solely for tourism and regional promotion purposes and 12.50% to the Hershey Harrisburg Region Vacations Bureau to be used for tourism and regional promotion within the City of Harrisburg. Derry Township Industrial Authority receives the remaining 37.5% for the purpose of the improvement, support, rehabilitation, revitalization or construction of one or more tourism-related facilities.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 29: AFFORDABLE HOUSING LOAN PROGRAMS

The Home Grant Program and Affordable Housing Program disburse funds in the form of deferred payment loans for low and moderate income households. The deferred payment loans are secured by a mortgage on the property. Repayment of the loan is deferred until the property is sold or until the original occupant moves out. The principal balance outstanding at December 31, 2008 for these loans totaled \$2,751,220. These outstanding deferred loans have been recorded as receivables at December 31, 2008, and unearned revenues totaling \$2,751,220 have been recorded to offset the deferred loans.

NOTE 30: LOANS RECEIVABLE

Component Units – Loans Receivable

Dauphin County Industrial Development Authority

On November 8, 2005 the IDA entered into a loan agreement with the Harrisburg Hotel Corporation (HHC) in the amount of \$65,000 at a fixed interest rate of 3.0%. The agreement required the HHC to make monthly principal and interest payments of \$1,890 to the IDA for 36 consecutive months beginning on November 24, 2005. The amount outstanding on the loan as of September 30, 2008 is \$3,766.

On August 29, 2006 the IDA entered into a loan agreement with the Strawberry Square Development Corporation (SSDC) in the amount of \$100,000 at a fixed interest rate of 5.0%. The agreement required the HHC to make monthly principal and interest payments of \$1,887 to the IDA for 60 consecutive months beginning on September 29, 2006. The amount outstanding on the loan as of September 30, 2008 is \$61,341.

On April 1, 2007 the IDA entered into a loan agreement with Tuscano Pizza & Grill, Inc. in the amount of \$100,000 at a fixed interest rate of 6.0%. The agreement required Tuscano Pizza & Grill, Inc. to make monthly principal and interest payments of \$1,933 to the IDA for 60 consecutive months beginning on May 1, 2007. The amount outstanding on the loan as of September 30, 2008 is \$76,187.

During the fiscal year ended, September 30, 2008 Dauphin County transferred the collection and rights of seven loans receivable previously recorded as assets on the Dauphin County Financial statements to the Authority. The principle balance of the loans receivable at the time of transfer was \$92,172. The principle balance outstanding for these loans as of September 30, 2008 was \$75,729.

Loans Receivable at September 30, 2008 is as follows:

Displayed as:	
Current Portion	\$ 44,605
Noncurrent Portion	172,418
	<u>\$ 217,023</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 30: LOANS RECEIVABLE (CONTINUED)

Component Units – Loans Receivable (Continued)Dauphin County Economic Development Corporation

During 2008, the DCEDC issued three revolving loans at a total principal balance of \$109,000. The principle balance outstanding for these loans as of December 31, 2008 was \$98,321.

Loans Receivable at December 31, 2008 is as follows:

Displayed as:	
Current portion	\$ 23,563
Noncurrent portion	<u>74,758</u>
	<u>\$ 98,321</u>

In addition, the Section 108 Note Payable proceeds described in Note 3 were loaned to a developer to fund the revitalization of an office building complex. DCEDC entered into a mortgage agreement with the developer for repayment of the loan. As of December 31, 2008, the amount owed to the DCEDC is \$2,315,056. As a result of the developer filing for bankruptcy, the balance has been determined to be uncollectible and has been fully reserved in DCEDC's financial statements.

NOTE 31: RESTATEMENT

Component Units-RestatementDauphin County Economic Development Corporation

Prior year audited financial statements did not include three programs that are run by the DCEDC. Each program has a separate fund and all balances are temporarily restricted as they are Grant Programs. Beginning net assets were restated as follows:

Net Assets Restatement:	<u>Temporarily Restricted</u>
Beginning net assets, as of January 1, 2008, as previously reported	\$ 1,683,699
Community Development Block Grant	78,719
Community Development Block Grant – Section 108 Loan Guarantees	9,862
HOME Investment Partnerships Program	<u>6,833</u>
Beginning net assets, as restated	<u>\$ 1,779,113</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 32: ECONOMIC DEPENDENCY

Component Units-Economic Dependency

Case Management Unit

Formal commitment for future funding by the Dauphin County MH/MR program is made on an annual basis. Reduction of, or loss of, this funding could have a significant effect on CMU's programs and activities.

NOTE 32: LITIGATION

Component Unit – Litigation

Dauphin County General Authority

The General Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages in 2008. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The General Authority is involved in several lawsuits arising in the normal course of business, including a potential lawsuit for breach of contract. Management of the General Authority believes none of the litigation outstanding against the General Authority and none of the potential unasserted claims which may be asserted against the General Authority would materially affect the financial position of the General Authority.

NOTE 33: INSURANCE RECOVERIES

Component Unit – Insurance Recoveries

Dauphin County Industrial Development Authority

In 2008 the Dauphin County Industrial Development Authority received recoveries from its insurance company in the amount of \$697,751 for flood damages to a building owned by the Authority. The insurance recoveries of \$697,751 exceeded the cost of repairing the flood damage to the building of \$567,750 in the amount of \$130,001.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 34: SUBSEQUENT EVENTS

- A. In January 2009, the County terminated the two 2008 Range Accrual associated with the 2002 A Series Bonds, the 2004 C Notes, the 2005 B Series Bonds, and the 2006 Series Bonds at a net financial benefit to the County of approximately \$625,000.
- B. In January 2009, the County entered into a Basis Swap related to the Series A of 2002, Series C of 2005, and Series of 2006 Bonds with Royal Bank of Canada as the counterparty. This notional amount of this swap is \$45,040,000. The County will pay the SIFMA rate to the counterparty and will receive from the counterparty 88.9% of 3-month LIBOR. This swap was terminated in August of 2009 at a net benefit to the County of approximately \$1.3 million.
- C. In May and June of 2009, the Harrisburg Authority and the City of Harrisburg defaulted on a scheduled Swap/Cap payment in the amount of \$775,653 related to the Guaranteed Resource Recovery Facility Revenue Bonds Series 2003 D-1 and Series 2003 D-2. As described in Note 10, the County is a guarantor of these swap agreements. The County, therefore, made the required Swap/Cap payment. In addition the Harrisburg Authority and the City of Harrisburg defaulted on the required debt service payment related to the Series 2003 D-1, Series 2003 D-2 and Series 2003 E. A total of \$2,839,461 was drawn from Debt Service Reserve Funds to make the debt service payment.
- D. In September 2009, the County issued the County of Dauphin Tax and Revenue Anticipation Note, Series of 2009 in the amount of \$15,500,000 for the purposes of meeting current expenses. The note shall bear a variable interest rate based upon the Bank's prevailing one-month LIBOR Rate plus 4.50%. The rate will change every thirty days and be fixed for 30-day periods. The County has currently drawn \$638,320.68 from the Tax and Revenue Anticipation Note. This balance will be fully repaid as of December 31, 2009.
- E. In October 2009, the County issued General Obligation Bonds Series of 2009, in the amount of \$21,965,000 to finance the construction, renovation, improvement, alteration, equipping and/or furnishing of various facilities and property of the County and to pay the costs of issuance. The Series of 2009 Bonds will bear a variable interest rate ranging from 3.0% to 4.125%.
- F. In October 2009, the County entered into an Infrastructure Bank Loan Agreement with the Commonwealth of Pennsylvania Department of Transportation. The amount of the loan is \$2,220,298 at an interest rate of 1.625%. The loan will mature in September 2010. The loan will supplement \$4 million in Liquid Fuels funds that have set aside to replace an existing County bridge. The loan will be repaid entirely with Liquid Fuels funds. Derry Township will also be partnering in the repayment of this loan. The estimated cost of the bridge project is approximately \$6 million.

REQUIRED
SUPPLEMENTARY
INFORMATION

COUNTY OF DAUPHIN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
FOR EMPLOYEES RETIREMENT PLAN

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	\$ 3,377,905	100%+
2007	\$ 4,340,916	100%+
2006	\$ 6,683,297	100%
2005	\$ 7,329,921	100%
2004	\$ 6,782,318	100%
2003	\$ 6,548,736	100%

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2008
Actuarial cost method	Aggregate actuarial cost
Amortization method	Level percentage of projected payroll
Remaining amortization period	30 years, open
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.50%
Includes inflation at:	3.00%
Cost-of-living adjustments	None

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ 180,822,261	\$ 224,855,097	\$ 44,032,836	80.4%	\$ 71,264,760	61.8%
12/31/2007	\$ 201,142,949	\$ 210,420,043	\$ 9,277,094	95.6%	\$ 66,233,427	14.0%

As the County adopted the provisions of GASB 50 related to the schedule of funding progress in 2007, only two years are presented in the above schedule.

The annual required contribution is calculated using the actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

COUNTY OF DAUPHIN
 SCHEDULE OF FUNDING PROGRESS
 FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 7,304,005	\$ 7,304,005	0%	\$ 66,233,427	11.0%
1/1/2007	-	6,868,259	6,868,259	0%	63,649,794	10.8%

The County adopted GASB 45 on a prospective basis in 2007; therefore only one year is presented in the above schedule.

COUNTY OF DAUPHIN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 93,309,000	\$ 93,309,000	\$ 95,576,298	\$ 2,267,298
Intergovernmental	7,768,689	8,407,607	7,959,594	(448,013)
Charges for Services	18,252,456	18,369,403	19,557,986	1,188,583
License and Permits	76,450	76,450	107,559	31,109
Court Costs and Fines	4,087,455	4,212,315	4,301,085	88,770
Interest and Rents	1,967,000	1,967,000	2,189,657	222,657
Total Revenues	125,461,050	126,341,775	129,692,179	3,350,404
Expenditures				
General Government	14,056,399	13,317,068	12,854,496	462,572
Judicial	42,274,452	43,811,764	40,949,867	2,861,897
Public Safety	35,563,285	36,234,966	36,329,195	(94,229)
Human Services	3,726,658	3,237,694	3,747,110	(509,416)
Culture and Recreation	1,762,339	2,167,829	1,999,582	168,247
Conservation and Development	3,104,848	3,572,075	3,080,053	492,022
Debt Service				
Principle	4,412,812	4,412,812	4,962,135	(549,323)
Interest	5,397,532	5,397,532	5,060,315	337,217
Total Expenditures	110,298,325	112,151,740	108,982,753	3,168,987
Excess of Revenues Over Expenditures	15,162,725	14,190,035	20,709,426	6,519,391
Other Financing Sources (Uses)				
Operating Transfer In	390,602	713,175	7,796,605	7,083,430
Operating Transfer (Out)	(15,577,327)	(15,577,327)	(18,251,100)	(2,673,773)
Transfer from Component Units	-	-	593,114	593,114
Gain (Loss) from Sale of Fixed Assets	4,000	4,000	(3,632)	(7,632)
Gain on Basis Swap	20,000	20,000	800,000	780,000
Capital Lease Proceeds	-	-	410,029	410,029
Proceeds of General Obligation Debt	-	-	16,865,000	16,865,000
Payment to Refunded Bond Escrow Agent	-	-	(16,700,000)	(16,700,000)
Total Other Financing Uses	(15,162,725)	(14,840,152)	(8,489,984)	6,350,168
Net Change in Fund Balances	-	(650,117)	12,219,442	12,869,559
Fund Balances - January 1	-	650,117	49,550,843	48,900,726
Fund Balances - December 31	\$ -	\$ -	\$ 61,770,285	\$ 61,770,285

OTHER
SUPPLEMENTARY
INFORMATION

COUNTY OF DAUPHIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	<u>Other Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Fort Hunter Permanent Fund</u>	<u>Total Other Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 12,433,151	\$ 9,817,562	\$ -	\$ 22,250,713
Investments	-	-	714,595	714,595
Receivables:				
Accounts	143,010	-	-	143,010
Deferred Loans	2,751,220	-	-	2,751,220
Interest and Dividends	7,898	1,888	-	9,786
Due From Other Funds	222,378	-	-	222,378
Due From Other Governments	9,692,695	-	-	9,692,695
Other Assets	34,458	-	-	34,458
Total Assets	\$ 25,284,810	\$ 9,819,450	\$ 714,595	\$ 35,818,855
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 4,514,923	\$ 53,732	\$ -	\$ 4,568,655
Accrued Liabilities	338,054	-	-	338,054
Deferred Revenues	4,442,011	-	-	4,442,011
Due to Other Funds	399,750	-	-	399,750
Total Liabilities	9,694,738	53,732	-	9,748,470
<u>Fund Balances</u>				
Reserved for Program Purposes	15,288,241	-	-	15,288,241
Reserved for Restricted				
Contributions/Fees	301,831	-	-	301,831
Reserved for Capital Projects	-	9,765,718	-	9,765,718
Reserved for Permanent Fund	-	-	714,595	714,595
Total Fund Balances	15,590,072	9,765,718	714,595	26,070,385
Total Liabilities and Fund Balances	\$ 25,284,810	\$ 9,819,450	\$ 714,595	\$ 35,818,855

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Other Special Revenue Funds	Capital Projects	Fort Hunter Permanent Fund	Total Other Governmental Funds
Revenues				
Hotel Taxes	\$ 8,169,200	\$ -	\$ -	\$ 8,169,200
Intergovernmental	26,989,736	-	-	26,989,736
Charges for Services	993,444	-	-	993,444
Court Costs and Fines and Fees	552,680	-	-	552,680
Interest and Rent	325,195	470,278	28,275	823,748
Depreciation in Fair Market Value of Investments	-	-	(165,228)	(165,228)
Miscellaneous Revenue	73,632	84,415	-	158,047
Total Revenues	37,103,887	554,693	(136,953)	37,521,627
Expenditures				
Current:				
Judicial	6,257,892	-	-	6,257,892
Public Safety	175,471	-	-	175,471
Public Works	340,634	-	-	340,634
Human Services	11,497,152	-	-	11,497,152
Conservation and Development	3,737,508	-	-	3,737,508
Culture and Recreation	7,889,350	-	-	7,889,350
Debt Service				
Principle	385,000	-	-	385,000
Interest	73,983	-	-	73,983
Capital Projects	-	10,859,547	-	10,859,547
Total Expenditures	30,356,990	10,859,547	-	41,216,537
Excess of Revenues Over (Under) Expenditures	6,746,897	(10,304,854)	(136,953)	(3,694,910)
Other Financing Sources (Uses)				
Transfers In	2,305,216	1,500,000	-	3,805,216
Transfers Out	(2,059,933)	(269,167)	-	(2,329,100)
Capital Lease Proceeds	-	258,777	-	258,777
Proceeds from Asset Disposal	5,300	-	-	5,300
Total Other Financing Sources	250,583	1,489,610	-	1,740,193
Net Change in Fund Balances	6,997,480	(8,815,244)	(136,953)	(1,954,717)
Fund Balances - Beginning of Year	8,592,592	18,580,962	851,548	28,025,102
Fund Balances - End of Year	\$ 15,590,072	\$ 9,765,718	\$ 714,595	\$ 26,070,385

COUNTY OF DAUPHIN
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2008

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund	Aging Fund	Gaming Fund	Drug and Alcohol Fund
Assets								
Cash and Cash Equivalents	\$ 6,395,283	\$ 346,062	\$ 78,195	\$ 93,571	\$ 1,611	\$ 414,769	\$ 2,421,218	\$ 1,072,261
Receivables:								
Accounts	-	10,000	12,675	-	-	66,531	-	26,258
Deferred Loans	-	-	-	-	-	-	-	-
Interest and Dividends	3,632	337	49	59	52	93	2,028	547
Due From Other Funds	-	-	-	-	21,071	-	-	103,936
Due From Other Governments	-	930,495	93,404	5,269	16,397	494,065	7,299,609	853,466
Due From Component Units	-	-	-	-	-	-	-	-
Other Assets	-	-	34,458	-	-	-	-	-
Total Assets	\$ 6,398,915	\$ 1,286,894	\$ 218,781	\$ 98,899	\$ 39,131	\$ 975,458	\$ 9,722,855	\$ 2,056,458

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund	Aging Fund	Gaming Fund	Drug and Alcohol Fund
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	\$ 11,507	\$ 29,007	\$ 25,763	\$ 6,386	\$ 38,230	\$ 294,794	\$ 3,016,405	\$ 428,436
Accrued Liabilities	397	147,314	17,790	-	-	137,280	-	30,646
Deferred Revenues	-	-	151,922	-	901	-	-	1,537,968
Due to Other Funds	-	-	-	-	-	249,000	-	59,408
Total Liabilities	11,904	176,321	195,475	6,386	39,131	681,074	3,016,405	2,056,458
Fund Balances								
Reserved for Program Purposes	6,387,011	1,110,573	23,306	92,513	-	(7,447)	6,706,450	-
Reserved for Restricted Contributions/Fees	-	-	-	-	-	301,831	-	-
Total Fund Balances	6,387,011	1,110,573	23,306	92,513	-	294,384	6,706,450	-
Total Liabilities and Fund Balances	\$ 6,398,915	\$ 1,286,894	\$ 218,781	\$ 98,899	\$ 39,131	\$ 975,458	\$ 9,722,855	\$ 2,056,458

COUNTY OF DAUPHIN
 COMBINED BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2008

	Drug Act- Forfeited State Property	Drug Act- Forfeited Federal Property	Low Income Housing Grant	Hotel Tax Fund	Total
Assets					
Cash and Cash Equivalents	\$ 17,708	\$ 248,049	\$ 823,127	\$ 521,297	\$ 12,433,151
Receivables:					
Accounts	-	-	19,110	8,436	143,010
Deferred Loans	-	-	2,751,220	-	2,751,220
Interest and Dividends	8	139	371	583	7,898
Due From Other Funds	91,342	-	6,029	-	222,378
Due From Other Governments	-	-	-	-	9,892,695
Due From Component Units	-	-	-	-	34,458
Other Assets	-	-	-	-	-
Total Assets	\$ 109,058	\$ 248,188	\$ 3,599,857	\$ 530,316	\$ 25,284,810
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 106,547	-	28,800	529,048	4,514,323
Accrued Liabilities	2,511	-	848	1,268	338,054
Deferred Revenues	-	-	2,751,220	-	4,442,011
Due to Other Funds	-	91,342	-	-	399,750
Total Liabilities	109,058	91,342	2,780,868	530,316	9,694,738
Fund Balances					
Reserved for Program Purposes	-	156,846	818,989	-	15,288,241
Reserved for Restricted Contributions/Fees	-	-	-	-	301,831
Total Fund Balances	-	156,846	818,989	-	15,590,072
Total Liabilities and Fund Balances	\$ 109,058	\$ 248,188	\$ 3,599,857	\$ 530,316	\$ 25,284,810

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund	Aging Fund	Gaming Fund
Revenues							
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Charges for Services	951,687	3,676,937	725,011	40,078	679,677	6,085,075	11,438,131
Court Costs and Fines and Fees	-	92,060	89,516	136,718	-	206,734	-
Interest and Rent	176,517	2,942	2,728	3,929	4,693	17,450	35,518
Miscellaneous Revenue	-	-	-	-	3,810	69,822	-
Total Revenues	1,128,204	3,771,939	817,255	180,725	688,180	6,379,081	11,473,649
Expenditures							
Current:							
Judicial	-	5,294,754	-	-	-	-	-
Public Safety	-	-	-	175,471	-	-	-
Public Works	340,634	-	-	-	-	-	-
Human Services	-	-	852,462	-	610,099	6,867,443	-
Conservation and Development	-	-	-	-	-	-	3,230,843
Culture and Recreation	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Principle	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total Expenditures	340,634	5,294,754	852,462	175,471	610,099	6,867,443	3,230,843
Excess of Revenues Over (Under) Expenditures	787,570	(1,522,815)	(35,207)	5,254	78,081	(488,362)	8,242,806
Other Financing Sources (Uses)							
Transfers In	-	1,879,458	112,739	-	27,741	90,000	-
Transfers Out	-	-	(77,532)	-	(111,122)	(23,606)	(1,536,356)
Proceeds (Loss) from Asset Disposal	-	-	-	-	5,300	-	-
Total Other Financing Sources (Uses)	-	1,879,458	35,207	-	(78,081)	66,394	(1,536,356)
Net Change in Fund Balances	787,570	356,643	-	5,254	(421,968)	(421,968)	6,706,450
Fund Balances - Beginning of Year	5,599,441	753,930	23,306	87,259	-	716,352	-
Fund Balances - End of Year	\$ 6,387,011	\$ 1,110,573	\$ 23,306	\$ 92,513	\$ -	\$ 294,384	\$ 6,706,450

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Drug and Alcohol Fund	Drug Act-Forfeited State Fund	Drug Act-Forfeited Federal Fund	Low Income Housing Grant	Hotel Tax Fund	Revolving Loan Fund	Totals
Revenues							
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,169,200	\$ -	\$ 8,169,200
Intergovernmental	3,215,334	-	-	177,806	-	-	26,989,736
Charges for Services	36,945	-	-	431,471	-	-	993,444
Court Costs and Fines and Fees	-	454,137	98,543	-	-	-	552,680
Interest and Rent	30,908	2,535	7,464	18,330	21,456	725	325,195
Miscellaneous Revenue	-	-	-	-	-	-	73,632
Total Revenues	3,283,187	456,672	106,007	627,607	8,190,656	725	37,103,887
Expenditures							
Current:							
Judicial	-	733,264	229,874	-	-	-	6,257,892
Public Safety	-	-	-	-	-	-	175,471
Public Works	-	-	-	-	-	-	340,634
Human Services	3,167,148	-	-	-	-	-	11,497,152
Conservation and Development	-	-	-	506,665	-	-	3,737,508
Culture and Recreation	-	-	-	-	7,731,673	157,677	7,889,350
Debt Service	-	-	-	-	385,000	-	385,000
Principle Interest	-	-	-	-	73,983	-	73,983
Total Expenditures	3,167,148	733,264	229,874	506,665	8,190,656	157,677	30,356,990
Excess of revenues Over (Under) Expenditures	116,039	(276,592)	(123,867)	120,942	-	(156,952)	6,746,897
Other Financing Sources(Uses)							
Transfers In	103,936	91,342	-	-	-	-	2,305,216
Transfers Out	(219,975)	-	(91,342)	-	-	-	(2,059,933)
Proceeds (Loss) from Asset Disposal	-	-	-	-	-	-	5,300
Total Other Financing Sources (Uses)	(116,039)	91,342	(91,342)	-	-	-	250,583
Net Change in Fund Balances	-	(185,250)	(215,209)	120,942	-	(156,952)	6,997,480
Fund Balances - Beginning of Year	-	185,250	372,055	698,047	-	156,952	8,592,592
Fund Balances - End of Year	-	-	156,846	818,989	-	-	15,590,072

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2008

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,416,537	\$ 5,375,569	\$ 120,109	\$ 6,912,215
Accounts Receivables	124,134	458,236	-	582,370
Other Assets	853	3,196	-	4,049
Total current assets	1,541,524	5,837,001	120,109	7,498,634
Noncurrent Assets:				
Capital Assets, Not Being Depreciated	-	-	111,492	111,492
Capital Assets, Being Depreciated, (Net)	2,054,694	925,195	417,669	3,397,558
Total noncurrent assets	2,054,694	925,195	529,161	3,509,050
Total assets	\$ 3,596,218	\$ 6,762,196	\$ 649,270	\$ 11,007,684
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 57,997	\$ 110,512	\$ -	\$ 168,509
Accrued Liabilities	11,688	153,698	-	165,386
Obligation Under Capital Lease	-	39,832	-	39,832
Total current liabilities	69,685	304,042	-	373,727
Noncurrent liabilities:				
Accrued Compensated Absences	12,206	244,377	-	256,583
Total noncurrent liabilities	12,206	244,377	-	256,583
Total liabilities	81,891	548,419	-	630,310
NET ASSETS				
Invested in Capital Assets				
Net of Related Debt	2,054,694	885,363	529,161	3,469,218
Unrestricted	1,459,633	5,328,414	120,109	6,908,156
Total net assets	\$ 3,514,327	\$ 6,213,777	\$ 649,270	\$ 10,377,374

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
Operating Revenues				
Charges for Services	\$ 784,691	\$ 6,201,552	\$ 45,134	\$ 7,031,377
Total Operating Revenues	784,691	6,201,552	45,134	7,031,377
Operating Expenses				
Personnel Services	320,642	3,864,810	-	4,185,452
Contracted Services	349,551	5,435	-	354,986
Supplies and Materials	18,648	14,127	-	32,775
Repairs and Maintenance	57,042	268,143	-	325,185
Utilities	6,051	448,374	11,827	466,252
Other Services and Charges	174,028	331,640	41,531	547,199
Depreciation and Amortization	164,557	324,866	52,203	541,626
Total Operating Expenses	1,090,519	5,257,395	105,561	6,453,475
Operating Income (Loss)	(305,828)	944,157	(60,427)	577,902
Nonoperating Revenues (Expenses)				
Interest Income	44,093	192,470	2,889	239,452
Interest Expense	(181)	(3,646)	-	(3,827)
Grants	30,661	-	2,023	32,684
Total Nonoperating Revenues	74,573	188,824	4,912	268,309
Income (Loss) Before Operating Transfers In (Out)	(231,255)	1,132,981	(55,515)	846,211
Transfers In	-	28,628	-	28,628
Transfers Out	-	(2,288,440)	-	(2,288,440)
Total Transfers	-	(2,259,812)	-	(2,259,812)
Changes in Net Assets	(231,255)	(1,126,831)	(55,515)	(1,413,601)
Total Net Assets - Beginning of Year	3,745,582	7,340,608	704,785	11,790,975
Total Net Assets - End of Year	\$ 3,514,327	\$ 6,213,777	\$ 649,270	\$ 10,377,374

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
Cash Flows From Operating Activities				
Receipts from Recycling Services	\$ 886,314	\$ -	\$ -	\$ 886,314
Receipts from Emergency Communications Services	-	6,240,414	-	6,240,414
Receipts from Recreational Activities	-	-	45,134	45,134
Payments to Employees	(310,366)	(3,766,069)	-	(4,076,435)
Payments to Suppliers	(630,604)	(1,060,348)	(53,358)	(1,744,310)
Internal Activity - Payments to other funds	(2,240)	(5,857)	-	(8,097)
Net Cash Provided by (Used In) Operating Activities	(56,896)	1,408,140	(8,224)	1,343,020
Cash Flow From Noncapital Financing Activities				
Operating Transfers In (Out)	-	(2,259,812)	-	(2,259,812)
Operating Grants Received	30,661	-	2,023	32,684
Net Cash Provided by (Used In) Noncapital Financing Activities	30,661	(2,259,812)	2,023	(2,227,128)
Cash Flows from Capital and Related Financing Activities				
Interest Paid	(181)	(3,646)	-	(3,827)
Principal Payments on Capital Lease	-	(37,626)	-	(37,626)
Principal Payments on Bonds	(103,565)	-	-	(103,565)
Net Cash Used in Capital and Related Financing Activities	(103,746)	(41,272)	-	(145,018)
Cash Flows from Investing Activities				
Interest Income	44,093	192,470	2,889	239,452
Net Cash Provided by Investing Activities	44,093	192,470	2,889	239,452
Net Increase (Decrease) in Cash and Cash Equivalents	(85,888)	(700,474)	(3,312)	(789,674)
Cash and Cash Equivalents, Beginning of Year	1,502,425	6,076,043	123,421	7,701,889
Cash and Cash Equivalents, End of Year	\$ 1,416,537	\$ 5,375,569	\$ 120,109	\$ 6,912,215

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
Reconciliation of Operating income (loss) to net cash provided (used) by operating activities				
Operating Income (Loss)	\$ (305,828)	\$ 944,157	\$ (60,427)	\$ 577,902
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Depreciation and Amortization Expense	164,557	324,866	52,203	541,626
Change in assets and liabilities				
Accounts Receivable	101,623	35,997	-	137,620
Other Assets	(335)	2,865	-	2,530
Accounts Payable	(24,949)	7,371	-	(17,578)
Accrued Expenses	(73)	18,435	-	18,362
Accrued Vacation and Sick Pay	10,349	80,306	-	90,655
Due To/Due From Other Funds	(2,240)	(5,857)	-	(8,097)
Net Cash Provided by (Used In) Operating Activities	<u>\$ (56,896)</u>	<u>\$ 1,408,140</u>	<u>\$ (8,224)</u>	<u>\$ 1,343,020</u>

COUNTY OF DALPHIN, PENNSYLVANIA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 DECEMBER 31, 2008

	Tax Claim Agency Fund	Sheiff Agency Fund	Probation and Parole Agency Fund	Treasurer Agency Fund	Prothonotary Agency Fund	Recorder of Deeds Agency Fund	Clerk of Courts Agency Fund	Prison Agency Fund	Domestic Relations Agency Fund	Rescuer of MIA's Agency Fund	Fines and Costs Agency Fund	Parole Advance Fund	Children and Youth Agency Fund	Flexible Spending Account	Totals
Assets															
Cash and Cash Equivalents	\$ 2,830,561	\$ 360,618	\$ 1,212,261	\$ 1,213	\$ 116,616	\$ 751,153	\$ 873,235	\$ 1,310,397	\$ 20,612	\$ 54,068	\$ 2,848	\$ 17,500	\$ 93,550	\$ 20,510	\$ 7,692,771
Total Assets	\$ 2,830,561	\$ 360,618	\$ 1,212,261	\$ 1,213	\$ 116,616	\$ 751,153	\$ 873,235	\$ 1,310,397	\$ 20,612	\$ 54,068	\$ 2,848	\$ 17,500	\$ 93,550	\$ 20,510	\$ 7,692,771
Liabilities															
Accounts Payable	\$ 454,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,310
Accounts Held in Escrow	2,376,251	\$ 360,618	1,212,261	1,213	116,616	751,153	873,235	1,310,397	20,612	54,068	2,848	17,500	93,550	20,510	6,556,102
Due To Other Governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,090,269
Total Liabilities	\$ 2,830,561	\$ 360,618	\$ 1,212,261	\$ 1,213	\$ 116,616	\$ 751,153	\$ 873,235	\$ 1,310,397	\$ 20,612	\$ 54,068	\$ 2,848	\$ 17,500	\$ 93,550	\$ 20,510	\$ 7,692,771

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
General Government				
Commissioners - Governing Body				
Personal Services	\$ 647,997	\$ 640,117	\$ 1,185,566	\$ (545,449)
Supplies and Services	1,661,686	2,466,349	2,058,046	408,303
Capital Outlay	-	-	-	-
	<u>2,309,683</u>	<u>3,106,466</u>	<u>3,243,612</u>	<u>(137,146)</u>
Finance				
Personal Services	265,642	267,170	267,505	(335)
Supplies and Services	49,552	49,713	73,823	(24,110)
Capital Outlay	-	-	-	-
	<u>315,194</u>	<u>316,883</u>	<u>341,328</u>	<u>(24,445)</u>
Risk Management				
Personal Services	134,622	135,195	151,218	(16,023)
Supplies and Services	8,852	8,852	2,262	6,590
	<u>143,474</u>	<u>144,047</u>	<u>153,480</u>	<u>(9,433)</u>
Purchasing				
Personal Services	357,821	357,742	355,469	2,273
Supplies and Services	520,635	520,726	507,195	13,531
Capital Outlay	850	759	-	759
	<u>879,306</u>	<u>879,227</u>	<u>862,664</u>	<u>16,563</u>
Voter's Registration				
Personal Services	434,497	440,153	394,454	45,699
Supplies and Services	551,688	651,314	720,391	(69,077)
Capital Outlay	-	-	-	-
	<u>986,185</u>	<u>1,091,467</u>	<u>1,114,845</u>	<u>(23,378)</u>
Tax Assessment				
Personal Services	1,365,788	1,327,246	1,317,013	10,233
Supplies and Services	1,726,695	1,935,524	1,632,967	302,557
Capital Outlay	125,000	85,986	-	85,986
	<u>3,217,483</u>	<u>3,348,756</u>	<u>2,949,980</u>	<u>398,776</u>
Treasurer				
Personal Services	293,635	289,534	269,344	20,190
Supplies and Services	14,418	18,228	16,726	1,502
Capital Outlay	-	-	-	-
	<u>308,053</u>	<u>307,762</u>	<u>286,070</u>	<u>21,692</u>
Tax Collectors				
Personal Services	215,300	215,300	200,661	14,639
Supplies and Services	45,880	50,348	47,414	2,934
Capital Outlay	39,000	39,000	-	39,000
	<u>300,180</u>	<u>304,648</u>	<u>248,075</u>	<u>56,573</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
General Government (Continued)				
Personnel				
Personal Services	690,150	676,497	761,927	(85,430)
Supplies and Services	56,052	69,806	83,474	(13,668)
Capital Outlay	-	-	-	-
	<u>746,202</u>	<u>746,303</u>	<u>845,401</u>	<u>(99,098)</u>
Controller				
Personal Services	805,953	798,449	789,740	8,709
Supplies and Services	205,395	228,254	234,441	(6,187)
Capital Outlay	-	-	-	-
	<u>1,011,348</u>	<u>1,026,703</u>	<u>1,024,181</u>	<u>2,522</u>
Solicitor				
Personal Services	411,147	406,165	401,429	4,736
Supplies and Services	116,144	116,144	120,228	(4,084)
Capital Outlay	-	-	-	-
	<u>527,291</u>	<u>522,309</u>	<u>521,657</u>	<u>652</u>
Public Defender				
Personal Services	2,340,598	2,321,039	2,328,403	(7,364)
Supplies and Services	569,576	701,823	708,270	(6,447)
Capital Outlay	-	-	-	-
	<u>2,910,174</u>	<u>3,022,862</u>	<u>3,036,673</u>	<u>(13,811)</u>
Recorder of Deeds				
Personal Services	638,715	637,369	535,501	101,868
Supplies and Services	396,141	403,026	382,185	20,841
Capital Outlay	-	9,607	9,607	-
	<u>1,034,856</u>	<u>1,050,002</u>	<u>927,293</u>	<u>122,709</u>
Facilities Management				
Personal Services	2,430,298	2,400,746	2,428,052	(27,306)
Supplies and Services	2,676,255	2,779,175	3,019,107	(239,932)
Capital Outlay	-	-	21,425	(21,425)
	<u>5,106,553</u>	<u>5,179,921</u>	<u>5,468,584</u>	<u>(288,663)</u>
Printing				
Personal Services	119,940	118,539	103,906	14,633
Supplies and Services	88,570	66,570	65,387	1,183
Capital Outlay	15,000	15,000	27,825	(12,825)
	<u>223,510</u>	<u>200,109</u>	<u>197,118</u>	<u>2,991</u>
Data Processing				
Personal Services	1,984,744	1,972,438	1,852,432	120,006
Supplies and Services	801,454	823,454	764,659	58,795
Capital Outlay	273,210	273,210	-	273,210
	<u>3,059,408</u>	<u>3,069,102</u>	<u>2,617,091</u>	<u>452,011</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
General Government (Continued)				
Veterans' Affairs	75,621	74,638	74,364	274
Personal Services	160,778	139,865	115,838	24,027
Supplies and Services	-	-	-	-
Capital Outlay	-	-	-	-
	<u>236,399</u>	<u>214,503</u>	<u>190,202</u>	<u>24,301</u>
Gasoline Center				
Supplies and Services	241,100	241,100	227,675	13,425
Capital Outlay	-	-	-	-
	<u>241,100</u>	<u>241,100</u>	<u>227,675</u>	<u>13,425</u>
Pass-through Library Grant	-	-	-	-
Less: Indirect Cost Reimbursement	<u>(9,500,000)</u>	<u>(11,455,102)</u>	<u>(11,401,433)</u>	<u>(53,669)</u>
Total General Government	<u>\$ 14,056,399</u>	<u>\$ 13,317,068</u>	<u>\$ 12,854,496</u>	<u>\$ 462,572</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial				
Courts				
Personal Services	\$ 1,662,974	\$ 1,626,067	\$ 1,545,481	\$ 80,586
Supplies and Services	2,444,903	2,743,284	2,576,938	166,346
Capital Outlay	-	-	-	-
	<u>4,107,877</u>	<u>4,369,351</u>	<u>4,122,419</u>	<u>246,932</u>
Court Reporters				
Personal Services	1,048,802	1,034,200	1,042,826	(8,626)
Supplies and Services	116,735	116,735	75,046	41,689
Capital Outlay	-	-	-	-
	<u>1,165,537</u>	<u>1,150,935</u>	<u>1,117,872</u>	<u>33,063</u>
Jury Commissioners				
Personal Services	-	-	-	-
Supplies and Services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District Justices				
Personal Services	3,920,639	3,886,399	3,796,325	90,074
Supplies and Services	1,981,504	2,804,531	1,844,203	960,328
Capital Outlay	173,375	173,375	855	172,520
	<u>6,075,518</u>	<u>6,864,305</u>	<u>5,641,383</u>	<u>1,222,922</u>
Law Library				
Personal Services	163,952	161,863	148,558	13,305
Supplies and Services	346,897	383,806	398,317	(14,511)
Capital Outlay	-	-	-	-
	<u>510,849</u>	<u>545,669</u>	<u>546,875</u>	<u>(1,206)</u>
Night Court				
Personal Services	269,118	258,409	236,376	22,033
Supplies and Services	45,128	46,142	32,246	13,896
Capital Outlay	-	-	-	-
	<u>314,246</u>	<u>304,551</u>	<u>268,622</u>	<u>35,929</u>
Clerk of Courts				
Personal Services	1,298,892	1,283,737	1,299,332	(15,595)
Supplies and Services	330,500	372,129	306,778	65,351
Capital Outlay	-	-	-	-
	<u>1,629,392</u>	<u>1,655,866</u>	<u>1,606,110</u>	<u>49,756</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial (Continued)				
Coroner				
Personal Services	439,309	434,450	439,542	(5,092)
Supplies and Services	451,750	457,299	416,494	40,805
Capital Outlay	-	21,681	34,442	(12,761)
	<u>891,059</u>	<u>913,430</u>	<u>890,478</u>	<u>22,952</u>
District Attorney				
Personal Services	2,739,275	2,817,041	2,951,200	(134,159)
Supplies and Services	1,265,397	1,372,037	1,090,914	281,123
Capital Outlay	-	-	-	-
	<u>4,004,672</u>	<u>4,189,078</u>	<u>4,042,114</u>	<u>146,964</u>
Criminal Investigation				
Personal Services	1,216,424	1,190,792	1,137,446	53,346
Supplies and Services	476,931	562,492	564,858	(2,366)
Capital Outlay	500	500	-	500
	<u>1,693,855</u>	<u>1,753,784</u>	<u>1,702,304</u>	<u>51,480</u>
Prothonotary				
Personal Services	861,862	848,501	829,411	19,090
Supplies and Services	259,050	379,019	337,763	41,256
Capital Outlay	-	-	-	-
	<u>1,120,912</u>	<u>1,227,520</u>	<u>1,167,174</u>	<u>60,346</u>
Registrar of Wills				
Personal Services	421,117	415,656	363,265	52,391
Supplies and Services	234,035	264,673	245,941	18,732
Capital Outlay	-	-	5,691	(5,691)
	<u>655,152</u>	<u>680,329</u>	<u>614,897</u>	<u>65,432</u>
Sheriff				
Personal Services	2,895,773	2,864,304	2,784,416	79,888
Supplies and Services	460,013	580,815	592,991	(12,176)
Capital Outlay	75,000	75,000	35,904	39,096
	<u>3,430,786</u>	<u>3,520,119</u>	<u>3,413,311</u>	<u>106,808</u>
Cost & Fines				
Personal Services	190,910	187,803	181,790	6,013
Supplies and Services	47,521	34,044	33,103	941
Capital Outlay	-	-	-	-
	<u>238,431</u>	<u>221,847</u>	<u>214,893</u>	<u>6,954</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial (Continued)				
Adult Probation				
Personal Services	8,548,626	8,435,484	8,162,489	272,995
Supplies and Services	1,551,669	1,481,740	1,315,928	165,812
Capital Outlay	-	17,000	-	17,000
	<u>10,100,295</u>	<u>9,934,224</u>	<u>9,478,417</u>	<u>455,807</u>
Juvenile Probation				
Personal Services	4,303,696	4,272,426	4,219,136	53,290
Supplies and Services	1,114,650	1,198,392	898,802	299,590
Capital Outlay	-	27,489	27,489	-
	<u>5,418,346</u>	<u>5,498,307</u>	<u>5,145,427</u>	<u>352,880</u>
Victim Witness				
Personal Services	56,744	56,605	54,454	2,151
Supplies and Services	519,909	559,972	562,921	(2,949)
	<u>576,653</u>	<u>616,577</u>	<u>617,375</u>	<u>(798)</u>
Pretrial				
Supplies and Services	284,372	284,372	284,235	137
	<u>284,372</u>	<u>284,372</u>	<u>284,235</u>	<u>137</u>
RO County Records Improvement				
Supplies and Services	56,500	81,500	75,961	5,539
Capital Outlay	-	-	-	-
	<u>56,500</u>	<u>81,500</u>	<u>75,961</u>	<u>5,539</u>
Total Judicial	<u>\$ 42,274,452</u>	<u>\$ 43,811,764</u>	<u>\$ 40,949,867</u>	<u>\$ 2,861,897</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety				
Prison				
Personal Services	\$ 25,387,816	\$ 25,307,841	\$ 25,172,386	\$ 135,455
Supplies and Services	9,241,374	9,863,614	9,776,093	87,521
Capital Outlay	-	72,177	446,036	(373,859)
	<u>34,629,190</u>	<u>35,243,632</u>	<u>35,394,515</u>	<u>(150,883)</u>
Emergency Services				
Personal Services	635,236	627,380	587,411	39,969
Supplies and Services	298,859	363,954	347,269	16,685
Capital Outlay	-	-	-	-
	<u>934,095</u>	<u>991,334</u>	<u>934,680</u>	<u>56,654</u>
Total Public Safety	<u>\$ 35,563,285</u>	<u>\$ 36,234,966</u>	<u>\$ 36,329,195</u>	<u>\$ (94,229)</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Human Services				
Personal Services	\$ 1,288,466	\$ 625,102	\$ 840,247	\$ (215,145)
Supplies and Services	2,438,192	2,612,592	2,906,863	(294,271)
Capital Outlay	-	-	-	-
Total Human Services	<u>\$ 3,726,658</u>	<u>\$ 3,237,694</u>	<u>\$ 3,747,110</u>	<u>\$ (509,416)</u>
Culture and Recreation				
Parks				
Personal Services	\$ 1,032,008	\$ 1,019,856	\$ 1,051,523	\$ (31,667)
Supplies and Services	719,331	909,534	838,608	70,926
Capital Outlay	11,000	238,439	109,451	128,988
Total Culture and Recreation	<u>\$ 1,762,339</u>	<u>\$ 2,167,829</u>	<u>\$ 1,999,582</u>	<u>\$ 168,247</u>
Conservation and Development				
Cooperative Extension				
Personal Services	\$ 224,068	\$ 204,589	\$ 202,295	\$ 2,294
Supplies and Services	253,245	248,695	248,859	(164)
Capital Outlay	-	36,373	36,373	-
Total Conservation and Development	<u>477,313</u>	<u>489,657</u>	<u>487,527</u>	<u>2,130</u>
Conservation Programs				
Personal Services	1,009,450	1,002,240	993,776	8,464
Supplies and Services	768,277	816,899	789,803	27,096
Capital Outlay	-	19,690	18,068	1,622
Total Conservation Programs	<u>1,777,727</u>	<u>1,838,829</u>	<u>1,801,647</u>	<u>37,182</u>
Economic Development				
Personal Services	410,284	404,323	372,097	32,226
Supplies and Services	439,524	839,266	67,889	771,377
Capital Outlay	-	-	-	-
Total Economic Development	<u>849,808</u>	<u>1,243,589</u>	<u>439,986</u>	<u>803,603</u>
Housing Redevelopment				
Supplies and Services	-	-	350,893	(350,893)
Total Housing Redevelopment	<u>-</u>	<u>-</u>	<u>350,893</u>	<u>(350,893)</u>
Total Conservation and Development	<u>\$ 3,104,848</u>	<u>\$ 3,572,075</u>	<u>\$ 3,080,053</u>	<u>\$ 492,022</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Debt Service				
Principal	\$ 4,412,812	\$ 4,412,812	\$ 4,962,135	\$ (549,323)
Interest	5,397,532	5,397,532	5,060,315	337,217
Total Debt Service	<u>\$ 9,810,344</u>	<u>\$ 9,810,344</u>	<u>\$ 10,022,450</u>	<u>\$ (212,106)</u>
Other Financing Uses				
Interfund Transfers to				
Domestic Relations Fund	\$ 1,821,275	\$ 1,821,275	\$ 1,879,458	\$ (58,183)
MH/MR Fund	882,700	882,700	733,061	149,639
Office of Aging Fund	90,000	90,000	90,000	-
Drug and Alcohol Fund	210,000	210,000	103,936	106,064
Children, Youth, and Families Fund	9,600,000	9,600,000	12,743,295	(3,143,295)
State Grant Fund	280,000	280,000	237,647	42,353
Human Services Development Fund	20,000	20,000	27,741	(7,741)
Hazard Materials Emergency Response Fund	10,000	10,000	-	10,000
Weatherization	30,000	30,000	112,739	(82,739)
Revolving Loan Fund	160,000	160,000	-	160,000
911 - EMA Communications Fund			28,628	(28,628)
Capital Projects Fund	1,500,000	1,500,000	1,500,000	-
Human Service Building Fund	850,000	850,000	546,627	303,373
General Fund	123,352	123,352	247,968	(124,616)
Total Interfund Transfers	<u>\$ 15,577,327</u>	<u>\$ 15,577,327</u>	<u>\$ 18,251,100</u>	<u>\$ (2,673,773)</u>