

**COUNTY OF DAUPHIN
HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

COUNTY OF DAUPHIN, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2012

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S REPORT

Commissioners
County of Dauphin
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF DAUPHIN, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the COUNTY OF DAUPHIN's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the aggregate discretely presented component unit financial statements for the Dauphin County General Authority, which represents 75.77 percent and 50.16 percent, respectively of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Dauphin County General Authority 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 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 from material misstatement.

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

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

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

Adoption of Governmental Accounting Standards Board Principles

As discussed in Note 1 to the financial statements in 2012, the COUNTY OF DAUPHIN adopted the remaining provisions of GASB Statement No. 57, "OPEB Measurement by Agent Employers and Agent Multiple-Employer Plan", the provisions of No. 60 "Accounting and Financial Reporting for Service Concession Arrangements", No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", No. 63, "Financial Reporting of Deferred Inflows of Resources, and Net Positions", and No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*".

Other Matters

Uncertainties Regarding Compliance with Bond Indentures – Aggregate Discretely Presented Component Unit

The financial statements referred to above include the financial data of the Dauphin County General Authority whose financial statements include an emphasis paragraph pertaining to uncertainties regarding compliance with Bond Indentures. As discussed in Note 26, the Pittsburgh Hyatt Hotel and Conference Center Fund made unscheduled withdrawals from the Bond Redemption and Improvement Fund and Bond Reserve Fund.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Employer Contributions and Funding Progress, Schedule of Funding Progress for Postemployment Benefits Other than Pensions, and budgetary comparison information on pages 4 through 19, 127, 128, and 129 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF DAUPHIN's basic financial statements. The Combining Nonmajor Fund Financial Statements and the Schedule of Departmental Expenditures on pages 131 through 141 and page 142 through 150 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COUNTY OF DAUPHIN's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 30, 2013

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, 2012. 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, 2012.

Financial Highlights

- Dauphin County's property tax rate of 6.876 mills was not raised in 2012.
- On December 14, 2011, the Board of Commissioners passed a \$184,493,314 General Fund Budget for 2012 maintaining the 6.876 millage rate. A budgeted drawdown on fund balance in the amount of \$20.9 million was necessary in order to cover the initial 2012 expenditure budget. There were two new positions added to the General Fund at a total cost of approximately \$129,000 including benefits. The cost of these two positions was offset by the elimination of some part-time positions and reductions in service costs.
- On February 27, 2012, the County paid \$1,500,000 to the trustee for the Harrisburg University 2007B Bonds. This payment was required per the terms of the County's guaranty on this issue as the University defaulted on its March 1, 2012 debt payment. The County's guaranty is limited to \$1.5 million in any calendar year through 2019.
- On October 16, 2012, the County terminated the 2005 Basis Swap and the 2011 Basis Swap. The termination of the 2005 swap resulted in a final net cash benefit to the County of approximately \$402,000 over its term, while the latter swap netted almost \$649,000 over its term.
- On November 15, 2012, three 'Fixed to Floating Rate Swap Options' with DEPFA Bank expired. The notional amount of the three options totaled \$40,055,000. These were put in place on 9/13/07, and the County received an upfront payment of \$1,001,000 at that time.
- In 2012, Dauphin County paid \$5,294,965 toward Harrisburg Incinerator Debt after defaults by the Harrisburg Authority and City on their obligations to make these payments.
- The County's credit rating from Standard & Poors was unchanged in 2012. It remains at 'AA/Stable Outlook'.
- At December 31, 2012 the General Fund's Unassigned Fund Balance was \$11,683,415. This is down from the \$22,492,245 balance at the end of 2011.
- The County's total net position decreased by \$17,862,227 in 2012. Unrestricted net position at year-end was \$24,586,963. The decrease in net position in the current year can be attributed to the recording of an allowance on the Incinerator Receivable in the amount of \$17,139,378. Based on information received subsequent to year-end, it is unlikely that the County will receive any additional funds that were paid as part of the Guarantee Agreement, outside of the principal on the debt that was incurred by the County.

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 the general fund. 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.

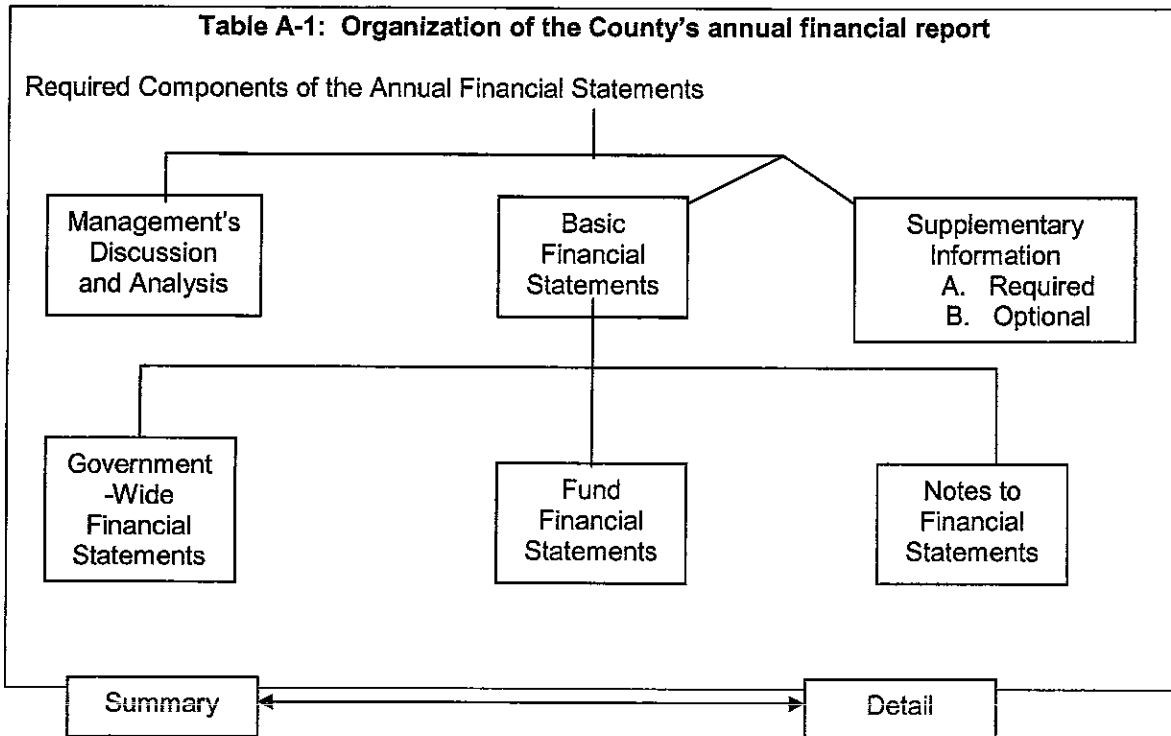


Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

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	<ul style="list-style-type: none"> - Statement of net position - Statement of activities 	<ul style="list-style-type: none"> - Balance Sheet - Statement of revenues, expenditures and changes in fund balance 	<ul style="list-style-type: none"> - Statement of net position -Statement of revenues, expenses and changes in net position -Statement of cash flows 	<ul style="list-style-type: none"> - Statement of fiduciary net position - Statement of changes in fiduciary net position
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 position includes all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. 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 position 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 position 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 position is one way to measure the County's financial position. Over time, increases or decreases in the County's net position is 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/ID 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 position of the governmental activities differs 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 position:

- 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 position balances as follows:
 - o Net investment in capital assets
 - o Restricted net position is 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 position is net position that does 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 position 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 position and a statement of changes in fiduciary net position. 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 Position

Dauphin County's total assets were \$250,591,879 at December 31, 2012. Of this amount, \$114,139,352 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
	2011	2012	2011	2012	2011	2012	
Current & Other Assets	\$ 160,423,731	\$ 134,366,133	\$ 3,442,162	\$ 2,086,394	\$ 163,865,893	\$ 136,452,527	-16.7%
Capital Assets	104,948,821	107,845,107	7,260,601	6,294,245	112,209,422	114,139,352	1.7%
Total Assets	265,372,552	242,211,240	10,702,763	8,380,639	276,075,315	250,591,879	-9.2%
Long-Term Debt Outstanding	170,318,468	163,999,236	4,920,187	4,537,453	175,238,655	168,536,689	-3.8%
Other Liabilities	27,629,075	26,723,495	424,445	410,782	28,053,520	27,134,277	-3.3%
Total Liabilities	197,947,543	190,722,731	5,344,632	4,948,235	203,292,175	195,670,966	-3.7%
Net Position:							
Net Investment in Capital Assets	(2,074,093)	(695,268)	2,824,091	2,252,981	749,998	1,557,713	-107.7%
Restricted	34,245,154	28,776,237	-	-	34,245,154	28,776,237	-16.0%
Unrestricted	35,253,948	23,407,540	2,534,040	1,179,423	37,787,988	24,586,963	-34.9%
Total Net Position	\$ 67,425,009	\$ 51,488,509	\$ 5,358,131	\$ 3,432,404	\$ 72,783,140	\$ 54,920,913	-24.5%

The following statement of activities represents changes in net position for the year ended December 31, 2012. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
	2011	2012	2011	2012	2011	2012	
Revenues							
Program Revenues							
Charges for Services	\$ 26,519,719	\$ 26,144,332	\$ 75,276,489	\$ 74,030,214	\$ 101,796,208	\$ 100,174,546	-1.6%
Operating Grants & Contributions	128,852,300	122,767,371	67,596	67,993	128,919,896	122,835,364	-4.7%
General Revenues							
Property Taxes	98,588,435	99,828,373	-	-	98,588,435	99,828,373	1.3%
Hotel Taxes	8,900,896	9,074,534	-	-	8,900,896	9,074,534	2.0%
In Lieu of Taxes	1,261,808	1,900,267	-	-	1,261,808	1,900,267	50.6%
Unrestricted Investment Earnings	353,772	239,826	26,286	12,582	380,058	252,408	-33.6%
Gain/Loss on Asset Disposal	6,900	11,311	-	389,426	6,900	400,737	5707.8%
(Depreciation)/Appreciation in Fair Market Value of Investments	4,339	60,535	-	-	4,339	60,535	1295.1%
Swap Proceeds	-	505,000	-	-	-	505,000	100.0%
Transfers From Component Units	637,609	619,624	-	-	637,609	619,624	-2.8%
Transfers In/(Out)	(665,116)	(802,494)	665,116	802,494	-	-	0.0%
Total Revenues	264,460,662	260,348,679	76,035,487	75,302,709	340,496,149	335,651,388	-1.4%
Program Expenses							
General Government	14,962,285	14,338,875	-	-	14,962,285	14,338,875	-4.2%
Judicial	58,308,574	59,152,254	-	-	58,308,574	59,152,254	1.4%
Public Safety	43,701,896	46,341,700	7,469,461	7,229,117	51,171,357	53,570,817	4.7%
Public Works	1,622,670	1,560,857	1,492,312	1,405,246	3,114,982	2,966,103	-4.8%
Human Services	114,333,808	108,020,146	68,097,179	67,076,128	182,430,987	175,096,274	-4.0%
Culture & Recreation	10,566,471	10,825,016	-	-	10,566,471	10,825,016	2.4%
Conservation & Development	18,143,699	13,332,389	-	-	18,143,699	13,332,389	-26.5%
Interest on Long Term Debt	4,187,999	5,574,564	-	-	4,187,999	5,574,564	33.1%
Other Programs	-	-	1,800,455	1,517,945	1,800,455	1,517,945	-15.7%
Loss on Guaranteed Debt Payments	-	17,139,378	-	-	-	17,139,378	100.0%
Total Program Expenses	265,827,402	276,285,179	78,859,407	77,228,436	344,686,809	353,513,615	2.6%
Change in Net Position	(1,366,740)	(15,936,500)	(2,823,920)	(1,925,727)	(4,190,660)	(17,862,227)	326.2%
Net Position - Beginning	68,791,749	67,425,009	8,182,051	5,358,131	76,973,800	72,783,140	-5.4%
Net Position - Ending	\$ 67,425,009	\$ 51,488,509	\$ 5,358,131	\$ 3,432,404	\$ 72,783,140	\$ 54,920,913	-24.5%

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 2012, general property taxes brought in \$99,828,373. Table A-5 depicts the net program expenses for the year ended December 31, 2012.

Program	Total Cost of Services	Net Cost of Services
General Government	\$ 14,338,875	\$ 8,327,290
Judicial	59,152,254	42,134,612
Public Safety	53,570,817	40,683,253
Public Works	2,966,103	627,683
Human Services	175,096,274	9,756,328
Culture & Recreation	10,825,016	9,904,948
Conservation & Development	13,332,389	(3,845,508)
Interest on Long Term Debt	5,574,564	5,574,564
Other Programs	1,517,945	201,157
Loss on Guaranteed Debt Payments	17,139,378	17,139,378
Total	\$ 353,513,615	\$ 130,503,705

The County relied on property taxes and other general revenues to fund 36.9% of its governmental and business-type activities in 2012.

The property tax is based on the assessed value of real property. The County's 2012 millage rate of 6.876 is unchanged from 2011 and is well below the Commonwealth-set cap of 25 mills for operating costs.

Property taxes and other general revenues covered 58.1% of general government spending in 2012. The remainder of the cost was funded by grants and fees for specific services. 71.2% 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 75.9% of public safety costs with the remainder coming from grants and fees covering room and board at the county prison.

Public Works required tax and other general revenue dollars to cover 21.2% of its expenses in 2012. This area of the County's operations includes the management of a parking garage; the maintenance and replacement of county bridges; and the solid waste and recycling programs.

Program expenditures for Culture & Recreation, Interest on Long Term Debt, and Loss on Guaranteed Debt Payments were almost 100% funded by property taxes and other general revenues, while Human Services expenses required only 5.5% from these sources, with most of the remainder being picked up by state and federal grants.

Conservation and Development program expenditures did not require any tax dollars in 2012. This area of County Government includes Gaming monies from the Hollywood Casino located in Dauphin County which have pushed total expenses much higher in recent years.

Capital Assets

The County's investment in capital assets at December 31, 2012, net of accumulated depreciation, was \$114,139,352 which is up over \$1.9 million from 2011. Capital assets consist primarily of land, buildings and equipment. Table A-6 is a summary of capital assets at December 31, 2012.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		Total % Change
	2011	2012	2011	2012	2011	2012	
Construction in Progress	\$ 10,847,916	\$ 16,894,452	\$ 11,016	\$ -	\$ 10,858,932	\$ 16,894,452	55.6%
Infrastructure - Construction-in-Progress	53,663	96,568	-	-	53,663	96,568	80.0%
Intangibles	211,827	401,838	-	-	211,827	401,838	89.7%
Land	498,551	498,551	111,492	111,492	610,043	610,043	0.0%
Infrastructure	17,031,217	17,031,217	-	-	17,031,217	17,031,217	0.0%
Buildings & Improvements	82,646,188	83,447,360	3,817,947	3,842,756	86,464,135	87,290,116	1.0%
Machinery & Equipment	48,857,344	49,452,488	12,466,141	10,425,093	61,323,485	59,877,581	-2.4%
Furniture & Fixtures	-	-	23,220	23,220	23,220	23,220	0.0%
Leasehold Assets	12,262,498	13,011,850	15,727,900	15,727,900	27,990,398	28,739,750	2.7%
Accumulated Depreciation	(67,460,383)	(72,989,217)	(24,897,115)	(23,836,216)	(92,357,498)	(96,825,433)	-4.8%
Total Capital Assets	\$ 104,948,821	\$ 107,845,107	\$ 7,260,601	\$ 6,294,245	\$ 112,209,422	\$ 114,139,352	1.7%

'Construction in Progress' (CIP) increased in 2012 as projects funded by the 2009 construction bonds neared completion. These projects include a Juvenile Judicial Center in the County's Human Services Building; a Female Work Release Center at the site of the County's Male Work Release Center; and a new Judicial Center at the site of the old female work release center.

The major capital assets in the 'Buildings & Improvements' section above consist of the Courthouse, Administration Building, Probation Complex, EMA Center, County Warehouse, and the County Prison. Smaller buildings are located at the County Park sites and the various MDJ Offices.

The 'Infrastructure' category houses the many county-owned bridges scattered throughout the County. Dauphin County does not own any roads.

Other detailed information about the County's capital assets can be found in Note 6, Notes to Financial Statements.

Debt Administration

Long Term Debt and Capital Leases:

At December 31, 2012, the County had \$168,536,689 of long-term debt outstanding. This was a decrease of \$6,701,966 from the previous year. Table A-7 details activity related to the long-term debt.

Type	Beginning Balance	Additions	Reductions	Ending Balance
Bonds & Notes Payable	\$ 152,511,500	\$ -	\$ (6,660,000)	\$ 145,851,500
Compensated Absences	8,003,695	389,959	-	8,393,654
Estimated Workers Comp. Claims	2,626,959	-	(631,434)	1,995,525
Other Postemployment Benefits	2,487,970	701,746	-	3,189,716
Capital Leases	9,608,531	817,977	(1,320,214)	9,106,294
Total Long Term Debt and Capital Leases	\$ 175,238,655	\$ 1,909,682	\$ (8,611,648)	\$ 168,536,689

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, 2012 was over \$1 billion, and the total non-electoral debt outstanding was approximately \$146 million, well below the debt limit.

At year-end, the County had \$145,851,500 million in bonds and notes outstanding. This figure is down from 2011 as principal continues to be retired. There were no new money issues in 2012 that would have added to the outstanding debt.

More detailed information about the County's long-term liabilities is presented in Note 8 and Note 12 to the financial statements.

Bond Rating

The County's bond rating through Standard & Poors is 'AA Stable Outlook' as of December 31, 2012. The current combined net non-electoral and net lease rental debt limit is approximately \$1.3 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, 2012 and December 31, 2011 were as follows. Table A-8 also presents changes from 2011 to 2012.

Table A-8 County of Dauphin's Revenues by Source, Governmental Funds			
Source	2012	2011	Changes from 2011 to 2012
Property Taxes	\$ 99,745,703	\$ 98,746,079	\$ 999,624
Hotel Taxes	9,074,534	8,900,896	173,638
Intergovernmental	123,054,965	128,516,500	(5,461,535)
Charges for Services	20,586,292	20,900,323	(314,031)
License and Permits	111,168	79,916	31,252
Court Costs and Fines	5,117,532	5,271,488	(153,956)
Interest and Rents	320,398	427,856	(107,458)
Appreciation Fair Market Value Investments	60,535	4,339	56,196
Miscellaneous Revenue	1,861,441	1,791,516	69,925
Transfers from Component Units	619,624	637,609	(17,985)
Proceeds from Sale of Fixed Assets	11,311	6,900	4,411
Capital Lease Proceeds	817,977	378,741	439,236
Bonds/Notes Proceeds	-	15,655,000	(15,655,000)
Swap Proceeds	505,000	-	505,000
Net Premium on Bonds Issued	-	1,091,219	(1,091,219)
Operating Transfers In	20,788,649	15,286,068	5,502,581
Total Revenues	\$ 282,675,129	\$ 297,694,450	\$ (15,019,321)

Governmental fund revenues totaled \$282,675,129 for the year ended December 31, 2012. This is a decrease of \$15 million from the revenue total in 2011.

The 'Intergovernmental' revenue category continues to drop as reductions in State and Federal funding due to budget constraints are again the main factor.

There were no bond deals transacted in 2012 which accounts for the large decrease in the 'Bonds/Notes Proceeds' and 'Net Premium on Bonds Issued' categories. This is the main cause of the overall decrease in total revenues as well.

'Operating Transfers In' rose in 2012 due primarily to a transfer from the Children & Youth Fund back to the General Fund to reconcile the County's obligation through 6/30/12. The transfer from the Gaming Fund to the General Fund to cover the debt service payment on the EMA Radio Project Debt, also increased by approximately \$1 million.

Governmental Fund Expenditures

Governmental fund expenditures by function at December 31, 2012 and December 31, 2011 were as follows. Table A-9 also presents changes from 2011 to 2012.

Function	2012	2011	Changes from 2011 to 2012
General Government	\$ 13,632,054	\$ 13,310,093	\$ 321,961
Judicial	58,345,058	57,423,430	921,628
Public Safety	43,495,804	40,787,150	2,708,654
Public Works	1,179,281	1,578,056	(398,775)
Human Services	107,793,163	113,897,014	(6,103,851)
Culture & Recreation	10,766,861	10,585,517	181,344
Conservation & Development	13,489,492	18,137,502	(4,648,010)
Debt Service Principal	7,571,138	8,607,154	(1,036,016)
Debt Service Interest	5,045,163	5,284,554	(239,391)
Capital Projects	7,331,881	7,827,806	(495,925)
Payment to Refunded Bond Escrow Agent	-	16,465,000	(16,465,000)
Operating Transfers Out	21,591,143	15,951,184	5,639,959
Loss on Guaranteed Debt Payments	17,139,378	-	17,139,378
Total Expenditures	\$ 307,380,416	\$ 309,854,460	\$ (2,474,044)

Governmental fund expenditures totaled \$307,380,416 for the year ended December 31, 2012. This represents a decrease of approximately \$2.4 million from 2011.

As noted in the preceding section on governmental funds revenue, the 'Human Services' category continues to drop as the Federal and State agencies cut back on their allocations to the County.

The decrease in the 'Conservation & Development' section is due primarily to a timing difference in the \$3 million annual payments to East Hanover Township, the host municipality of the Penn National Gaming facility. In 2011, both the 2010 and 2011 annual payments of the gaming monies were made, and the 2012 payment wasn't made until 2013.

There were no debt issues in 2012 resulting in the large reduction in this area. This was also the main contributor to the overall reduction in total expenditures.

The cause of the large reduction in the 'Operating Transfers Out' category mirrors that in the preceding section on the 'Operating Transfers In'. These two categories relate to the same monies that are passed between funds.

The increase in the Loss on Guaranteed Debt Payments can be attributed to an Allowance on the Incinerator that was set up as it is unlikely that the County will receive additional funds that were paid as part of the Guarantee Agreement, outside of the principal on the debt that was incurred by the County.

Governmental Fund Balances

Table A-10 reflects ending balances for governmental funds and net position for proprietary funds at December 31, 2012.

Table A-10: 2012 Ending Fund Balances, Governmental Funds; Net Position, Proprietary Funds		
Fund	Governmental Funds	Proprietary Funds
General Fund	\$ 70,522,198	\$ -
Children & Youth Fund	-	-
Low Income Housing Fund	842,480	-
Gaming Fund	21,394,747	-
Capital Projects Fund	5,619,709	-
Other Governmental Funds	4,894,581	-
Health Choices Fund	-	42,369
Human Services Building Fund	-	(764,369)
Other Enterprise Funds	-	4,154,404
Total	\$ 103,273,715	\$ 3,432,404

The County's governmental funds reported a combined fund balance of \$103,273,715 at December 31, 2012. Of that total, \$11,683,415 was unassigned in the General Fund and is available to meet the County's current and future needs. This unassigned portion is a decrease of approximately \$10.8 million from the total at the end of 2011. The Proprietary Funds are showing a balance of \$3,432,404 at year-end.

A detailed breakdown of ending fund balance for the \$4,894,581 in 'Other Governmental Funds' and the \$4,154,404 in 'Other Enterprise Funds' can be found in the 'Other Supplementary Information' section of the financial statements.

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 14, 2011 the Dauphin County Commissioners approved the 2012 General Fund Budget totaling \$184,493,314. It contained a drawdown of fund balance in the amount of \$20,871,756 to meet the initial budgeted expenditures. Throughout the year, budget amendments of \$1,460,182 were approved. The budget amendments resulted in a final General Fund budget for 2012 in the amount of \$185,953,496.

Economic Factors and Next Year's Budget

Economic Conditions

Unemployment in Dauphin County now stands at approximately 7.3%. Pennsylvania's average unemployment rate is 7.8 % and the national unemployment rate is 7.7%.

Homeownership in Dauphin County is at 65.3% with the median value of owner-occupied housing units being \$157,400. There is currently an estimated 269,665 residents within Dauphin County. The estimated median household income is \$53,771.

The County is home to many great companies such as the Hershey Company; with the completion of a new 300,000,000 production facility in Derry Township, HE&R, Milton S. Hershey/Penn State University Medical Center, Phoenix Development Corporation, Pinnacle Health System, Capital Blue Cross, Tyco, Arcelor Mittal, FedEx (developing an additional Transfer facility in Lower Swatara Township), and the Commonwealth of Pennsylvania.

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. Harrisburg Area Community College (HACC) is also located in Harrisburg, while Dickinson University and Widener University are located in Dauphin County. 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.

Situated in the south-central Region of Pennsylvania, Dauphin County 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 region many distinctions. SiteSelection.com ranked Harrisburg-Carlisle #6 on its top metro areas in 2010 for new and expanded facilities; Marketwatch.com ranked Harrisburg #9 on its Best US Cities to do business list (2010); Forbes ranked the area No. 5 among America's most livable cities(2010); Forbes also ranked the area No. 2 among America's best places to raise a family.(2010); and the Sports Business Journal named the area the #1 Minor League Sports Market (2011). These lists consider numerous factors such as low unemployment rates, shorter commute times, plentiful entertainment and recreation opportunities, etc.

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 Swatara Market Place, 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 retail/office space, Federal Building will be relocated in the Mid-Town area, expansion of HACC Mid-Town campus. Advances also exist for a proposed regional rail service, Red Rose Capital Corridor and Corridor 2 (Premium Bus Service), Middletown Inter-Modal Center, and many alternative energy projects underway, including the Dauphin County IDA additional 1 Mega Watt Solar Farm Project bringing the Solar Farm to 2 Mega Watts by the end of this year. The Lykens Hotel 44 Mixed Income Rental Units Housing Development project called the Union Street Apartments will hopefully begin construction next year sometime. The expansion of two Rail Intermodal Centers (one in Harrisburg and one in Swatara Township) will help serve the expanding Creasant Corridor. Harrisburg International Airport continues to increase freight traffic

and maintain a stable passenger flow with the additions of Frontier Airlines and Allegiant Airlines. These developments will provide economic vitality for Dauphin County for years to come.

Next Year's Budget

On December 19, 2012, the Board of Commissioners passed a \$179,840,854 General Fund Budget for 2013 maintaining the 6.876 millage rate. A budgeted drawdown on fund balance in the amount of \$13.6 million was necessary in order to cover the initial 2013 expenditure budget. There were 27 new positions added to the General Fund to staff the new County Judicial Center which opened in May 2013. This facility houses the Night Court operation and serves as the main booking center for the entire County.

The County closed its Juvenile Shelter Program effective 1/1/13. This action will save considerable money as this service will now run through the private sector. 25 full-time positions and several part-time ones were eliminated with the closure of this facility.

In addition to the positions in the Juvenile Shelter program, over 40 other positions were eliminated as part of the 2013 budget process. This action reflects the ongoing effort to control personnel costs which are the largest expense in the General Fund. These eliminations will save over \$3,000,000 in 2013.

On February 26, 2013, the County paid \$1,500,000 to the trustee for the Harrisburg University 2007B Bonds. This payment was required per the terms of the County's guaranty on this issue as the University defaulted on its March 1, 2013 debt payment. The County's guaranty is limited to \$1.5 million in any calendar year through 2019. To date, \$3 million has been paid on this guaranty.

Dauphin County paid \$3.9 million toward Harrisburg Incinerator Debt from January through August after defaults by the Authority and City so far in 2013. The County continues to honor its obligations in this area.

In April 2013, the County settled on a \$15,905,000 federally taxable General Obligation Bond issue that refinanced the Series C & D Notes of 2004. This action resulted in a net present value savings of approximately \$1.1 million.

The County has 6 labor contracts with four separate unions that represent approximately 57% of all employees. During 2012 the County terminated a contract with the Teamsters representing 31 employees at the Schaffner Youth Center. The services at Schaffner were outsourced to Alternative Rehabilitation Communities (ARC) on January 1, 2013. Also in 2012 the County negotiated a four (4) year (2013 – 2017) contract with the Court Appointed Non-Professional employees represented by AFSCME. The County is currently negotiating with the County Detectives Association and the Pennsylvania Social Services Union for a successor agreement. Both contracts expire on 12-31-2013 and should be successfully completed by the end of the year. The contracts with the Court Appointed Professional employees, the Court Related Non-Professional employees and the employees at Dauphin County Prison, all represented by the Teamsters will not expire until December 31, 2013.

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 POSITION
DECEMBER 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 33,899,887	\$ 1,447,473	\$ 35,347,360	\$ 3,064,737
Investments	8,719,719	315,558	9,035,277	2,929,360
Inventory	-	-	-	93,706
Receivables:				
Accounts, Net of Allowance	46,179,827	1,086,923	47,266,750	1,636,986
Taxes	8,269,956	-	8,269,956	-
Interest and Dividends	31,677	-	31,677	5,015
Program Loans	4,003,396	-	4,003,396	80,474
Deferred Loans	4,104,866	-	4,104,866	-
Internal Balances	982,736	(982,736)	-	-
Due From Other Governments	22,527,900	36,495	22,564,395	260,531
Due From Component Units	164,578	-	164,578	-
Investment in Direct Financing Leases, Current	-	-	-	812,331
Prepaid Expenses	1,145,633	-	1,145,633	402,779
Other Assets	1,022,724	103,475	1,126,199	-
Due From Related Party	-	-	-	204,003
Deferred Issuance Costs on Bonds, Net	-	-	-	920,319
Bond Issuance Costs	-	-	-	51,369
Bond Discount	-	-	-	1,215,896
Deferred Loss on Bonds	-	79,206	79,206	-
Deferred Interest from Refunding	1,988,548	-	1,988,548	-
Loans Receivable, Net of Current Portion	-	-	-	176,893
Investment in Direct Financing Leases, Net of Current Portion	-	-	-	7,072,872
Restricted Cash	1,255,287	-	1,255,287	16,292,826
Restricted Investments	69,399	-	69,399	16,097,220
Capital Assets, Not Being Depreciated	17,891,409	111,492	18,002,901	4,077,340
Capital Assets Being Depreciated, Net	89,953,698	6,182,753	96,136,451	66,132,970
Total Assets	242,211,240	8,380,639	250,591,879	121,527,627
<u>Liabilities</u>				
Accounts Payable	8,243,026	277,754	8,520,780	3,373,143
Accrued Liabilities	5,098,750	133,028	5,231,778	14,082,796
Unearned Revenues	8,544,007	-	8,544,007	595,502
Due to Primary Government	-	-	-	164,578
Funds Held in Escrow	453,789	-	453,789	-
Funds Held in Fiduciary Capacity	547,570	-	547,570	-
Security Deposits	-	-	-	8,841
Other Liabilities	3,836,353	-	3,836,353	-
Long-term liabilities				
Portion Due or payable within one year:				
Obligation Under Capital Lease	802,550	385,470	1,188,020	41,902
General Obligation Debt	8,125,000	-	8,125,000	4,192,509
Notes Payable	-	-	-	144,262
Loans Payable	-	-	-	53,125
Portion Due or payable after one year:				
Obligation Under Capital Lease	4,183,274	3,735,000	7,918,274	24,795
General Obligation Debt	137,726,500	-	137,726,500	113,653,869
Notes Payable	-	-	-	1,757,872
Loans Payable	-	-	-	1,748,801
Line of Credit	-	-	-	249,767
Deferred Charge on Debt Refunding, Net	-	-	-	(773,517)
Accrued Compensated Absences	7,976,671	416,983	8,393,654	-
Estimated Workers' Compensation Claims	1,995,525	-	1,995,525	-
Unfunded Other Postemployment Benefits	3,189,716	-	3,189,716	-
Total Liabilities	190,722,731	4,948,235	195,670,966	139,318,245
Net Position				
Net Investment in Capital Assets	(695,268)	2,252,981	1,557,713	(24,929,566)
Restricted for:				
Program Purposes	22,154,701	-	22,154,701	15,217,503
Debt Service	-	-	-	253,400
Capital Projects	5,619,709	-	5,619,709	-
Permanent Fund	1,001,827	-	1,001,827	-
Unrestricted	23,407,540	1,179,423	24,586,963	(8,331,955)
Total Net Position	\$ 51,488,509	\$ 3,432,404	\$ 54,920,913	\$ (17,790,618)

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

COUNTY OF DAUPHIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:									
Governmental activities:									
General Government	\$ 24,629,938	\$ (10,291,063)	\$ 5,874,147	\$ 137,438	\$ -	\$ (8,327,290)	\$ -	\$ (8,327,290)	
Judicial	53,584,526	5,567,728	10,719,624	6,298,018	-	(42,134,612)	-	(42,134,612)	
Public Safety	44,663,848	1,877,852	6,730,187	2,024,115	-	(37,587,396)	-	(37,587,396)	
Public Works	1,558,538	2,319	-	846,997	-	(713,860)	-	(713,860)	
Human Services	106,417,603	1,602,543	2,093,552	96,089,660	-	(9,836,934)	-	(9,836,934)	
Culture and Recreation	10,334,029	490,987	186,806	733,262	-	(9,904,948)	-	(9,904,948)	
Conservation and Development	13,184,384	148,005	540,016	16,637,881	-	3,845,508	-	3,845,508	
Interest and Fiscal Charges on Long Term Debt	5,574,564	-	-	-	-	(5,574,564)	-	(5,574,564)	
Total government activities	259,947,430	(801,629)	26,144,332	122,767,371	-	(110,234,098)	-	(110,234,098)	
Business-type activities:									
Human Services - Health Choices Fund	67,066,573	9,555	67,166,734	-	-	-	80,606	80,606	
Public Works - Human Service Building	847,667	557,579	1,491,423	-	-	-	86,177	86,177	
Other Programs:									
Public Works - Solid Waste Fund	1,332,335	97,640	1,200,391	67,993	-	-	(161,601)	(161,601)	
Public Safety - Emergency 911	7,082,262	136,855	4,133,262	-	-	-	(3,095,855)	(3,095,855)	
Culture and Recreation - Fort Hunter	87,970	-	48,414	-	-	-	(39,556)	(39,556)	
Total Other Programs	8,512,567	234,495	5,382,057	67,993	-	-	(3,297,012)	(3,297,012)	
Total business-like activities	76,426,837	801,629	74,030,214	67,993	-	-	(3,130,229)	(3,130,229)	
Total Primary government	\$ 336,374,237	\$ -	\$ 100,174,546	\$ 122,835,364	\$ -	\$ (110,234,098)	\$ (3,130,229)	\$ (113,364,327)	
Component Units:									
Conservation District	\$ 249,360	-	\$ 322,976	\$ 591,004	\$ -	\$ -	\$ -	\$ 664,600	
General Authority	30,055,066	-	27,867,188	-	-	-	-	(2,187,898)	
Mental Health/Mental Retardation	-	-	-	-	-	-	-	-	
Case Management Unit	10,246,390	-	201,880	9,774,634	-	-	-	(269,876)	
Industrial Development Authority	10,787,964	-	725,197	12,320,093	-	-	-	2,257,306	
Dauphin County Economic Development Corporation	3,432,157	-	300,138	3,594,368	-	-	-	462,349	
Total Component Units	\$ 54,770,997	\$ -	\$ 29,417,379	\$ 26,280,099	\$ -	\$ -	\$ -	\$ 926,481	
General revenues:									
Taxes:									
Property taxes, levied for general purposes									
Hotel taxes									
In-lieu of taxes									
Unrestricted investment income									
Gain / loss from asset disposal									
Appreciation in Fair Market Value of Investments									
Loss on Guaranteed Debt Payments									
Swap Proceeds									
Transfers from Component Unit									
Transfers from/(to) Primary Government									
Transfers in/(out)									
Total general revenues, special items, and transfers									
Change in net position									
Net position - beginning									
Net position - ending									

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

COUNTY OF DAUPHIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Assets	General	Children and Youth	Low Income Housing	Gaming	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 14,384,385	\$ 2,500	\$ 524,328	\$ 8,768,439	\$ 5,152,511	\$ 5,067,724	\$ 33,899,887
Investments	4,193,267	-	115,970	2,396,434	956,312	2,354,546	10,016,529
Receivables							
Accounts, net	45,545,761	59,924	201,783	-	-	372,359	46,179,827
Taxes, net	8,269,956	-	-	-	-	-	8,269,956
Loans	-	-	-	3,700,000	-	303,396	4,003,396
Deferred Loans	-	-	4,104,866	-	-	-	4,104,866
Interest and Dividends	17,639	-	399	10,041	3,598	-	31,677
Due From Other Funds	8,888,361	-	-	-	-	-	8,888,361
Due From Other Governments	1,987,185	11,522,652	-	7,517,171	-	1,500,892	22,527,900
Due From Component Units	164,578	-	-	-	-	-	164,578
Prepaid Expenses	1,142,171	-	-	-	-	3,462	1,145,633
Other Assets	-	62,174	-	-	-	62,999	125,173
Restricted Assets							
Cash	1,255,287	-	-	-	-	-	1,255,287
Investments	69,399	-	-	-	-	-	69,399
Total Assets	\$ 85,917,989	\$ 11,647,250	\$ 4,947,346	\$ 22,392,085	\$ 6,112,421	\$ 9,665,378	\$ 140,682,469

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

COUNTY OF DAUPHIN
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2012

	General	Children and Youth	Low Income Housing	Gaming	Capital Projects	Other Governmental Funds	Total Governmental Funds
Liabilities							
Accounts Payable	\$ 2,937,491	\$ 2,891,457	\$ -	\$ 5,662	\$ 492,712	\$ 1,915,704	\$ 8,243,026
Accrued Liabilities	3,835,240	151,882	-	-	-	248,266	4,235,388
Deferred Revenues	6,311,131	844,969	4,104,866	991,676	-	2,460,144	14,712,786
Due to Other Funds	-	7,758,942	-	-	-	146,683	7,905,625
Funds Held in Escrow	453,789	-	-	-	-	-	453,789
Funds Held in Fiduciary Capacity	547,570	-	-	-	-	-	547,570
Other Liabilities	1,310,570	-	-	-	-	-	1,310,570
Total Liabilities	15,395,791	11,647,250	4,104,866	997,338	492,712	4,770,797	37,408,754
Fund Balances:							
Nonspendable	45,251,837	-	-	3,700,000	-	275,280	49,227,117
Restricted	-	-	842,480	17,694,747	5,619,709	4,619,301	28,776,237
Assigned	13,586,946	-	-	-	-	-	13,586,946
Unassigned	11,683,415	-	-	-	-	-	11,683,415
Total Fund Balances	70,522,198	-	842,480	21,394,747	5,619,709	4,894,581	103,273,715
Total Liabilities and Fund Balances	\$ 85,917,989	\$ 11,647,250	\$ 4,947,346	\$ 22,392,085	\$ 6,112,421	\$ 9,665,378	\$ 140,652,469

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 POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2012

Total fund balances for governmental funds \$ 103,273,715

Total net position reported for governmental activities in the statement of net position 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	498,551
Intangible Assets	401,838
Construction in progress - Infrastructure	96,568
Construction in progress	16,894,452
Infrastructure, net of \$6,689,736 accumulated depreciation	10,341,481
Buildings and improvements, net of \$44,002,194 accumulated depreciation	39,445,166
Machinery and Tools, net of \$12,699,784 accumulated depreciation	36,752,704
Leasehold assets, net of \$9,597,503 accumulated amortization	<u>3,414,347</u>

Total capital assets 107,845,107

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

(1,995,525)

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.

6,168,779

Assets/Liabilities not available to pay for current period's expenditures and therefore not reported in the funds,

Investments in derivative instruments

(1,296,810)

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 position.

Balances at December 31, 2012 are:

Accrued interest on bonds	(863,362)
General obligation Debt	(145,851,500)
Less Deferred interest from refunding	1,988,548
Capital leases payable	(4,985,824)
Compensated absences	(7,976,671)
Deferred amount of bond issuance costs	897,551
Unamortized premiums/discounts	(2,525,783)
Unfunded Other Postemployment Benefits	(3,189,716)

(162,506,757)

Total net position of governmental activities

\$ 51,488,509

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, 2012

	General	Children and Youth	Low Income Housing	Gaming	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$ 99,745,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,745,703
Hotel Taxes	-	-	-	-	-	9,074,534	9,074,534
Intergovernmental	37,220,140	32,371,289	348,182	13,250,203	393,960	39,471,191	123,054,965
Charges for Services	18,069,559	769,252	320,537	-	-	1,428,944	20,586,292
License and Permits	111,168	-	-	-	-	-	111,168
Court Costs and Fines	3,791,976	-	-	-	-	1,325,556	5,117,532
Interest and Rents	185,288	-	2,453	51,702	20,415	60,540	320,398
Appreciation in Fair Market Value of Investments	-	-	-	-	-	60,535	60,535
Miscellaneous Revenue	-	-	-	-	368,402	1,493,039	1,861,441
Total Revenues	159,123,834	33,140,541	671,172	13,301,905	782,777	52,912,339	259,932,568
Expenditures							
Current:							
General Government	13,632,054	-	-	-	-	-	13,632,054
Judicial	50,928,613	-	-	175,263	-	7,241,182	58,345,058
Public Safety	43,398,077	-	-	-	-	97,727	43,495,804
Public Works	-	-	-	-	-	1,179,281	1,179,281
Human Services	28,325,165	41,105,116	-	-	-	38,362,882	107,793,163
Culture and Recreation	2,145,684	-	-	-	-	8,621,177	10,766,861
Conservation and Development	4,623,413	-	575,488	8,119,317	-	171,274	13,489,492
Debt Service	-	-	-	-	-	-	-
Principle	6,998,388	-	-	-	-	572,750	7,571,138
Interest	5,002,642	-	-	-	-	42,521	5,045,163
Capital Projects	-	-	-	-	7,331,881	-	7,331,881
Total Expenditures	155,054,036	41,105,116	575,488	8,294,580	7,331,881	56,288,794	268,649,895
Excess of Revenues Over (Under) Expenditures	4,069,798	(7,964,575)	95,684	5,007,325	(6,549,104)	(3,376,455)	(8,717,327)
Other Financing Sources (Uses)							
Transfer In	6,050,958	10,848,186	-	-	368,285	3,521,220	20,788,649
Transfer Out	(15,607,709)	(2,883,611)	-	(2,944,153)	-	(155,670)	(21,591,143)
Transfers from Component Units	619,624	-	-	-	-	-	619,624
Loss on Guaranteed Debt Payments	(17,139,378)	-	-	-	-	-	(17,139,378)
Swap Proceeds	505,000	-	-	-	-	-	505,000
Proceeds (Loss) from Asset Disposal	6,550	-	-	-	-	-	6,550
Capital Lease Proceeds	817,977	-	-	-	-	4,761	11,311
Total Other Financing Sources(Uses)	(24,746,978)	7,964,575	-	(2,944,153)	368,285	3,370,311	(15,987,960)
Net change in fund balances	(20,677,180)	-	95,684	2,063,172	(6,180,819)	(6,144)	(24,705,287)
Fund Balances - Beginning of Year	91,199,378	-	746,796	19,331,575	11,800,528	4,900,725	127,979,002
Fund Balances - End of Year	\$ 70,522,198	\$ -	\$ 842,480	\$ 21,394,747	\$ 5,619,709	\$ 4,894,581	\$ 103,273,715

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, 2012

Net change in fund balances - total governmental funds \$ (24,705,287)

The change in net position 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 (\$8,583,208) exceeded depreciation (\$5,686,922) and net book value of disposed fixed assets (\$0) in the current period. 2,896,286

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, 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 position.

Debt issued:		
Capital Leases	(817,977)	
Repayments:		
General Obligation Debt	6,660,000	
Capital Leases	911,138	
Net adjustment	6,753,161	6,753,161

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	(328,079)	
Other postemployment benefits expense	(701,746)	
Investment loss from derivative instruments	(567,508)	
Amortization of debt premium/discount	420,697	
Amortization of bond issuance costs	(150,161)	
Amortization of deferred interest from refunding	(281,238)	
Accrued interest on long-term debt	48,809	
Combined adjustment	(1,559,226)	(1,559,226)

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 12/31/11 to 12/31/12. 82,670

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. 595,896

Change in net position of governmental activities \$ (15,936,500)

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

COUNTY OF DAUPHIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Health Choices Fund	Human Service Building	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 261,975	\$ 81,860	\$ 1,103,838	\$ 1,447,473
Investments		22,345	293,213	315,558
Accounts Receivables	-	6,271	1,080,652	1,086,923
Due from Other Governments	-	-	36,495	36,495
Other Assets	96	400	102,979	103,475
Total current assets	262,071	110,876	2,616,977	2,989,924
Noncurrent Assets				
Capital Assets, Not Being Depreciated	-	-	111,492	111,492
Capital Assets, Being Depreciated (Net)	-	3,212,980	2,969,773	6,182,753
Deferred Loss on Bonds, Net	-	79,206	-	79,206
Total noncurrent assets	-	3,292,186	3,081,265	6,373,451
Total assets	262,071	3,403,062	5,698,242	9,363,375
LIABILITIES				
Current liabilities:				
Accounts Payable	112,084	38,875	126,795	277,754
Accrued Liabilities	-	33,556	99,472	133,028
Due to Other Funds	107,618	-	875,118	982,736
Obligation Under Capital Lease	-	360,000	25,470	385,470
Total current liabilities	219,702	432,431	1,126,855	1,778,988
Noncurrent liabilities:				
Obligation Under Capital Lease	-	3,735,000	-	3,735,000
Accrued Workers Compensation	-	-	-	-
Accrued Compensated Absences	-	-	416,983	416,983
Total noncurrent liabilities	-	3,735,000	416,983	4,151,983
Total liabilities	219,702	4,167,431	1,543,838	5,930,971
NET POSITION				
Net Investment in Capital Assets	-	(802,814)	3,055,795	2,252,981
Unrestricted	42,369	38,445	1,098,609	1,179,423
Total net position	\$ 42,369	\$ (764,369)	\$ 4,154,404	\$ 3,432,404

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

COUNTY OF DAUPHIN
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Health Choice Fund	Human Service Building	Other Enterprise Funds	Total
Operating Revenues				
Charges for Services	\$ 67,156,734	\$ 1,491,423	\$ 5,382,057	\$ 74,030,214
Total Operating Revenues	67,156,734	1,491,423	5,382,057	74,030,214
Operating Expenses				
Personnel Services	239,625	-	5,151,565	5,391,190
Contracted Services	35,576	109,776	746,069	891,421
Supplies and Materials	682	5,014	37,472	43,168
Repairs and Maintenance	-	87,757	1,533,304	1,621,061
Utilities	545	161,810	418,553	580,908
Other Services and Charges	32,902	557,579	437,833	1,028,314
Claims Expense	66,766,798	-	-	66,766,798
Depreciation and Amortization	-	343,835	418,331	762,166
Total Operating Expenses	67,076,128	1,265,771	8,743,127	77,085,026
Operating Income (Loss)	80,606	225,652	(3,361,070)	(3,054,812)
Nonoperating Revenues (Expenses)				
Interest Income	2,496	858	9,228	12,582
Interest Expense	-	(139,475)	(3,935)	(143,410)
Grants	-	-	67,993	67,993
Total Nonoperating Revenues (Expenses)	2,496	(138,617)	73,286	(62,835)
Income (Loss) Before Operating Transfers	83,102	87,035	(3,287,784)	(3,117,647)
Transfers In	-	-	890,323	890,323
Transfers Out	(87,829)	-	-	(87,829)
Gain on Disposal of Capital Assets	-	-	389,426	389,426
Total Transfers In (Out)	(87,829)	-	1,279,749	1,191,920
Change In Net Position	(4,727)	87,035	(2,008,035)	(1,925,727)
Total Net Position - Beginning of Year	47,096	(851,404)	6,162,439	5,358,131
Total Net Position - End of Year	\$ 42,369	\$ (764,369)	\$ 4,154,404	\$ 3,432,404

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, 2012

	Health Choice Fund	Human Service Building	Other Enterprise Funds	Totals
Cash Flows From Operating Activities				
Receipts from Health Choices Services	\$ 87,156,734	\$ -	\$ -	\$ 87,156,734
Receipts from Recycling Services	-	-	4,741,022	4,741,022
Receipts from Recreational Activities	-	-	48,414	48,414
Receipts from Space and Parking Rentals	-	1,488,052	-	1,488,052
Payments to Employees	(239,625)	-	(5,094,286)	(5,333,911)
Payments to Suppliers	35,610	(908,820)	(3,337,437)	(4,210,647)
Payments for Claims	(66,766,798)	-	-	(66,766,798)
Internal Activity - Payments (from) to other funds	12,390	-	875,118	887,508
Net Cash Provided by (Used in) Operating Activities	198,311	579,232	(2,767,169)	(1,989,626)
Cash Flow From Noncapital Financing Activities				
Operating Transfers In (Out)	(87,829)	-	890,323	802,494
Net Cash Provided by (Used in) Noncapital Financing Activities	(87,829)	-	890,323	802,494
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets, Net of Disposals	-	-	218,020	218,020
Gain on the Sale of Capital Assets	-	-	389,426	389,426
Grants	-	-	67,993	67,993
Interest Paid	-	(139,475)	(3,935)	(143,410)
Principal Payments on Capital Lease	-	(350,000)	(59,076)	(409,076)
Net Cash Used in Capital and Related Financing Activities	-	(489,475)	612,428	122,953
Cash Flows from Investing Activities				
Interest Income	2,496	858	9,228	12,582
Investments	-	(19,980)	167,020	147,040
Net Cash Provided by (Used in) Investing Activities	2,496	(19,122)	176,248	159,622
Net Increase (Decrease) in Cash and Cash Equivalents	112,978	70,635	(1,088,170)	(904,557)
Cash and Cash Equivalents, Beginning of Year	148,997	11,225	2,191,808	2,352,030
Cash and Cash Equivalents, End of Year	\$ 261,975	\$ 81,860	\$ 1,103,638	\$ 1,447,473

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

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Health Choice Fund	Human Service Building	Other Enterprise Funds	Totals
Reconciliation of Operating income (loss) to net cash provided by (used in) operating activities				
Operating Income (Loss)	\$ 80,606	\$ 225,652	\$ (3,361,070)	\$ (3,054,812)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities				
Depreciation and Amortization Expense	-	343,835	418,331	762,166
Change in assets and liabilities				
Accounts Receivable	-	(2,971)	(592,621)	(595,592)
Other Assets	(96)	(400)	(1,079)	(1,575)
Accounts Payable	105,411	14,866	(163,127)	(42,850)
Accrued Expenses	-	(1,750)	(4,601)	(6,351)
Accrued Vacation and Sick Pay	-	-	61,880	61,880
Due To/Due From Other Funds	12,390	-	875,118	887,508
Net Cash Provided by (Used In) Operating Activities	<u>\$ 198,311</u>	<u>\$ 579,232</u>	<u>\$ (2,767,169)</u>	<u>\$ (1,989,626)</u>

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

COUNTY OF DAUPHIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Retirement Trust <u>Fund</u>	Agency <u>Funds</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,429,411	\$ 7,764,515	\$ 11,193,926
Investments			
CDARS	70,280	604,858	675,138
U.S. Government Securities	26,841,310	-	26,841,310
Corporate Bonds	19,895,935	-	19,895,935
Common Stocks	43,246,788	-	43,246,788
Equity Funds	111,785,911	-	111,785,911
Savings, CD's and Time Deposits	5,882,835	-	5,882,835
Other	16,365,727	-	16,365,727
Total Investments	<u>224,088,786</u>	<u>604,858</u>	<u>224,693,644</u>
Interest and Dividends Receivable	345,804	-	345,804
Employee Contributions Receivable	427	-	427
	<u>427</u>	<u>-</u>	<u>427</u>
Total Assets	<u>\$ 227,864,428</u>	<u>\$ 8,369,373</u>	<u>\$ 236,233,801</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 962,159	\$ 962,159
Benefits Payable	431,561	-	431,561
Funds Held in Escrow	-	5,434,156	5,434,156
Due To Other Governments	-	1,973,058	1,973,058
	<u>-</u>	<u>1,973,058</u>	<u>1,973,058</u>
Total Liabilities	<u>431,561</u>	<u>8,369,373</u>	<u>8,800,934</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 227,432,867</u>	<u>\$ -</u>	<u>\$ 227,432,867</u>

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

COUNTY OF DAUPHIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Retirement Trust Fund
Addition:	
Contributions:	
Employee	\$ 4,390,799
Employer	8,493,038
	12,883,837
Investment Income:	
Net Appreciation in Fair Value of Investments	19,946,453
Interest	1,401,470
Dividends	1,905,579
Miscellaneous Revenue	19,571
	23,273,073
Less: Investment Expense	525,421
	22,747,652
Total Additions	35,631,489
Deductions:	
Benefits	11,931,439
Refunds of Contributions	527,092
Administrative Expenses	172,848
	12,631,379
Net Increase	23,000,110
Net Position - Beginning of Year	204,432,757
Net Position - End of Year	\$ 227,432,867

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

COUNTY OF DAUPHIN
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2012

<u>Assets</u>	Conservation District	General Authority	Case Management Unit	Industrial Development Authority	Dauphin County Economic Development Corporation	<u>Total</u>
Cash and Cash Equivalents	\$ 526,157	\$ 1,680,015	\$ 21,091	\$ 811,970	\$ 25,504	\$ 3,084,737
Investments	685,741	2,243,619	-	-	-	2,929,360
Inventory	-	93,706	-	-	-	93,706
Receivables:						
Accounts, Net of Allowance	11,280	494,896	1,116,584	13,591	835	1,636,986
Interest and Dividends	3,439	1,576	-	-	-	5,015
Loans	-	-	-	80,474	-	80,474
Due from Other Governments	173,224	-	-	-	87,307	260,531
Investment in Direct Financing Leases, Current	-	668,069	-	144,262	-	812,331
Prepaid Expenses	4,447	278,456	95,228	20,439	4,209	402,779
Due from Related Party	-	-	-	24,519	179,484	204,003
Debt financing costs (net of accumulated amortization)	-	920,319	-	-	-	920,319
Bond Issuance Costs	-	-	-	23,577	27,792	51,369
Bond Discount	-	1,215,896	-	-	-	1,215,896
Loans Receivable, Net of Current Portion	-	-	-	176,893	-	176,893
Investment in Direct Financing Leases, net of Current Portion	-	5,315,000	-	1,757,872	-	7,072,872
Restricted Cash	-	3,407,176	-	9,601,852	3,283,798	16,292,826
Restricted Investments	-	16,097,220	-	-	-	16,097,220
Capital Assets, Not Being Depreciated	-	2,187,834	-	1,889,506	-	4,077,340
Capital Assets, Being Depreciated, Net	718,974	57,480,010	221,699	6,021,593	1,690,694	66,132,970
Total Assets	\$ 2,123,262	\$ 92,083,592	\$ 1,454,602	\$ 20,566,548	\$ 5,299,623	\$ 121,527,627
<u>Liabilities</u>						
Accounts Payable	\$ 16,996	\$ 1,466,480	\$ 93,493	\$ 1,717,905	\$ 78,269	\$ 3,373,143
Accrued Liabilities	-	13,312,877	713,869	-	56,050	14,082,796
Unearned Revenues	31,889	558,808	4,805	-	-	595,502
Due to Primary Government	164,578	-	-	-	-	164,578
Security Deposits	-	-	-	8,841	-	8,841
Long-term liabilities						
Portion Due or payable within one year:						
Capital Lease Obligation	-	41,902	-	-	-	41,902
General Obligation Debt	-	3,962,509	-	-	230,000	4,192,509
Notes Payable	-	-	-	144,262	-	144,262
Loans Payable	-	-	-	53,125	-	53,125
Portion Due or payable after one year:						
Capital Lease Obligation	-	24,795	-	-	-	24,795
General Obligation Debt	-	109,708,869	-	-	3,945,000	113,653,869
Notes Payable	-	-	-	1,757,872	-	1,757,872
Loans Payable	-	-	-	1,748,801	-	1,748,801
Line of Credit	-	-	220,000	29,767	-	249,767
Deferred Charge on Debt Refunding, Net	-	(773,517)	-	-	-	(773,517)
Total Liabilities	213,463	128,302,723	1,032,167	5,460,573	4,309,319	139,318,245
Net Position						
Net Investment in Capital Assets	718,974	(31,855,106)	221,699	6,109,173	(124,306)	(24,929,566)
Restricted for:						
Program Purposes	461,160	2,931,184	200,736	8,251,163	3,373,260	15,217,503
Debt Service	-	253,400	-	-	-	253,400
Unrestricted	729,665	(7,548,609)	-	745,639	(2,258,650)	(8,331,955)
Total Net Position	\$ 1,909,799	\$ (36,219,131)	\$ 422,435	\$ 15,105,975	\$ 990,304	\$ (17,790,618)

COUNTY OF DAUPHIN
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Revenues						Net (Expense) Revenue and Changes in Net Position				Total
	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		
Conservation District	\$ 249,380	\$ 322,976	\$ 591,004	\$ -	\$ 664,600	-	-	-	\$ 664,600		
General Authority	30,055,086	27,867,188	-	-	-	(2,187,898)	-	-	(2,187,898)		
Case Management Unit	10,246,390	201,880	9,774,634	-	-	-	-	(269,876)	(269,876)		
Industrial Development Authority	10,787,984	725,197	12,320,093	-	-	-	2,257,306	-	2,257,306		
Dauphin County Economic Development Corporation	3,432,157	300,138	3,594,368	-	-	-	-	462,349	462,349		
Tourism and Economic Development	\$ 54,770,997	\$ 29,417,379	\$ 26,280,099	\$ -	\$ 664,600	\$ (2,187,898)	\$ (269,876)	\$ 2,257,306	\$ 462,349		
Total Component Units									\$ 926,481		
General revenues:											
Unrestricted investment earnings					10,890	182,288	-	7,971	22,420		
Transfer from / (to) primary government					(619,624)	-	-	-	(619,624)		
Total general revenue, special items, transfers					(608,734)	182,288	-	7,971	22,420		
Change in net position					55,866	(2,005,610)	(269,876)	2,265,277	484,769		
Net position - beginning					1,853,933	(34,213,621)	692,311	12,840,698	505,535		
Net position - ending					\$ 1,909,799	\$ (36,219,131)	\$ 422,435	\$ 15,105,975	\$ 990,304		

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

COUNTY OF DAUPHIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 ten-member board is made up of one County Commissioner and nine 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, 2012

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 2011 (golf course debt). The proceeds were used to refund the Series of 2005 bonds and pay the issuance costs. Series of 2005 bonds were used to advance refund the 1993 Series Bonds which financed 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 and the General Authority's 2009 Series Bonds, Series C (lease debt). The County Commissioners must approve all of the General Authority's bond issues, but neither the County nor 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 (CMU): The CMU provides case management services to persons with mental illness and intellectual disabilities in the County of Dauphin. CMU performs intake and evaluation for all clients served by Dauphin County MH/ID program, plans and coordinates services for clients with direct service providers and monitors the progress of clients within the Dauphin County system. The MH/ID Program approves the CMU administrator and board member appointments. The County has the ability to dissolve the CMU. Revenues are primarily from contracts with the County.

The CMU 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'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 has 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, 2012

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 economic 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 also 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/Intellectual Disabilities 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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	9 of 31 Members
Fiscal Year	June 30, 2012	December 31, 2012
Current Assets	\$ 3,588,162	\$ 874,799
Total Assets	\$ 33,312,924	\$ 949,380
Net Position/Fund Balance	\$ 29,261,272	\$ 492,250
Operating Revenues	\$ 7,075,726	\$ 2,647,684
Operating Income (Loss)	\$ (15,488,342)	\$ 96,926
Net Income (Loss)	\$ (200,424)	\$ 98,587
Dauphin County Contribution to Operations	\$ 373,397	\$ -
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 position 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

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.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 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 Low Income Housing Fund is used to account for specific revenues related to improving economic development opportunities and expanding the supply of low- and moderate-income housing. Revenues are restricted for those specified purposes.
- The Gaming Fund is used to account for revenue received from the operation of Hollywood Casino in East Hanover Township. These funds are to be used at the sole discretion of the Dauphin County Commissioners. The Gaming Advisory Committee advises the County on the need for municipal grants for health, safety, transportation, and other projects in the public interest generated as a result of gaming.
- The Capital Projects Fund is used to account for financial resources to be used for capital acquisitions and the related expenditures.

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 position.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The County reports the following major proprietary funds:

- Health Choices Fund accounts for the fiscal activities of the County Behavioral Health Program.
- Human Services Building Fund accounts for the fiscal activities of the County's Human Services Building.

These proprietary funds are 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.

F. Assets, Liabilities, and Net Position 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 4.

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.

Depreciation is not recognized for intangible (eg. Easements) assets since they have an indefinite life.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (continued)

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 Position. 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 general government expenditures.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position 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 Position/Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position/Fund Balances (Continued)

- *Committed Fund Balance* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners remove or change the specific use by taking the same type of action (resolution) that was employed when the funds were initially committed.
- *Assigned Fund Balance* – This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Commissioners delegated the responsibility to approve/or remove assigned fund balance that reflect the Commissioner's intended use of the resources to the Budget Director.
- *Unassigned Fund Balance* – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the County's policy is to apply restricted net position first, then unrestricted net position as they are needed.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government did not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government did not have an item that qualifies for reporting in this category.

13. 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 remaining provisions of GASB Issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*" and the provisions of GASB Issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*", GASB Issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre – November 30, 1989 FASB and AICPA Pronouncements*", GASB Issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53*".

The adoption of GASB 63 resulted in the renaming of the residual measure of all other elements presented in a statement of financial position as "net position", rather than "net assets". The adoption of the other statements had no effect on previously reported amounts.

H. Pending Changes in Accounting Principles

In November 2010, the GASB Issued Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*". The County is required to adopt statement No. 61 for its calendar year 2013 financial statements.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Pending Changes in Accounting Principles (Continued)

In March of 2012, the GASB Issued Statement No. 65, "*Items Previously Reported As Assets and Liabilities*". The County is required to adopt statement No. 65 for its calendar year 2013 financial statements.

In March of 2012, the GASB Issued Statement No. 66, "*Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62*". The County is required to adopt statement No. 66 for its calendar year 2013 financial statements.

In June 2012, the GASB issued Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*". The County is required to adopt statement No. 67 for its calendar year 2014 financial statements.

In June 2012, the GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The County is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The County is required to adopt statement No. 69 for its calendar year 2014 financial statements.

In April 2013 the GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". The County is required to adopt Statement No. 70 for its calendar year 2014.

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

I. 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

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 sheet. Net position is segregated into "net investment in capital assets", "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.

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.

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

Investments are stated at fair value.

Direct Financing Lease Transactions

The General Authority accounts for its leases with various agencies as direct financing leases.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

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.

Debt Financing Costs

Debt financing costs, representing issuance costs for the outstanding bonds, net of reimbursement, are amortized over the outstanding terms of the bonds using the effective interest method.

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 using the effective interest method.

Restricted Assets

Restricted assets represent cash and investments 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Net Position

Net Position is classified in the following three components: Net investment in capital assets; restricted and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted consists of net position 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 position which is not restricted for any project or other purpose.

For the time period that the revenue bonds are outstanding and the trust indenture is in effect in each fund, the net position of the fund are presented as restricted for fund operations.

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.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

Case Management Unit (Continued)

Revenue Recognition (Continued)

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.

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 disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets of 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 \$1,500 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 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 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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

Case Management Unit (Continued)

Compensated Absences

The 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 services. 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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Cash and Cash Equivalents

The IDA considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at September 30, 2012 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 as well as security deposits for the property management fund. At September 30, 2012, the restricted cash balance was \$9,601,852.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 balances 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. Loans receivable are shown net of an allowance of \$79,939 at September 30, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 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 Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

Dauphin County Economic Development Corporation ("DCEDC")

Basis of Accounting

DCEDC's financial statements are presented on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Revenues are recognized when the related goods or services are delivered.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

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

Cash

DCEDC considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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 CDBG, Home and Section 108 programs. At December 31, 2012 the restricted cash balance was \$3,283,798.

Capital Assets

Capital assets are recorded at their original cost and are depreciated on a straight-line basis over their estimated useful lives. Assets with an initial, individual cost that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets and depreciated. Estimated useful lives are as follows:

Equipment and Furnishings	3-7 years
Buildings	39 years
Works of Art	7 years

Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Component Units - Summary of Significant Accounting Policies (Continued)

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

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 certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those amounts.

Income Taxes

DCEDC is tax 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 with the Internal Revenue Service. Certain revenue deemed to be unrelated to a nonprofit corporation's tax-exempt purpose could be subject to federal income taxes, however management believes that there is no tax liability as of December 31, 2012.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2: BUDGETARY DATA (CONTINUED)

County Budget Process (Continued)

- (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.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 3: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2012 were as follows:

Governmental Funds	
CDARS	\$ 9,084,101
Fort Hunter Permanent Fund	
Fixed Income Mutual Funds - Bonds	502,781
Fixed Income Mutual Funds - Stocks	499,046
Total Permanent Fund	1,001,827
Total Governmental Funds	10,085,928
Investment Derivatives	(1,296,810)
Total Governmental Activities	8,789,118
Enterprise Funds	
CDARS	315,558
Total Enterprise Funds	315,558
Fiduciary Funds	
Retirement Fund	
CDARS	70,280
U.S. Government Securities	26,841,310
Corporate Bonds	19,895,935
Common Stocks	43,246,768
Equity Funds	111,785,911
Savings, CD's and Time Deposits	5,882,835
Other	16,365,727
Total Retirement Fund	224,088,786
Agency Fund	
CDARS	604,858
Total Fiduciary Funds	224,693,644
Total Investments	\$ 233,798,320

As of December 31, 2012, 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	\$ 502,781	\$ 502,781	\$ -	\$ -	\$ -
Investment Derivatives	(1,296,810)	-	-	(484,699)	(812,111)
Total	\$ (794,029)	\$ 502,781	\$ -	\$ (484,699)	\$ (812,111)

The terms and fair values of the investment derivatives are described in Note 10.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of December 31, 2012, 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	\$ 22,475,494	\$ 2,903,714	\$ 13,814,862	\$ 5,248,910	\$ 508,008
U.S. Government Agencies	4,365,816	214,170	2,949,389	-	1,202,257
Corporate Bonds	19,895,935	442,480	10,458,209	6,194,492	2,800,754
Total	\$ 46,737,245	\$ 3,560,364	\$ 27,222,460	\$ 11,443,402	\$ 4,511,019

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 be no more than 25 percent greater or less than the effective duration Barclays Bond Index.

The County is invested in two forward-starting fixed payor swaps with notional amounts totaling \$34,735,000. At December 31, 2012, the swaps had a total fair value of (\$1,296,810). See Note 10 for more detail on the terms of each swap.

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").

As of December 31, 2012, the County's operating investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Fixed Income Mutual Funds	US Government	69%
Fixed Income Mutual Funds	Aaa	4%
Fixed Income Mutual Funds	Aa	4%
Fixed Income Mutual Funds	A	12%
Fixed Income Mutual Funds	Baa	11%

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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".

Investment Type	Credit Quality Rating	Percent of Investment Type
U.S. Government Agencies	Aaa	97%
U.S. Government Agencies	Not Rated	3%
Corporate Bonds	Aa1	2%
Corporate Bonds	Aa2	8%
Corporate Bonds	Aa3	7%
Corporate Bonds	A1	17%
Corporate Bonds	A2	19%
Corporate Bonds	A3	13%
Corporate Bonds	Baa1	9%
Corporate Bonds	Baa2	14%
Corporate Bonds	Baa3	3%
Corporate Bonds	Not Rated	8%

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, 2012, \$45,867,044 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, 2012.

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 at market value. 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, 2012, the County is not subject to concentration of credit risk.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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, 2012, the Conservation District's cash balance was \$425,485, and its bank balance was \$433,976. Of this bank balance, \$183,976 was exposed to custodial credit risk, as it was collateralized with securities held by the pledging financial institution and uninsured. The District's cash equivalents of \$100,672 were not subject to custodial credit risk, as they were invested in a state investment pool.

In addition, at December 31, 2012, the Conservation District held \$685,741 certificates of deposit which are classified as investments on the financial statements. Of the investments balance, \$262,824 are in fixed interest rate certificates of deposit which are subject to FDIC coverage, and therefore \$12,824 was exposed to custodial credit risk, as it was collateralized with securities held by the pledging financial institution and uninsured.

As of December 31, 2012, the District had the following debt investments and maturities that are classified as cash equivalents:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
State Investment Pool	\$ 100,672	\$ 100,672	\$ -	\$ -	\$ -

Interest rate risk. The District's Investment Policy does not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit risk. As of December 31, 2012 all of the District's investments in the state investment pool were rated AAA by Standard and Pools.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)

Dauphin County General Authority (Continued)

Deposits and Investments (Continued)

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, 2012, the book balance of the Authority's unrestricted deposits was \$1,680,015 and the bank balance was \$1,662,212. Of the unrestricted bank balance, \$1,000,000 was covered by federal depository insurance, and \$662,212 was collateralized under Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors. At December 31, 2012, the book balance of the Authority's restricted deposits was \$3,407,176 and the bank balance was \$3,410,831. Of the restricted bank balance, \$304,646 was covered by federal depository insurance, and \$3,106,185 was collateralized under Act 72.

Investments

Total General Authority investments reported on the balance sheet at December 31, 2012 are as follows:

	Fair Value
Unrestricted	
Money market funds	\$ 2,241,791
U.S. government obligations	1,828
	<u>\$ 2,243,619</u>
Restricted	
Money market funds	\$ 11,495,200
U.S. Government agency obligations	4,602,020
	<u>\$ 16,097,220</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 issue:

	Fair Value	Percent of Investment
Federal National Mortgage Association	\$ 4,602,020	25.09%

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

Credit Risk. The Authority does not have a formal policy that would limit investment choices with regard to credit risk. The Authority's investments had the following level of exposure to credit risk as of December 31, 2012:

	<u>Fair Value</u>	<u>Rating</u>
Unrestricted		
Money market funds	\$ 2,241,791	AAAm
U.S. government obligations	1,828	AA+
Restricted		
Money market funds	\$ 11,495,200	AAAm
U.S. Government agency obligations	4,602,020	AA+

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>
Unrestricted					
Money market funds	\$ 2,241,791	\$ 2,241,791	\$ -	\$ -	\$ -
U.S. Government obligations	1,828	-	-	1,828	-
	<u>\$ 2,243,619</u>	<u>\$ 2,241,791</u>	<u>\$ -</u>	<u>\$ 1,828</u>	<u>\$ -</u>
Restricted					
Money market funds	\$ 11,495,200	\$ 11,495,200	\$ -	\$ -	\$ -
U.S. Government agency obligations	4,602,020	4,602,020	-	-	-
	<u>\$ 16,097,220</u>	<u>\$ 16,097,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012, CMU's cash balance was \$21,091 and its bank balance was \$46,590. Of the bank balance for June 30, 2012, none of the CMU's deposits were exposed to custodial credit risk.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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, 2012, \$9,973,031 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.

Dauphin County Economic Development Corporation (“DCEDC”)

Deposits

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of failure of the counterparty, the DCEDC will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2012, \$2,482,620 of the DCEDC’s bank 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 DCEDC’s name. The DCEDC does not have a formal policy to limit its exposure to custodial credit risk.

NOTE 4: 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:

	Cash, Investments and <u>Accrued Interest</u>
Governmental Funds	
General Fund	
Amounts held in escrow for purposes including tax protest ordered liabilities	\$ 453,789
Amounts held in fiduciary capacity District Attorney’s Office	547,570
Amounts Reserved for Workers’ Compensation Liabilities	<u>323,327</u>
Total General Fund	<u>1,324,686</u>
Total Governmental Funds	<u>\$ 1,324,686</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 5: 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 \$800,000, 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, 2012, was \$323,327 and is included in the restricted cash/investments amount in the General Fund. 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, 2012, are summarized as follows:

Governmental Activities
\$ 1,995,525

The following summary provides aggregate information on self-insurance liabilities, incurred claims, and payments during the years ended December 31, 2012 and 2011.

<u>2012</u>			
<u>January 1, 2012, Liability</u>	<u>Incurred Claims and Changes in Estimate</u>	<u>Payments</u>	<u>December 31, 2012, Liability</u>
<u>\$2,626,959</u>	<u>\$(524,933)</u>	<u>\$(106,501)</u>	<u>\$1,995,525</u>
<u>2011</u>			
<u>January 1, 2011, Liability</u>	<u>Incurred Claims and Changes in Estimate</u>	<u>Payments</u>	<u>December 31, 2011, Liability</u>
<u>\$2,407,200</u>	<u>\$440,662</u>	<u>\$(220,903)</u>	<u>\$2,626,959</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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 5: RISK MANAGEMENT (CONTINUED)

Component Units – Risk Management

Case 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 \$1,571,645 or \$85,000 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. As of June 30, 2012, 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, 2011	\$ 109,212
Add: Incurred claims relating to:	
Current year	1,821,988
	<u>1,931,200</u>
Less: Payment of claims relating to:	
Prior years	109,212
Current year	1,668,512
	<u>1,777,724</u>
Balance as of June 30, 2012	<u>\$ 153,476</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 2012. 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, 2012

NOTE 6: CAPITAL ASSETS

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 498,551	\$ -	\$ -	\$ 498,551
Intangible Assets	211,827	190,011	-	401,838
Construction in Progress - Infrastructure	53,663	42,905	-	96,568
Construction in Progress	10,847,916	6,847,708	(801,172)	16,894,452
Total Capital Assets, Not Being Depreciated	11,611,957	7,080,624	(801,172)	17,891,409
Capital Assets, Being Depreciated				
Infrastructure	17,031,217	-	-	17,031,217
Buildings and Improvements	82,646,188	801,172	-	83,447,360
Machinery and Equipment	48,857,344	684,606	(89,462)	49,452,488
Leasehold Assets	12,262,498	817,978	(68,626)	13,011,850
Total Capital Assets, Being Depreciated	160,797,247	2,303,756	(158,088)	162,942,915
Less Accumulated Depreciation and Amortization For:				
Infrastructure	(6,265,254)	(424,482)	-	(6,689,736)
Buildings and Improvements	(42,678,821)	(1,323,373)	-	(44,002,194)
Machinery and Equipment	(9,698,793)	(3,090,453)	89,462	(12,699,784)
Leasehold Assets	(8,817,515)	(848,614)	68,626	(9,597,503)
Total Accumulated Depreciation and Amortization	(67,460,383)	(5,686,922)	158,088	(72,989,217)
Total Capital Assets, Being Depreciated, Net	93,336,864	(3,383,166)	-	89,953,698
Governmental Activities Capital Assets, Net	\$ 104,948,821	\$ 3,697,458	\$ (801,172)	\$ 107,845,107
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 111,492	\$ -	\$ -	\$ 111,492
Construction in Progress	11,016	-	(11,016)	-
Total Capital Assets, Not Being Depreciated	122,508	-	(11,016)	111,492
Capital Assets, Being Depreciated				
Buildings and Improvements	3,817,947	24,809	-	3,842,756
Machinery and Equipment	12,466,141	17,415	(2,058,463)	10,425,093
Furniture and Fixtures	23,220	-	-	23,220
Leasehold Assets	15,727,900	-	-	15,727,900
Total Capital Assets, Being Depreciated	32,035,208	42,224	(2,058,463)	30,018,969
Less Accumulated Depreciation and Amortization For:				
Buildings and Improvements	(1,975,329)	(96,558)	-	(2,071,887)
Machinery and Equipment	(10,882,180)	(265,859)	1,809,235	(9,338,804)
Furniture and Fixtures	(23,456)	236	-	(23,220)
Leasehold Assets	(12,016,150)	(386,155)	-	(12,402,305)
Total Accumulated Depreciation and Amortization	(24,897,115)	(748,336)	1,809,235	(23,836,216)
Total Capital Assets, Being Depreciated, Net	7,138,093	(706,112)	(249,228)	6,182,753
Business-Type Activities Capital Assets, Net	\$ 7,260,601	\$ (706,112)	\$ (260,244)	\$ 6,294,245

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

<u>Governmental Activities:</u>	
General Government	\$ 929,836
Judiciary	1,010,131
Conservation and Development	14,610
Human Services	434,104
Culture and Recreation	70,715
Public Safety	2,803,045
Public Works	424,481
	<hr/>
Total Depreciation Expense – Governmental Activities	\$ 5,686,922
	<hr/>
<u>Business-Type Activities:</u>	
Public Works	\$ 86,304
Public Safety	274,858
Human Services	330,005
Culture and Recreation	57,169
	<hr/>
Total Depreciation Expense – Business-Type Activities	\$ 748,336
	<hr/>

Component Units – Capital AssetsDauphin County Conservation District

Capital Assets consist of the following:

	<u>Cost</u>	<u>Estimated Useful Lives</u>
Land Improvements	\$ 110,095	20 years
Buildings and Improvements	1,200,553	20-40 years
Machinery and Equipment	152,018	3-6 years
Leasehold Assets	15,241	4 years
	<hr/>	
	1,477,907	
Less: Accumulated Amortization and Depreciation	<hr/>	
	758,933	
	<hr/>	
	\$ 718,974	
	<hr/>	

Depreciation expense for the year ended December 31, 2012 was \$37,067.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

Changes in Capital Assets of the business-type activities at December 31, 2012, consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,028,786	\$ -	\$ -	\$ 2,028,786
Construction in progress	269,117	159,048	(269,117)	159,048
Total capital assets, not being depreciated	2,297,903	159,048	(269,117)	2,187,834
Capital assets, being depreciated				
Land improvements	5,743,097	-	-	5,743,097
Buildings	95,947,853	583,931	-	96,531,784
Building improvements	365,983	-	(650)	365,333
Golf course equipment	962,288	140,214	(21,669)	1,080,833
Other equipment	1,588,596	66,444	-	1,655,040
Total capital assets, being depreciated	104,607,817	790,589	(22,319)	105,376,087
Less accumulated depreciation for:				
Land improvements	(3,102,322)	(191,437)	-	(3,293,759)
Buildings	(39,171,892)	(3,314,135)	-	(42,486,027)
Building improvements	(284,129)	(12,619)	650	(296,098)
Golf course equipment	(760,269)	(82,195)	21,669	(820,795)
Other equipment	(860,553)	(138,845)	-	(999,398)
Total accumulated depreciation and amortization	(44,179,165)	(3,739,231)	22,319	(47,896,077)
Capital assets, being depreciated, net	60,428,652	(2,948,642)	-	57,480,010
Capital assets, net	\$ 62,726,555	\$(2,789,594)	\$ (269,117)	\$59,667,844

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

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

	<u>Estimated Useful Life</u>
Land	-
Construction in progress	-
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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets being depreciated:				
Furniture and Equipment	\$1,564,591	\$ 66,794	\$ 402,383	\$ 1,229,002
Leasehold Improvements	99,750	-	-	99,750
Total Capital Assets, Being Depreciated	<u>1,664,341</u>	<u>66,794</u>	<u>402,383</u>	<u>1,328,752</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	1,277,342	146,044	402,383	1,021,003
Leasehold Improvements	76,075	9,975	-	86,050
Total Accumulated Depreciation	<u>1,353,417</u>	<u>156,019</u>	<u>402,383</u>	<u>1,107,053</u>
Total Capital Assets, net	<u>\$ 310,924</u>	<u>\$ 89,225</u>	<u>\$ -</u>	<u>\$ 221,699</u>

CMU functions solely as designee in possession of the assets for the purpose of providing services under the County contract. Capital assets purchased are capitalized and depreciated over their estimated useful life for financial statement purposes.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 6: 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, 2012:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
Capital assets, not being Depreciated:				
Construction in progress	\$ 4,867,521	\$1,625,809	\$ (4,867,521)	\$ 1,625,809
Land	50,900	212,797	-	263,697
Total capital assets, not Depreciated	4,918,421	1,838,606	(4,867,521)	1,889,506
Capital assets, being depreciated:				
Buildings held for lease	474,354	-	-	474,354
Building improvements	1,518,257	-	-	1,518,257
Office furniture and equipment	14,521	-	-	14,521
Equipment - Solar farm phase I	-	4,829,816	-	4,829,816
Total capital assets, being depreciated	2,007,132	4,829,816	-	6,836,948
Less accumulated depreciation for:				
Buildings held for lease	(77,083)	(11,859)	-	(88,942)
Building improvements	(414,189)	(101,217)	-	(515,406)
Office furniture and equipment	(7,436)	(1,866)	-	(9,302)
Equipment – Solar farm phase I	-	(201,705)	-	(201,705)
Total accumulated depreciation	(498,708)	(316,647)	-	(815,355)
Total capital assets, being depreciated, net	1,508,424	4,513,169	-	6,021,593
Total capital assets, net	\$ 6,426,845	\$6,351,775	\$ (4,867,521)	\$ 7,911,099

Depreciation expense was \$316,647 for the year ended September 30, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets (Continued)Dauphin County Economic Development Corporation (“DCEDC”)

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2012:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets, being depreciated:				
Furniture and Equipment	\$ 19,927	\$ -	\$ -	\$ 19,927
Works of Art	8,011	-	-	8,011
Buildings	2,068,611	-	-	2,068,611
Total capital assets, being depreciated	2,096,549	-	-	2,096,549
Less accumulated depreciation for:				
Furniture and Equipment	(19,927)	-	-	(19,927)
Works of Art	(8,011)	-	-	(8,011)
Buildings	(324,876)	(53,041)	-	(377,917)
Total accumulated depreciation	(352,814)	(53,041)	-	(405,855)
Total capital assets, being depreciated, net	1,743,735	(53,041)	-	1,690,694
Total capital assets, net	\$ 1,743,735	\$ (53,041)	\$ -	\$ 1,690,694

Depreciation expense was \$53,041 for the year ended December 31, 2012.

NOTE 7: CONDUIT DEBT ISSUES

Component Unit - Conduit Debt IssuesDauphin County General Authority

The following Conduit debt issues were outstanding at December 31, 2012:

Dauphin County Library System	\$ 934,442
Pinnacle Health Systems	182,215,000
Pinnacle Health Systems	98,750,000
Pinnacle Health Systems	128,210,000
United Church of Christ Homes, Inc	28,748,874
	<u>\$ 438,858,316</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 7: CONDUIT DEBT ISSUES (CONTINUED)

Component Unit - Conduit Debt Issues (Continued)

Dauphin County Industrial Development Authority ("IDA")

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 IDA 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.

In 2009 the IDA approved the refinancing of these bonds into a tax exempt private loan. The refinanced aggregate principal is \$18,000,000.

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 IDA 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, 2012

NOTE 7: CONDUIT DEBT ISSUES (CONTINUED)

Component Unit - Conduit Debt Issues (Continued)

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

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

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 IDA 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 7: CONDUIT DEBT ISSUES (CONTINUED)

Component Unit - Conduit Debt Issues (Continued)

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

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

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.

Grant Revenue Note, Series of 2006 (High Pointe Commons)

In October 2006, the IDA received a grant in the amount of \$3,719,540 from the Pennsylvania Department of Community and Economic Development (DCED) under DCED's Infrastructure and Facilities Improvement Program (Program). The grant is payable in ten equal annual installments. The IDA, pursuant to the Program, issued Grant Revenue Note, Series of 2006 (Note) in the amount of \$3,055,025 in order to provide financing in anticipation of the receipt of the grant. In accordance with a Development IFIP Grant Agreement, the proceeds of the Note were provided to High Pointe Commons Holding, LP for the development of a retail sales center. Final maturity on the Note is October 2015. DCED will disburse the proceeds of the grant to the IDA. The proceeds, upon receipt, are to be applied for and toward the payment of debt service on the Series 2006 Note. High Pointe Commons Holding, LP executed a Guaranty Agreement for the Series 2006 Note, secured by a second lien on the High Pointe Commons Retail Center. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Note.

Mortgage Revenue Notes, Series of 2006 and 2007 (Hershey Christian School Association Project)

In November 2006, the IDA authorized the issuance of a Mortgage Revenue Note (Note) totaling \$6,000,000. Pursuant to a Loan Agreement, the IDA lent the full proceeds of the Note to a Pennsylvania non-profit corporation (Corporation) for the acquisition and construction of an educational facility. Final maturity on the Note is November 2030. The Note is secured by an Open-End Mortgage and Security Agreement from the Corporation. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Note.

In January 2007, the IDA issued a series of additional Mortgage Revenue Notes (2007 Notes) totaling \$700,000. Pursuant to the Supplemental Loan Agreement, the IDA lent the proceeds of the notes to the Corporation for the acquisition and construction of an educational facility. Final maturity on the Notes is November 2030. The Notes are secured by an Open-End Mortgage and Security Agreement from the Corporation. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Notes.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 7: CONDUIT DEBT ISSUES (CONTINUED)

Component Unit - Conduit Debt Issues (Continued)

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

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

In December 2007, the IDA 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 IDA for payment of principal or interest on the Note.

Multifamily Housing Revenue Bonds, Series of 2008 (Central Pennsylvania MHA Associates LP Project)

In November 2008, the IDA authorized the issuance of Multifamily Housing Revenue Bonds (Bonds) totaling \$13,000,000. Pursuant to a Loan Agreement, the IDA lent the full proceeds of the Bond to a Limited Partnership (LP) for the acquisition, rehabilitation and equipping of land and land improvements and the marketing and leasing of leasable space in the improvements. Final maturity on the Bonds is December 2040. The Bonds are secured by an Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement and from LP. Accordingly, no recourse can be made against the IDA for payment of principal or interest on the Bonds.

Mortgage Revenue Note, Series of 2008 (Visiting Nurse Association)

In December 2008, the IDA authorized the issuance of a Mortgage Revenue Note (Note) totaling \$766,000 for the purpose of assisting a Pennsylvania non-profit corporation (Corporation) in the acquisition and renovation of a facility and in refinancing of a line of credit of the Corporation. Final maturity on the Note is 2023. The Note is secured by a mortgage of the Corporation, and accordingly, no recourse can be made against the IDA for payment of principal or interest on the Note.

Commercial Mortgage Revenue Loan, Series of 2012 (Next Generation Farmer Loan Program)

In February 2012, the IDA authorized the issuance of a Commercial Mortgage Revenue Loan (Loan) totaling \$488,000 for the purpose of financing the purchase price being paid by the Beginning Farmer to the Seller for the Project, which is the fair value of the property identified in the acquisition to be used for farming purposes only. Final Maturity on the Loan is December 2032. The Note is secured by various assets of the borrower, accordingly, no recourse can be made against the IDA for payment of principal or interest on the Loan.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 152,511,500	\$ -	\$ 6,660,000	\$ 145,851,500	\$ 8,125,000
Total bonds and notes payable	152,511,500	-	6,660,000	145,851,500	8,125,000
Other liabilities:					
Compensated absences	7,648,592	328,079	-	7,976,671	-
Estimated workers compensation claims	2,591,421	-	595,896	1,995,525	-
Other postemployment benefits	2,487,970	701,746	-	3,189,716	-
Total other liabilities	12,727,983	1,029,825	595,896	13,161,912	-
Governmental Activities Long-Term Liabilities	\$ 165,239,483	\$ 1,029,825	\$ 7,255,896	\$ 159,013,412	\$ 8,125,000
Business-Type Activities:					
Other liabilities:					
Compensated absences	\$ 355,103	\$ 61,880	\$ -	\$ 416,983	\$ -
Estimated workers compensation claims	35,538	-	35,538	-	-
Total other liabilities	390,641	61,880	35,538	416,983	-
Business-Type Activities Long-Term Liabilities	\$ 390,641	\$ 61,880	\$ 35,538	\$ 416,983	\$ -

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

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2013	\$ 8,125,000	\$ 9,084,386	\$ 17,209,386
2014	43,196,500	8,780,135	51,976,635
2015	7,815,000	4,157,934	11,972,934
2016	8,145,000	3,820,197	11,965,197
2017	8,515,000	3,450,272	11,965,272
2018-2022	48,660,000	11,267,665	59,927,665
2023-2027	19,845,000	1,624,365	21,469,365
2028-2029	1,550,000	95,578	1,645,578
	\$145,851,500	\$ 42,280,532	\$188,132,032

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Pertinent information regarding long-term debt obligations outstanding is presented below (Payable from General Fund tax revenues.):

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2012</u>
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 at a variable interest rate from 2.40%-5.40%. (Final Maturity in 2024).	\$ 16,430,000
2005	\$ 33,990,000	General Obligation Bonds, Series of 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 at a variable interest rate from 2.65%-5.00%. (Final Maturity in 2024)	22,515,000
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 at a variable interest rate from 3.55%-5.00%. (Final Maturity 2023)	16,035,000
2009	\$ 21,965,000	General Obligation Bonds, Series of 2009 issued to fund the following projects: the Energy Project, the Work Release Center Project, the Juvenile Court Project and the Emergency Vehicle Storage Building Project and to pay the cost of issuance related to the bond issue at a variable interest rate from 3.000%-4.125%. (Final Maturity 2029)	19,860,000
2010	\$ 23,380,000	General Obligation Bonds, Series B and D of 2010 issued to currently refund General Obligation Notes, Series A and B of 2004 and General Obligation Bonds, Series of 2008 and to pay the cost of issuance related to the bond issue at a variable interest rate from 1.00%-5.00%. (Final Maturity, Series B – 2014; Series D – 2023)	20,715,000
2010	\$ 34,746,500	Federally Taxable Bond Anticipation Note issued to pay on the Guaranteed Resource Recovery Facility Limited Obligation Notes, Series C of 2007 and its Guaranteed Federally Taxable Resource Recovery Facility Limited Obligation Notes, Series D of 2007, issued by the Harrisburg Authority. The Note bears interest equal to the LIBOR rate or the Base Rate plus 25 basis points, not exceeding the maximum rate. The County received an extension on the note during 2012. (Final Maturity 2014)	34,746,500
2011	\$ 15,655,000	General Obligation Bonds, Series of 2011 issued to currently refund General Obligation Bond, Series A of 2002 and to pay cost of issuance related to the bond issue at a variable interest rate from 0.40%-5.00%. (Final Maturity 2024)	<u>15,550,000</u>
			<u>\$ 145,851,500</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Interest rates on the above obligations range from 0.4% to 5.4%. The County has pledged its taxing power as security for outstanding general obligation debt.

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, 2012, the principal amount outstanding relative to defeased debt was \$28,505,000.

Component Units - Long-term Debt

Dauphin County General Authority

Long-term debt outstanding at December 31, 2012, is as follows:

Office and Parking Revenue Bonds (Riverfront Office Center):

Series A of 1998	\$ 27,610,000
Series C of 1998-Capital Appreciation Bonds	14,200,637
Hotel and Conference Center Bonds (Hyatt Hotel Project) Series of 1998	54,945,000
Dauphin County Guaranteed Lease Revenue Bonds – Series C of 2009 (Building Bonds)	4,095,000
Lease Revenue Bonds (100 Chestnut Street) – Series D of 2009	1,875,000
Dauphin County Guaranteed Lease Revenue Bonds Series A and B of 2011 (Dauphin Highlands)	10,945,741
Capital Lease Payable (Dauphin Highlands)	66,697
	\$113,738,075

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

Current portion of capital lease obligation	\$ 41,902
Current portion of long-term debt	3,962,509
Long-term debt, net of current portion	109,708,869
Capital lease payable, net of current portion	24,795
	\$113,738,075

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: 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, 2012, 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	\$116,550,364	\$984,409	\$(3,796,698)	\$113,738,075	\$4,004,411
Deferred charge	(991,537)	-	218,020	(773,517)	-
	<u>\$115,558,827</u>	<u>\$984,409</u>	<u>\$(3,578,678)</u>	<u>\$112,964,558</u>	<u>\$4,004,411</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, 2012 except as described in Note 26.

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.

The Current Interest Bonds bear interest and mature as follows:

<u>Series A</u>				
<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	6.00%	\$ 1,305,000	\$ 1,656,600	\$ 2,961,600
2014	6.00%	1,385,000	1,578,300	2,963,300
2015	6.00%	1,465,000	1,495,200	2,960,200
2016	6.00%	1,555,000	1,407,300	2,962,300
2017	6.00%	1,650,000	1,314,000	2,964,000
2018-2022	6.00%	9,845,000	4,962,600	14,807,600
2023-2025	6.00%	10,405,000	1,443,300	11,848,300
		<u>\$27,610,000</u>	<u>\$13,857,300</u>	<u>\$41,467,300</u>

Series B

There was no balance remaining on the Series B bonds at December 31, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 8: 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)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	\$ 995,030	\$ 824,970
January 1, 2025	293,857	1,820,000	1,022,931	797,069
July 1, 2025	283,920	1,820,000	1,049,885	770,115
January 2, 2026	274,310	1,820,000	1,075,929	744,071
July 1, 2026	265,047	1,820,000	1,101,082	718,918
January 1, 2027	256,074	1,820,000	1,125,397	694,603
July 1, 2027	247,411	1,820,000	1,148,893	671,107
January 1, 2028	3,310,677	25,205,000	16,225,215	8,979,785
	<u>\$5,235,436</u>	<u>\$37,945,000</u>	<u>\$23,744,363</u>	<u>\$14,200,637</u>

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

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: 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) (Continued)

The Bonds bear interest and mature as follows:

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	6.20%	\$ 1,770,000	\$ 3,351,720	\$ 5,121,720
2014	6.20%	1,885,000	3,238,415	5,123,415
2015	6.20%	2,000,000	3,117,980	5,117,980
2016	6.20%	2,125,000	2,990,105	5,115,105
2017	6.20%	2,255,000	2,854,325	5,109,325
2018-2022	6.20%	13,375,000	11,939,495	25,314,495
2023-2027	6.20%	17,955,000	7,126,125	25,081,125
2028-2029	6.20%	13,580,000	997,270	14,577,270
		<u>\$54,945,000</u>	<u>\$35,615,435</u>	<u>\$90,560,435</u>

As required by a mandatory sinking fund provision, the trustee deposited \$5,189,000 of bond proceeds to the Debt Service Reserve Account. However, as discussed in Note 26, unscheduled draws were made out of the Bond Reserve Fund.

Dauphin County Guaranteed Lease Revenue Bonds - Series C of 2009 (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. At December 31, 2012, the balance outstanding on both the County Building Bonds Series of 1997 and the Dauphin County Guaranteed Lease Revenue Refunding Bonds, Series A of 2001 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.

On November 12, 2009, the General Authority issued \$4,865,000 Dauphin County Guaranteed Lease Revenue Bonds – Series C of 2009. The proceeds of Series C of 2009 were used to currently refund Series B of 2001 and to pay the costs of issuance associated with issuing the bonds. The balance outstanding on the Series B of 2001 bonds at December 31, 2012 is zero.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Dauphin County Guaranteed Lease Revenue Bonds - Series C of 2009 (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>
2013	2.25%	\$ 360,000	\$ 134,225	\$ 494,225
2014	2.50%	365,000	126,125	491,125
2015	3.00%	375,000	117,000	492,000
2016	3.00%	385,000	105,750	490,750
2017	3.20%	400,000	94,200	494,200
2018-2022	3.40%-3.88%	2,210,000	255,028	2,465,028
		<u>\$ 4,095,000</u>	<u>\$ 832,328</u>	<u>\$ 4,927,328</u>

Lease Revenue Bonds – Series D of 2009 (100 Chestnut Street)

On October 1, 2003, the General 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.

On November 12, 2009, the General Authority issued Tax Exempt Lease Revenue Bonds, Series D of 2009, in the principal amount of \$2,570,000. The General Authority used the Series D bond proceeds to currently refund the 2003 Bonds Payable, Series A. As of December 31, 2012, the Series A and Series B of 2003 bonds had a zero balance.

The bonds bear interest and mature as follows:

Series D of 2009

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2.00%	\$ 295,000	\$ 52,275	\$ 347,275
2014	2.30%	300,000	46,375	346,375
2015	2.70%	305,000	39,475	344,475
2016	3.00%	315,000	31,240	346,240
2017	3.20%	325,000	21,790	346,790
2018	3.40%	335,000	11,390	346,390
		<u>\$1,875,000</u>	<u>\$ 202,545</u>	<u>\$2,077,545</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)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 of the 1998 Bonds, resulting in a defeasance of the bonds. As a result, the liability for those bonds has been removed from the Authority. The balance outstanding on the defeased Series A bonds on December 31, 2012 is \$1,845,000. The Series B bonds matured in 2006 and were paid in full.

Dauphin County Guaranteed Revenue Bonds – Series A and B of 2011 (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 were 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 the Authority. At December 31, 2012, the maturity value and accreted value of the bonds outstanding on the 1993 Series Capital Appreciation Bonds are \$10,860,000 and \$7,700,817, respectively. There is no balance outstanding on the County Guaranteed Revenue Bonds, Series of 2003, at December 31, 2012.

On September 30, 2011, the Authority issued Taxable County Guaranteed Revenue Refunding Bond, Series A of 2011 (Series A of 2011) and Taxable County Guaranteed Revenue Refunding Bond, Series B of 2011 (Series B of 2011), in the principal amounts of \$8,796,927 and \$2,355,154, respectively. The bonds are insured by a municipal bond guarantee insurance policy. The Authority used the proceeds of Series A 2011 to currently refund the Series A of 2005 and pay the cost of issuance. The net proceeds of Series B of 2011 were used to advance refund the Series B of 2005 and pay issuance costs. As a result, the liability for those bonds has been removed from the Authority. There is no balance outstanding on the County Guaranteed Revenue Bonds, Series B of 2005, at December 31, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 8: 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 2011 (Dauphin Highlands) (Continued)

The interest rate on Series A of 2011 Bonds is variable. Per the bond agreements, the interest rates will change monthly and be calculated based on London Interbank Offered Rate (LIBOR) plus 1.75% not to exceed 12%. The interest rate on these bonds as of December 31, 2012 was 1.9635%. 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 2011 Revenue Refunding Bonds. Using the interest rate in effect at December 31, 2012, these bonds mature as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 86,197	\$ 172,975	\$ 259,172
2014	97,129	171,179	268,308
2015	109,448	169,156	278,604
2016	8,427,657	139,157	8,566,814
	<u>\$ 8,720,431</u>	<u>\$ 652,467</u>	<u>\$ 9,372,898</u>

The interest rate on Series B of 2011 Bonds is variable. Per the bond agreements the interest rates will change monthly and be calculated based on LIBOR plus 1.75%, not to exceed 12%. The interest rate on these bonds as of December 31, 2012 was 1.9635%. 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 2011 Bonds. Using the interest rate in effect at December 31, 2012, these bonds mature as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 146,312	\$ 43,233	\$ 189,545
2014	164,868	40,185	205,053
2015	185,777	36,750	222,527
2016	1,728,353	27,674	1,756,027
	<u>\$ 2,225,310</u>	<u>\$ 147,842</u>	<u>\$ 2,373,152</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority ("IDA")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
\$ 54,927	\$ 3,338	3.63%	2013
56,858	1,406	3.63%	2014
9,669	42	3.63%	2015
<u>\$ 121,454</u>	<u>\$ 4,786</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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority ("IDA") (Continued)Qualified Tax-Exempt Obligations (Continued)\$900,000 Guaranteed Lease Revenue Note, Series of 2006 (Continued)

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

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 37,895	\$ 30,226	4.40%	2013
39,627	28,494	4.40%	2014
41,438	26,683	4.40%	2015
43,332	24,789	4.40%	2016
45,312	22,809	4.40%	2017
259,584	81,023	4.40%	2018 to 2022
225,140	18,961	4.40%	2023 to 2026
<u>\$ 692,328</u>	<u>\$ 232,985</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, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority ("IDA") (Continued)Qualified Tax-Exempt Obligations (Continued)\$410,651 Guaranteed Lease Revenue Note, Series 2007A (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>
\$ 16,216	\$ 16,037	4.83%	2013
17,016	15,238	4.83%	2014
17,854	14,399	4.83%	2015
18,734	13,519	4.83%	2016
19,658	12,595	4.83%	2017
113,817	47,448	4.83%	2018 to 2022
136,680	16,522	4.83%	2023 to 2027
<u>\$ 339,975</u>	<u>\$ 135,758</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>
\$ 35,224	\$ 35,824	4.83%	2013
36,987	34,062	4.83%	2014
38,837	32,211	4.83%	2015
40,780	30,268	4.83%	2016
42,820	28,228	4.83%	2017
248,456	106,784	4.83%	2018 to 2022
305,273	38,126	4.83%	2023 to 2027
<u>\$ 748,377</u>	<u>\$ 305,503</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

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

\$1,900,000 Guaranteed Mortgage Revenue Series of 2010 interest due in monthly installments at a fixed rate of 5.65% APR for the first five years through December 1, 2015, and then float at Prime floor of 4% through the maturity of the Note on December 1, 2020.

The proceeds of the note, dated December 1, 2010, were used to pay issuance costs of \$26,197 and \$1,675,870 was used to refinance the outstanding principal balances of the Guaranteed Lease Revenue Note, Series of 2005, Loan Payable, Vartan Bank, and Guaranteed Construction Note, Series 2008. The remaining balance of \$197,933 was used to pay outstanding interest on the old debt and to fund the 2010 Renovation Project.

The following is a maturity schedule for the Guaranteed Mortgage Revenue Note Series 2010:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 53,125	\$ 93,406	5.65%	2013
61,349	98,503	5.65%	2014
64,957	94,895	5.65%	2015
68,520	91,332	5.65%	2016
72,807	87,045	5.65%	2017
<u>1,481,168</u>	<u>252,160</u>	5.65%	2018-2021
<u>\$1,801,926</u>	<u>\$ 717,341</u>		

The following is a summary of long-term debt for the year ended September 30, 2012:

	Balance October 1, 2011			Balance September 30, 2012	Due Within One Year
		Additions	Deletions		
Guaranteed lease revenue notes:					
Series of 2004	\$ 174,515	\$ -	\$ (53,061)	\$ 121,454	\$ 54,927
Series of 2006	728,567	-	(36,239)	692,328	37,895
Series of 2007	781,923	-	(33,546)	748,377	35,224
Series of 2007(A)	355,429	-	(15,454)	339,975	16,216
Subtotal	2,040,434	-	(138,300)	1,902,134	144,262
Guaranteed mortgage revenue note	1,860,808	-	(58,882)	1,801,926	53,125
Total	\$ 3,901,242	\$ -	\$ (197,182)	\$3,704,060	\$ 197,387

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: LONG-TERM DEBT (CONTINUED)

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

The following is a summary of long-term debt for the year ended December 31, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2004 Guaranteed Parking Revenue Note	\$ 1,870,000	\$ -	\$ (55,000)	\$ 1,815,000	\$ 70,000
Section 108 Note Payable	<u>2,520,000</u>	<u>-</u>	<u>(160,000)</u>	<u>2,360,000</u>	<u>160,000</u>
	<u>\$ 4,390,000</u>	<u>\$ -</u>	<u>\$ (215,000)</u>	<u>\$ 4,175,000</u>	<u>\$ 230,000</u>

Long-term debt at December 31, 2012, consisted of the following:

Note payable of \$2,200,000 to a bank, payable in variable annual installments plus interest not to exceed 10%, initial principal payment due 2006, final payment due December 2030. Interest rate at December 31, 2012 was 1.709%.	\$ 1,815,000
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.	<u>2,360,000</u>
	4,175,000
Less current portion	<u>(230,000)</u>
Long-term debt	<u>\$ 3,945,000</u>

Maturities of long-term debt are as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 230,000	\$ 159,334	\$ 389,334
2014	230,000	150,058	380,058
2015	235,000	140,750	375,750
2016	240,000	131,324	371,324
2017	252,000	121,781	373,781
2018 to 2022	1,320,000	447,692	1,767,692
2023 to 2027	1,248,000	163,857	1,411,857
2028 to 2030	420,000	15,039	435,039
	<u>\$ 4,175,000</u>	<u>\$ 1,329,835</u>	<u>\$ 5,504,835</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: GUARANTEED DEBT

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

The first 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 "2003 Variable Swap") was executed in the amount of \$65,000,000. 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, 2013. The Harrisburg Authority pays to the Counterparty SIFMA and receives from the Counterparty a fixed rate of 3.37%.

The second 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. The Harrisburg Authority is obligated to make semiannual payments to the Counterparty in connection with the 2003D Cap in the amount of \$247,000.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: INTEREST RATE SWAPS

The County is a party to contracts for various derivative instruments as discussed below.

At December 31, 2012, the County has the following derivative instruments outstanding:

	Notional Amount	Fair Value		Change in Fair Value	
		Fair Value at December 31, 2012 Classification	Amount	Classification	Amount
Governmental Activities					
Investment Derivatives:					
A 2015 Forward-Starting Fixed Payer Swap	\$ 20,330,000	Investment	\$ (812,111)	Interest Expense	\$ (418,409)
B 2016 Forward-Starting Fixed Payer Swap	\$ 14,405,000	Investment	(484,699)	Interest Expense	(226,057)
Total Investment Derivatives			\$ (1,296,810)		\$ (644,466)

2007 Fixed to Variable Rate Swaption. During 2012, the Counterparty did not exercise their option on the 2007 Fixed to Variable Rate Swaption, associated with the Series of 2005C General Obligation Bonds. The change in fair value of (\$29,619) is reflected as an adjustment to Interest Expense in the Governmental Funds Statement of Activities.

2011 Fixed to Variable Rate Swaption. During 2012, the Counterparty did not exercise their option on the 2011 Fixed to Variable Rate Swaption, associated with the Series of 2011 General Obligation Bonds. The change in fair value of (\$29,348) is reflected as an adjustment to Interest Expense in the Governmental Funds Statement of Activities.

2007 Fixed to Variable Rate Swaption. During 2012, the Counterparty did not exercise their option on the 2007 Fixed to Variable Rate Swaption, associated with the Series of 2005B General Obligation Bonds. The change in fair value of (\$11,440) is reflected as an adjustment to Interest Expense in the Governmental Funds Statement of Activities.

2005 Basis Swap. In October 2012, the County terminated the 2005 Basis Swap, associated with the Series D of 2004 General Obligation Note, with the Royal Bank of Canada. The County received \$125,000, net of transaction fees, from the termination of this Swap which is reflected as Swap Proceeds in the County's General Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Governmental Funds Statement of Activities. The change in fair value of (\$88,633) is reflected as an adjustment to Interest Expense in the Governmental Funds Statement of Activities.

2011 Basis Swap. In October 2012, the County terminated the 2011 Basis Swap, associated with portions of Series 2011, 2005C and 2006 General Obligation Bonds, with the Royal Bank of Canada. The County received \$380,000, net of transaction fees, from the termination of this Swap which is reflected as Swap Proceeds in the County's General Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Governmental Funds Statement of Activities. The change in fair value of \$92,998 is reflected as an adjustment to Interest Expense in the Governmental Funds Statement of Activities.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

Terms of the Investment Derivatives. The terms, fair values, and credit ratings of the investment derivatives as of December 31, 2012 were as follows.

Associated Bond Issue	Notional Amount	Effective Date	County Pays	County Receives	Swap Termination Date	Counterparty	Counterparty Credit Rating
<u>Fixed Payer Forward Starting Swaps:</u>							
A	Portion of Series 2005 B and 2005 C / 2015 Bonds	\$ 20,330,000	5/15/2015	notional balance * fixed rate of 2.252%	notional balance * 70% of 3-Month LIBOR	11/15/2024	RBC Aa3/AA-/AA
B	2006 Bonds / 2016 Bonds	\$ 14,405,000	5/15/2016	notional balance * fixed rate of 2.403%	notional balance * 70% of 3-Month LIBOR	11/15/2023	RBC Aa3/AA-/AA
		<u>\$ 34,735,000</u>					

Fair market value. The fair market value of the derivative investments were 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. As of December 31, 2012, the County was not exposed to credit risk for those investment derivatives with negative fair values. The County executes its derivative instruments with one counterparty that comprises 100% percent of its net exposure to credit risk. The Counterparty's credit ratings are shown in the table above.

The County's Master Swap Agreement contains netting provisions applicable to circumstances where 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. On the County's Fixed Payer swaps, as LIBOR increases, the County's net payment on the swaps decrease.

Market Access Risk. Risk that the County cannot access the bond market or that the 2015 Bonds and 2016 Bonds do not settle due to unforeseen events.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 11: 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. In November 2009, the General Authority currently refunded the Revenue Bonds Series 2001 through the issuance of Guaranteed Lease Revenue Bonds, Series C of 2009. The term of the revised lease agreement 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 originally advanced refunded in 2003 through the issuance of Lease Revenue Bonds, Series A and B of 2003. In November 2009, the General Authority refunded the Lease Revenue Bonds, Series A of 2003 through the issuance of Tax Exempt Lease Revenue Bonds, Series D of 2009. 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>
2013	\$ 494,225	\$ 347,275	\$ 841,500
2014	491,125	346,375	837,500
2015	492,000	344,475	836,475
2016	490,750	346,240	836,990
2017	494,200	346,790	840,990
2018-2022	2,465,028	346,390	2,811,418
	<u>\$ 4,927,328</u>	<u>\$ 2,077,545</u>	<u>\$ 7,004,873</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 11: DIRECT FINANCING LEASES (CONTINUED)

Component Unit - Direct Financing Leases (Continued)

Dauphin County General Authority (Continued)

The net investment in direct financing leases consists of the following at December 31, 2012:

	County Building Bond Fund	100 Chestnut Street Fund	Total
Total Minimum Lease			
Payments to be Received	\$ 4,927,328	\$ 2,077,545	\$ 7,004,873
Less: Unearned Income	832,328	189,476	1,021,804
	<u>\$ 4,095,000</u>	<u>\$ 1,888,069</u>	<u>\$ 5,983,069</u>
Current Portion	\$ 360,000	\$ 308,069	\$ 668,069
Noncurrent Portion	3,735,000	1,580,000	5,315,000
	<u>\$ 4,095,000</u>	<u>\$ 1,888,069</u>	<u>\$ 5,983,069</u>

Dauphin County Industrial Development Authority ("IDA")

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, 2012 is \$121,454.

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, 2012 is \$692,328.

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, 2012 is \$339,975.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 11: DIRECT FINANCING LEASES (CONTINUED)

Component Unit - Direct Financing Leases (Continued)

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

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, 2011 is \$748,377.

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

<u>Years Ending September 30,</u>	
2013	\$ 229,687
2014	229,688
2015	181,133
2016	171,422
2017	171,422
2018 – 2022	857,112
2023 – 2027	740,702
	<u>\$ 2,581,166</u>

The net investment in direct financing lease consists of the following at September 30, 2012:

Total Minimum Lease Payments to be Received	\$ 2,581,166
Less: Unearned Interest Income	<u>(679,032)</u>
	<u>\$ 1,902,134</u>
Current Portion	\$ 144,262
Noncurrent Portion	<u>1,757,872</u>
	<u>\$ 1,902,134</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 12: CAPITAL LEASE OBLIGATIONS

The following is a summary of changes in capital lease obligations for the year ended December 31, 2012:

	<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>					
Capital Leases	\$ 5,078,985	\$ 817,977	\$ (911,138)	\$ 4,985,824	\$ 802,550
Total Capital Lease Obligations	<u>\$ 5,078,985</u>	<u>\$ 817,977</u>	<u>\$ (911,138)</u>	<u>\$ 4,985,824</u>	<u>\$ 802,550</u>
<u>Business-Type Activities</u>					
Capital Leases					
Human Services Building	\$ 4,445,000	\$ -	\$ (350,000)	\$ 4,095,000	\$ 360,000
911 EMA	<u>84,546</u>	<u>-</u>	<u>(59,076)</u>	<u>25,470</u>	<u>25,470</u>
Total Capital Lease Obligations	<u>\$ 4,529,546</u>	<u>\$ -</u>	<u>\$ (409,076)</u>	<u>\$ 4,120,470</u>	<u>\$ 385,470</u>

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 1.00% to 3.875% and for the Chestnut Street Building that is accounted for in the Governmental Activities bearing interest rates from 1.00% to 3.40%, both of which were refunded in 2009. As a result of the refunding, the Human Service Building Fund recognized a loss of \$124,319 that is being amortized on the interest method over the term of the lease. The balance of the deferred loss at December 31, 2012 is \$79,206. Also, as a result of the Chestnut Street refunding, the County recognized a loss of \$68,278 that is being amortized on the interest method over the term of the lease. The balance of the deferred loss at December 31, 2012 is \$34,577 and is included in deferred interest from refunding on the Statement of Net Position.

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 3.46% 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 2012, the County entered into four new capital leases all in Governmental Activities. Two leases were for IT Equipment in the amounts of \$85,178 and \$600,726, another for a Digital Copier in the amount of \$20,188, and the other lease was for IT Security Equipment in the amount of \$111,885.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 12: 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, 2012:

<u>Years Ending December 31</u>	<u>Governmental Activities</u>	<u>Human Services Building Enterprise Fund</u>	<u>911 EMA Fund</u>
2013	\$ 972,666	\$ 494,226	\$ 26,677
2014	887,876	491,126	-
2015	729,012	492,001	-
2016	673,303	490,751	-
2017	539,765	494,201	-
2018-2022	1,337,947	2,465,031	-
2023-2027	835,571	-	-
2028-2031	82,527	-	-
Total Minimum Lease Payments	6,058,667	4,927,336	26,677
Less: Amount Representing Interest	1,072,843	832,336	1,207
Total Present Value of Net Minimum Lease Payments	4,985,824	4,095,000	25,470
Less: Amounts Due within One Year	802,550	360,000	25,470
	\$ 4,183,274	\$ 3,735,000	\$ -

The assets associated with the capital leases are shown as Leasehold Assets within the Capital Asset Note (See Note 6).

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 12: CAPITAL LEASE OBLIGATIONS (CONTINUED)

Component Unit- Capital Lease Obligation

Dauphin County General Authority

In 2009, Dauphin Highlands purchased golf carts under a long-term lease agreement that is classified as a capital lease. As of December 31, 2012, the Authority includes these golf carts at a cost of \$159,800, with accumulated depreciation of \$81,802.

In 2012, Dauphin Highlands purchased an aerator and sweeper under a long-term lease agreement that is classified as a capital lease. As of December 31, 2012, the General Authority includes this equipment at a cost of \$40,174, with accumulated depreciation of \$5,739.

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

<u>Year Ended</u> <u>December 31,</u>	<u>Total</u>
2013	\$ 45,065
2014	8,971
2015	8,971
2016	8,970
Total Minimum lease payments	71,977
Less amount representing interest	(5,280)
Present value of future minimum lease payments	\$ 66,697

NOTE 13: LINE OF CREDIT

Component Unit – Line of Credit

Case Management Unit

At June 30, 2012, CMU had an \$800,000 line of credit with a bank secured by all accounts receivable which expires December 10, 2048. Interest on outstanding borrowings is due monthly at .5% above the bank's prime rate, which was 4.00% at June 30, 2012. There were \$4,240,000 in borrowings on the line and \$4,020,000 in repayments for the year ended June 30, 2012. The principle balance on the line as of June 30, 2012 was \$220,000.

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 3.25% on September 30, 2012 less 2%. The outstanding principle balance on the Line at September 30, 2012 was \$29,767.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 14: FUND BALANCE / NET POSITION

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

Prepaid items	\$ 1,145,633	
PCHIPC Settlement	9,363,166	
Incinerator loan	34,746,500	
Gaming loan	3,700,000	
Liquid fuels loan	271,818	\$ 49,227,117

Restricted

Low income housing	842,480	
Gaming	17,694,747	
Capital projects	5,619,709	
Fort Hunter trust fund	1,001,827	
State grant	311,338	
Liquid fuels	1,073,172	
Domestic relations	1,279,446	
Weatherization	33,887	
Hazardous materials	241,012	
Aging	105,408	
Drug act forfeited - state	233,612	
Drug act forfeited - federal	339,599	28,776,237

Assigned

2013 budgeted deficit	13,586,946
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Unassigned

Available for any purpose	<u>11,683,415</u>
	<u>\$ 103,273,715</u>

The restrictions of net position included in the Fiduciary Funds are as follows:

Fiduciary Funds

Future payments of members' benefits	<u>\$ 227,432,867</u>
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COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 15: FUND BALANCES / NET POSITION (CONTINUED)

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

The restrictions of net position included in the financial statements represent portions of net position that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following restrictions are included in the financial statements.

Tourism and regional promotion	\$ 3,347,756
State of the County event	9,247
HOME Investment Partnerships Program	1,474
Team PA Calling Program	14,783
	<u>\$ 3,373,260</u>

NOTE 16: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2012:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 8,888,361	\$ -
Special Revenue Funds		
Children and Youth Families Fund	-	7,758,942
ARRA Fund	-	89,084
Weatherization	-	57,599
Total Special Revenue Funds	-	7,905,625
Total Governmental Funds	<u>8,888,361</u>	<u>7,905,625</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choices	-	107,618
911	-	875,118
Total Proprietary Funds	-	<u>982,736</u>
	<u>\$ 8,888,361</u>	<u>\$ 8,888,361</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</u>	<u>Due to Primary Government</u>
Dauphin County Conservation District	<u>\$ 164,578</u>	<u>\$ 164,578</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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	\$ 6,050,958	\$ 15,607,709
Special Revenue Funds		
Mental Health/Intellectual Disabilities Fund	940,374	26,263
Children and Youth Families Fund	10,848,186	2,883,611
Domestic Relations	2,140,487	-
Weatherization Program Fund	173,316	-
State Grants Fund	370	50,000
Human Services Development Fund	-	3,914
Aging Fund	90,000	19,535
Drug and Alcohol Fund	143,878	46,707
Hazardous Materials Fund	300	-
Liquid Fuels Fund	2,319	-
ARRA Fund	30,176	9,251
Gaming Fund	-	2,944,153
Total Special Revenue Funds	<u>14,369,406</u>	<u>5,983,434</u>
Capital Projects Fund	<u>368,285</u>	<u>-</u>
Total Governmental Funds	<u>20,788,649</u>	<u>21,591,143</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choice Fund	-	87,829
Emergency 911	650,323	-
Solid Waste	<u>240,000</u>	<u>-</u>
Total Proprietary Funds	<u>890,323</u>	<u>87,829</u>
	<u>\$ 21,678,972</u>	<u>\$ 21,678,972</u>

Component Unit - Interfund Operating Transfers

	<u>Transfers from Component Units</u>	<u>Transfers to Primary Government</u>
Dauphin County Conservation District	<u>\$ 619,624</u>	<u>\$ 619,624</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2012 and expected to be collected within the first sixty (60) days of 2013 are recognized as revenue in 2012. 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 collectability.

The rate of taxation in 2012 was 6.876 mills, for general purposes. In addition, a special tax of .35 mills was approved for the County Library System.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Component Units – Segment Information for Enterprise FundsDauphin County General Authority

The General Authority has issued revenue bonds to finance various activities. The nonmajor enterprise funds consist of the County Building Bond Fund and 100 Chestnut Street Fund. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities or the related guarantee, if applicable, for repayment. Summary financial information for the funds is presented below:

	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
CONDENSED BALANCE SHEET			
ASSETS			
Current assets	\$ 360,000	\$ 321,904	\$ 681,904
Noncurrent investment in direct financing lease	3,735,000	1,580,000	5,315,000
Restricted assets	66,922	1,005,719	1,072,641
Total assets	<u>\$ 4,161,922</u>	<u>\$ 2,907,623</u>	<u>\$ 7,069,545</u>
LIABILITIES			
Current liabilities	\$ 444,700	\$ 729,777	\$ 1,174,477
Noncurrent liabilities	3,735,000	1,580,000	5,315,000
Total liabilities	<u>4,179,700</u>	<u>2,309,777</u>	<u>6,489,477</u>
NET POSITION			
Restricted	-	597,846	597,846
Unrestricted	(17,778)	-	(17,778)
Total net position	<u>(17,778)</u>	<u>597,846</u>	<u>580,068</u>
Total liabilities and net position	<u>\$ 4,161,922</u>	<u>\$ 2,907,623</u>	<u>\$ 7,069,545</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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 POSITION	County Building <u>Bond Fund</u>	100 Chestnut Street <u>Fund</u>	Total Nonmajor Enterprise Funds
Operating revenues	\$ 161,232	\$ 342,050	\$ 503,282
Operating expenses	(159,482)	(341,736)	(501,218)
Operating Income	1,750	314	2,064
Net Position:			
Beginning of year	(19,528)	597,532	578,004
End of year	<u>\$ (17,778)</u>	<u>\$ 597,846</u>	<u>\$ 580,068</u>

CONDENSED
STATEMENT OF CASH
FLOWS

Net cash provided by (used in):			
Operating activities	\$ 489,468	\$ 323,170	\$ 812,638
Investing activities	7	14,902	14,909
Capital and related financing	-	(55,704)	(55,704)
Noncapital financing activities	(489,475)	(295,000)	(784,475)
Net decrease	-	(12,632)	(12,632)
Cash and cash equivalents –beginning	-	27,919	27,919
Cash and cash equivalents – ending	<u>\$ -</u>	<u>\$ 15,287</u>	<u>\$ 15,287</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 20: LEGAL COMPLIANCE

Net Position Deficit

For the year ended December 31, 2012, the following funds had a deficit net position balance:

Enterprise Funds:	
Human Service Building Fund	\$ 764,369

The above deficits resulted from additional expenses that will be paid through contributions by the General Fund.

Component Unit – Net Position DeficitDauphin County General Authority

The following funds of the General Authority had negative net position as of December 31, 2012:

<u>Fund</u>	<u>Amount</u>
Dauphin Highlands Golf Course	\$ 8,417,928
County Building Bonds	17,778
Riverfront Office Center	11,485,294
Pittsburgh Hyatt Hotel and Conference Center	24,092,589

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 21: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Plan Description (Continued)

At December 31, 2012, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and Beneficiaries Receiving Benefits	1,019
Terminated Employees Entitled to Benefits but not yet Receiving Them	197
Active Plan Participants	1,524
Total Membership	2,740

Employees are required to contribute a portion of their salaries (5% of earnings in 2012) 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.

Funding Status and Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 78.3 percent funded. The actuarial accrued liability for benefits was \$282.9 million, and the actuarial value of assets was \$221.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$61.3 million. The actuarial value of assets as a percentage of the actuarial accrued liability was 78.3%. The covered payroll was \$75.9 million, and the ratio of the UAAL to the covered payroll was 80.8%.

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 entry age normal method is used to determine the annual required contribution for the County. Under this method, an actuarial accrued liability is determined as the actuarial present value of projected benefits for all participants minus the actuarial present value of future normal costs. The normal cost is determined as the annual amount required to fund between entry age and assumed exit age the actuarial present value of projected benefits for each active participant under the assumed retirement age.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 21: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions

The annual required contribution was determined based on the most recent annual actuarial valuation dated December 31, 2012. 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 4.5% per year, and (c) an inflation rate of 3.00%. The actuarial value of assets equals the market value of assets adjusted for unrecognized gains and losses from prior years. Gains and losses are determined by calculating the expected asset return based on Plan assumptions and subtracting the actual Plan return. Gains and losses are phased in 20% per year over a 5-year period. The actuarial value of assets is adjusted, if necessary, to fall within a corridor of 80%-120% of market value of assets.

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
2012	\$ 8,493,038	\$ (1,439)	\$ (2,304)	\$ 8,493,903	\$ 8,493,038	99.99%	\$ 865	\$ (18,325)
2011	10,293,492	(1,507)	(2,409)	10,294,394	10,293,492	99.99%	902	(19,190)
2010	10,118,006	(1,578)	(2,532)	10,118,960	10,118,006	99.99%	954	(20,092)

Legally Required Reserves

At December 31, 2012, the County has a balance of \$60,322,197 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2012. Since these accumulations represent the present value as of December 31, 2012 of future benefits, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$52,080,200 in the County Annuity Reserve Account as of December 31, 2012. 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. This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

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 \$96,493,919 as of December 31, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 2012, the County contributed \$1,061,577 to the plan for current premiums.

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	\$ 1,807,701
Interest on net OPEB obligation	99,519
Adjustment to annual required contribution	<u>(143,897)</u>
Annual OPEB cost (expense)	1,763,323
Estimated contributions made	<u>(1,061,577)</u>
Increase in net OPEB obligation	701,746
Net OPEB obligation – beginning of year	<u>2,487,970</u>
Net OPEB obligation – end of year	<u>\$ 3,189,716</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 1,763,323	60.20%	\$3,189,716
12/31/2011	1,779,734	48.30%	2,487,970
12/31/2010	1,417,106	67.70%	1,567,886

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funding Progress. As of January 1, 2011 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$14,942,647 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,942,647. The covered payroll (annual payroll of active employees covered by the plan) was \$75,798,908, and the ratio of the UAAL to the covered payroll was 19.7%.

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, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% 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, and declines rapidly 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%
1/1/2009	\$ -	\$ 11,290,422	\$ 11,290,422	0.00%	\$ 71,264,760	15.8%
1/1/2011	\$ -	\$ 14,942,647	\$ 14,942,647	0.00%	\$ 75,798,908	19.7%

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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 2030.

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

2013	\$ 1,145,853
2014	675,828
2015	684,852
2016	696,492
2017	703,760
2018 – 2022	3,667,788
2023 – 2027	991,020
2028 – 2030	<u>91,713</u>
Total minimum payments required	<u>\$ 8,657,306</u>

Total rental expense for these leases during 2012 approximated \$1,782,410.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 24: LEASES (CONTINUED)

Component Units – LeasesCase Management Unit

The Case Management Unit leased its principal office space. Rent expense totaled \$652,045 for the fiscal year ended June 30, 2012. The lease agreement was terminated and then renewed for a 11 year period ending in 2023. Monthly rent increases 1.90% at the beginning of each year.

CMU also has a lease on the Elizabethville, Pennsylvania office. The lease agreement is for a period of twenty-five years through 2033. 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 monthly.

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

Year ending June 30,	Amount
2013	\$ 591,751
2014	528,081
2015	538,435
2016	548,983
2017	559,732
2018-2022	2,960,182
2023-2027	878,355
2028-2032	338,034
2033	35,080
	<u>\$6,978,633</u>

Dauphin County Economic Development Corporation ("DCEDC")

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, 2012, are as follows:

2013	<u>\$32,692</u>
Total	<u>\$32,692</u>

Rental expense totaled \$32,692 for the year ended December 31, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 2012 were \$585,132.

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 \$415,876 at December 31, 2012 and is reported as deferred revenue on the balance sheet. The County had a claim on such overpayments until February 17, 2010, when an indemnity agreement was signed.

The General Authority was awarded a 2011 Local Share Gaming Grant and a 2012 Local Share Gaming Grant from Dauphin County. During the year ended December 31, 2012, the General Authority incurred \$55,004 of grant-related expenses.

Dauphin County Industrial Development Authority ("IDA")

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. The County also provides significant operating revenue, primarily through Gaming distributions passed-through to IDA. Revenue from the County was \$11,868,139 in 2012, representing 94.9% of total operating revenue.

See Notes 8 and 11 for additional information concerning long-term debt transactions and direct financing leases 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. DCEDC leases office space from the IDA under a year to year operating lease. As of September 30, 2012, IDA had earned, but not yet received \$24,519 in lease payments.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Units - Related Party Transactions (Continued)Case Management Unit

The 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.

Dauphin County Economic Development Corporation ("DCEDC")

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 \$2,140,139 in 2012, representing 55% of total revenue.

At December 31, 2012 due from related party was comprised of the following pass-through items:

2% Hotel Tax Distribution	\$ 29,910
1% Hotel Tax Distribution	149,574
	<u>\$179,484</u>

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

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.

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, 2012 were \$121,103.

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, 2012.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

- B. In 2009, the County entered into a contract for a Night Court / Central Court Project. The contract value approximated \$6,301,851 of which \$5,130,399 has been expended at December 31, 2012.
- C. In 2009, the County entered into a contract for a Female Work Release Center Project. The contract value approximated \$5,613,840 of which \$5,484,634 has been expended at December 31, 2012.
- D. In 2009, the County entered into a contract for a Juvenile Court Project. The contract value approximated \$2,811,427 of which \$2,782,578 has been expended at December 31, 2012.
- E. During 2009, the County made the initial payment on the Harrisburg Incinerator Debt after defaults by the Harrisburg Authority (the "Authority") and the City of Harrisburg (the "City"). The County is the second guarantor on a portion of the facility's debt. The County has paid a total of \$51,885,878 from 2009 through 2012 as a result of these defaults. The amount is comprised of \$17,139,378 of debt payments made by the County General Fund on behalf of the Authority and the City and a \$34,746,500 payment that was made by the County with the issuance of the 2010 Note (See Note 8). The County has recorded a loss and an allowance for uncollectible amounts for \$17,139,378 in the financials (See Note 34) therefore resulting in a net receivable due in the amount of \$34,746,500 in the financial statements. In addition, the County has reflected the \$34,746,500 as nonspendable fund balance in the financial statements (See Note 14).

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 the 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, 2008, 2009, 2010, 2011, and 2012 in the amount of \$460,000, \$537,000, \$614,000, \$680,000, \$767,000, \$767,000, \$767,040, \$767,040, \$767,000, \$767,000, \$767,000, \$767,000, 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 General Authority's Administrative Fund has provided, and intends to continue to provide funds for working capital needs of the Dauphin Highlands Golf Course. The Administrative Fund provided \$116,954 of working capital advances during 2012 to the Dauphin Highlands Golf Course. As of December 31, 2012, \$75,000 had been repaid to the Administrative Fund.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies (Continued)

Dauphin County General Authority (Continued)

Project Viability (Continued)

If the General Authority fails to generate sufficient revenues to pay debt service on the Series A of 2011 and the Series B of 2011, or ceases revenue generating operations, or if other monies set aside for such purposes are insufficient, the County will be required to pay principal and interest on such bonds when due pursuant to the County Bond Guarantee 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. Throughout 2012, Dauphin Highlands has made a concerted effort to better market the property, in conjunction with substantial cost-cutting measures. The Authority continues to work on maximizing the revenue and controlling expenses of Dauphin Highlands. The General Authority entered into a contract with a management agency subsequent to year-end to try and increase revenues and limit expenses. The General Authority will continue to pursue the sale of the golf course, "consistent with our fiduciary responsibility."

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 payments. 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies (Continued)Dauphin County General Authority (Continued)Project Viability (Continued)

On July 1, 2009, a total of \$653,186 was transferred out of the Bond Reserve Fund because it was believed that the facility had not generated sufficient cash flows from operations to meet the July 1, 2009 debt service requirements. However, there were sufficient cash flows to cover July 1, 2009 debt service requirements prior to the transfer from the Bond Reserve Fund. This amount remained in the Bond Fund and was used to service the debt payment made on January 4, 2010. On January 4, 2010, \$776,474 was transferred out of the Bond Reserve Fund in order to meet the debt service requirement. On July 1, 2010, \$1,623,115 was transferred from the Bond Reserve Fund and \$92 was transferred from the Bond Redemption and Improvement Fund in order to meet the July 1, 2010 debt service requirements. However, a balance of \$790,000 remained in the Bond Fund after the July 1, 2010 payment, which was used to service the debt payment made on January 3, 2011. As of December 31, 2010 the ending balances outstanding to the Bond Reserve Fund and the BRIF were \$1,011,523 and \$92, respectively. The outstanding balance and activity for the year ended December 31, 2011 and December 31, 2012 are outlined below:

<u>2011 Activity</u>	<u>Due to Bond Reserve Fund</u>	<u>Due to Bond Redemption and Improvement Fund</u>	<u>Total</u>
Balance, December 31, 2010	\$ 1,011,523	\$ 92	\$ 1,011,615
Borrowed for January 3, 2011 payment	1,739,224	1,990	1,741,214
Monthly payment of \$64,706 on January 1, 2010 borrowing	(64,706)	-	(64,706)
Monthly payment of \$135,260 on July 1, 2010 borrowing	(946,815)	-	(946,815)
Borrowed for July 1, 2011 payment	2,311,450	-	2,311,450
Monthly payment of \$144,935 on January 3, 2011 borrowing	(1,594,285)	-	(1,594,285)
Monthly payment of \$192,621 on July 1, 2011 borrowing	(963,105)	-	(963,105)
Balance, December 31, 2011	<u>\$ 1,493,286</u>	<u>\$ 2,082</u>	<u>\$ 1,495,368</u>
<u>2012 Activity</u>			
Balance, December 31, 2011	\$ 1,493,286	\$ 2,082	\$ 1,495,368
Borrowed for January 3, 2012 payment	2,442,730	-	2,442,730
Monthly payment of \$144,935 on January 3, 2011 borrowing	(144,935)	-	(144,935)
Monthly payment of \$192,621 on July 1, 2011 borrowing	(1,348,351)	-	(1,348,351)
Borrowed for July 1, 2012 payment	2,588,295	-	2,588,295
Monthly payment of \$203,561 on January 3, 2012 borrowing	(2,239,171)	-	(2,239,171)
Monthly payment of \$215,691 on July 1, 2012 borrowing	(933,459)	-	(933,459)
Balance, December 31, 2012	<u>\$ 1,858,395</u>	<u>\$ 2,082</u>	<u>\$ 1,860,477</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies (Continued)

Dauphin County General Authority (Continued)

Project Viability (Continued)

Throughout the course of the year, the General Authority was unable to make timely payments to repay the Bond Reserve Fund for various debt service borrowings. The first occurrence was the final repayment of \$192,621 for the July 1, 2011 borrowing. This repayment occurred during August and September 2012, outside the one year window of repayment and was considered a technical default. The second occurrence was related to the final monthly payment of \$203,561, related to the January 1, 2012 borrowing. This amount was due in January of 2013 and was not repaid by the General Authority by the required payment date. Also, the final payment made to the Bond Reserve Fund during December 2012 was \$70,695. This amount is not equivalent to the required monthly transfer of \$215,691 that is required to pay back the July 1, 2012 borrowing; however, an additional transfer of \$129,438 was made February 28, 2013 in an effort to fully replenish the Bond Reserve Fund for the corresponding borrowing within one year.

As of April 30, 2012, there were not sufficient revenues available in the Bond Fund to replenish the Bond Reserve Fund for repayment of borrowings. Any available funds in the Revenue Fund on April 30, 2012 were paid to the Manager as a partial payment against operating expenses. As a result, the General Authority undertook an information filing through the Municipal Securities Rule Making Board's Access system (EMMA) on or about May 16, 2012. The full amount of the required reimbursement was paid in May 2012 with the priority of payments detailed in Section 6.02 of the trust indenture.

At December 31, 2012, \$1,858,395 remained due to the Bond Reserve Fund and \$2,082 remained due to the Bond Redemption and Improvement Fund. However, an additional \$2,588,288 was transferred out of the Bond Reserve Fund in order to meet the debt service requirement on January 2, 2013.

In 2012, the Pittsburgh Hyatt Hotel and Conference Center was unable to meet debt covenant requirement 6.1, which states that hotel revenues must be deposited into a Revenue Fund at an amount at least equal to 130% of the Annual Debt Service Payment. At present, there is no indication that the majority bondholder will invoke remedies prescribed under the trust indenture.

During October 2012, the General Authority issued a request for proposal (RFP) for the disposition of the Pittsburgh Hyatt Hotel and Conference Center. As a result of the RFP, a letter of intent was entered into with a prospective buyer and the General Authority is working toward the execution of a Purchase and Sale Agreement.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies (Continued)

Dauphin County General Authority (Continued)

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.

Case Management Unit

As a result of a DCED review, DCED is questioning CMU's expenditures of approximately \$150,000 of an ARRA grant they received, for noncompliance with the grant requirements. CMU is contesting these findings and proceedings could take over a year to resolve. This amount has not been accrued in the financial statements as of June 30, 2012, as management believes they will receive a favorable outcome.

Dauphin County Industrial Development Authority ("IDA")

The IDA has contractual commitments at September 30, 2012, of \$7,791,581 for projects directly assisting businesses and municipalities county-wide in the areas of both economic and community development.

NOTE 27: ADMINISTRATIVE FEES

Component Units – Administrative Fees

Dauphin County General Authority

Provisions of the financing documents of the bond issues require administrative fees to be paid to the General Authority. For the year ended December 31, 2012, these fees, as paid by each fund, are as follows:

Administrative Fund:	
County Building Bonds	\$ 20,000
Riverfront Office Center	265,596
Chestnut Street	40,644
Dauphin Highlands Golf Course	24,600
Pittsburgh Hyatt Hotel & Conference Center	30,000
Accounting fees	23,845
Bond issuance fees	40,000
Total Administrative Fees	<u>\$444,685</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 \$2,140,139 for the year ended December 31, 2012.

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.

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, 2012 for these loans totaled \$4,104,866. These outstanding deferred loans have been recorded as receivables at December 31, 2012, and unearned revenues totaling \$4,104,866 have been recorded to offset the deferred loans.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 30: LOANS RECEIVABLE

In 2010, the County entered into a verbal agreement with the Township of Derry (the "Township") in which the County would pay the Township's costs associated with the reconstruction and relocation of County Bridge No. 122. All expenditures related to this project were incurred in calendar year 2010. On January 26, 2011, the County entered into a formal loan agreement with the Township in the original amount of \$408,948, adjusted based on final cost allocation to \$334,470, at an annual simple interest rate of 1.625% to reimburse the County for the Township's portion of the costs. The agreement requires the Township to make annual principal and interest payments of \$36,509 to the County for 10 years beginning in 2012. The amount outstanding on the loan as of December 31, 2012 is \$303,396.

Year	Principal	Interest	Total Due
2013	\$ 31,578	\$ 4,930	\$ 36,508
2014	32,092	4,417	36,509
2015	32,613	3,896	36,509
2016	33,143	3,366	36,509
2017	33,682	2,827	36,509
2018-2021	<u>140,288</u>	<u>5,745</u>	<u>146,033</u>
	<u>\$ 303,396</u>	<u>\$ 25,181</u>	<u>\$ 328,577</u>

On April 9, 2010, the County entered into a loan agreement with the Harrisburg University of Science and Technology (the "University") in the amount of \$1,000,000 at an annual fixed rate of 1% for necessary and appropriate operations of the University. The agreement requires the University to repay the loan within nine months of the date of the agreement is executed, i.e. on or before December 31, 2010.

On October 21, 2010, the University requested a six month extension to the loan. On November 17, 2010, the County notified the University that the amended term for repayment of the loan including interest would be June 30, 2011.

On June 22, 2011, the University requested a second six month extension on the loan as well as an additional \$1,200,000 to pay operating expenses at the same interest rate as the original loan. The due date of the loan was amended to December 31, 2011.

On February 29, 2012, the University acknowledged its default on the June 22, 2011 Promissory Note, and requested an additional \$1,500,000 to pay debt service. The funds were disbursed to the University with an extended maturity date of December 31, 2019.

The amount outstanding on the loan at December 31, 2012 is \$3,700,000.

Year	Principal	Interest	Total Due
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2019	<u>3,700,000</u>	<u>158,415</u>	<u>3,858,415</u>
	<u>\$ 3,700,000</u>	<u>\$ 158,415</u>	<u>\$ 3,858,415</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 30: LOANS RECEIVABLE (CONTINUED)

Component Units – Loans Receivable

Dauphin County Industrial Development Authority (“IDA”)

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. In February 2009 this loan agreement was amended, requiring Tuscano Pizza & Grill to make monthly principal and interest payments of \$1,007 for 84 consecutive months beginning on March 1, 2009 on the remaining balance of \$76,187. The new loan agreement carries a fixed interest rate of 3.0%. The amount outstanding on the loan as of September 30, 2012 is \$46,594 which is fully reserved on the financial statements.

On December 19, 2008 the IDA entered into a new loan agreement with Andrew M. Hartwick (Trooper and Max’s) in the amount of \$20,000 at a fixed interest rate of 3.0%. The agreement required Andrew M. Hartwick to make monthly principal and interest payments of \$360 to the Authority for 60 consecutive months beginning on February 1, 2009. The amount outstanding on the loan as of September 30, 2012 is \$7,468.

In July 2008, the IDA entered in to a loan agreement with Trinity Harvest in the amount of \$50,000 at a fixed interest rate of 3.0%. The agreement required Trinity Harvest to make monthly principal and interest payments of \$898 to the IDA for 60 consecutive months beginning on October 1, 2008. The amount outstanding on the loan as of September 30, 2012 is \$33,345 which is fully reserved on the financial statements.

On May 8, 2009 the IDA entered in to a loan agreement with 39 Ventures, LP (Arooga’s) in the amount of \$200,000 at a fixed interest rate of 4.5%. The agreement required 39 Ventures, LP to make monthly principal and interest payments of \$3,729 to the IDA for 60 consecutive months beginning on June 1, 2009. The amount outstanding on the loan as of September 30, 2012 is \$71,715.

During the fiscal year ended, September 30, 2008 Dauphin County transferred the collection and rights of 5 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. Three of the loan balances were written off on December 15, 2010. The principle balance outstanding for the remaining loans as of September 30, 2012 is \$5,974.

On April 6, 2011 the Authority entered into a loan agreement with Harristown Enterprises, Inc. in the amount of \$100,000 at a fixed interest rate of 4.25%. The agreement required Harristown Enterprises to make monthly principal and interest payments of \$1,852.96 to the Authority for 60 consecutive months beginning on July 1, 2011. The amount outstanding on the loan as of September 30, 2012 is \$76,952.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 30: LOANS RECEIVABLE (CONTINUED)

Component Units – Loans Receivable (Continued)Dauphin County Industrial Development Authority (“IDA”) (Continued)

On September 29, 2011 the Authority entered into a loan agreement with Onabella, LTD in the amount of \$100,000 at a fixed interest rate of 4.25%. The agreement required Onabella, LTD to make monthly principal and interest payments of \$1,024.38 to the Authority for 120 consecutive months beginning on November 1, 2011. The amount outstanding on the loan as of September 30, 2012 is \$95,258.

Loans Receivable at September 30, 2012 is as follows:

Displayed as:

Current Portion	\$ 80,474
Noncurrent Portion	176,893
	<u>\$ 257,367</u>

Dauphin County Economic Development Corporation (“DCEDC”)

The Section 108 Note Payable proceeds described in Note 8 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, 2012, 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: ECONOMIC DEPENDENCY

Component Units - Economic DependencyCase Management Unit

Formal commitment for future funding by the Dauphin County MH/ID 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.

Dauphin County Economic Development Corporation (“DCEDC”)

Formal commitment for future funding by the Department of Housing and Urban Development is made on an annual basis. The DCEDC also receives a significant amount of operating revenue from Dauphin County, primarily through Hotel Tax distributions. Reduction of, or loss of, these funding sources could have a significant effect on the Corporation's programs and activities.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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 2012. 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: MANAGEMENT'S PLAN

Component Unit – Management's Plan

Dauphin County Economic Development Corporation ("DCEDC")

The DCEDC has a deficit unrestricted net position balance in the amount of \$2,258,650 at December 31, 2012. The DCEDC experienced the deficit due to the Section 108 HUD Loan described in Note 8 in the amount of \$2,360,000. This loan is being repaid in accordance with the loan amortization schedule using CDBG funds. The payments will continue through the loans maturity in 2026 and subsequently relieve the net position deficit.

NOTE 34: LOSS ON GUARANTEED DEBT PAYMENTS

In 2009, Dauphin County began making payments on the Debt and Swaps of the Harrisburg Authority under the Guarantee Agreement between the County and the Authority. As described in Note 26, the County has made payments of \$51,885,878. As of December 31, 2012, the County has established a reserve of \$17,139,378 that is shown as a Loss on Guaranteed Debt Payments on the financial statements.

NOTE 35: SUBSEQUENT EVENTS

- A. On February 26, 2013 the County paid \$1,500,000 to the trustee for the Harrisburg University 2007B Bonds. This payment was required per the terms of the County's guaranty on this issue as the University defaulted on its March 1, 2013 debt payment.
- B. In March of 2013, the County issued Series of 2013 General Obligation Bonds in the principal amount of \$15,905,000 to be used to refund the General Obligation Notes, Series C of 2004, refund the General Obligation Notes, Series D of 2004, and pay costs related to the issuance of the Bonds.
- C. In May of 2013, the County adopted ordinance number 2013-4, authorizing the creation of the Dauphin County Land Bank Authority, a component unit of the County created with the purpose of deterring blight and to return vacant property to productive status.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 35: SUBSEQUENT EVENTS

- D. In July of 2013, the Dauphin County Industrial Development Authority closed on the Guaranteed Lease Revenue Note, Series of 2013 in the principal amount of \$1,384,967 to finance the purchase, acquisition and construction of a new district justice office building and pay for costs incurred in connection with the issuance of the Note. Once completed, the building will be leased to the County for use as a magisterial district justice office and court room. As such, the 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 Lease Revenue Note, Series of 2013.
- E. Between January and September 2013, the County paid an additional \$4.5 million toward the Harrisburg Incinerator debt after the default of the Harrisburg Authority and the City of Harrisburg.

Component Unit – Subsequent Events

Dauphin County General Authority

On April 30, 2013, the General Authority executed a settlement agreement to sell the 10 Mars Street property, located on the Dauphin Highlands Golf Course, in the amount of \$75,000.

Dauphin County Industrial Development Authority ("IDA")

In December 2012, the IDA closed on the Guaranteed Mortgage Revenue Note, Series of 2012 in the principal amount of \$305,000 in order to finance the costs of the Veterans Building Project. 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 Veterans Building Note.

In December 2012, the IDA closed on the Guaranteed Note of 2012 in the principal amount of \$2,550,000 in order to finance the costs of the modification and expansion of the Solar Facility to generate additional solar energy. 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 Solar Facility Note.

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
2012	\$ 8,493,038	100%
2011	\$ 10,293,492	100%
2010	\$ 10,118,006	100%
2009	\$ 7,732,226	100%
2008	\$ 3,377,905	100%
2007	\$ 4,340,916	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, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of projected payroll
Asset valuation method	^ Market value adjusted for unrecognized gains and losses from prior years
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.50%
Includes inflation at:	3.00%
Cost-of-living adjustments	None

^ Asset valuation method changed from five-year smoothed market in 2011 to market value adjusted for unrecognized gains and losses from prior years in 2012.

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)
12/31/2012	\$ 221,525,154	\$ 282,867,937	\$ 61,342,783	78.3%	\$ 75,886,904	80.8%
12/31/2011	\$ 202,614,901	\$ 267,245,263	\$ 64,630,362	75.8%	\$ 75,828,648	85.2%
12/31/2010	\$ 190,544,004	\$ 254,614,559	\$ 64,070,555	74.8%	\$ 75,798,908	84.5%
12/31/2009	\$ 181,680,257	\$ 243,319,733	\$ 61,639,476	74.7%	\$ 77,592,072	79.4%
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%

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)
1/1/2011	\$ -	\$ 14,942,647	\$ 14,942,647	0%	\$ 75,798,908	19.7%
1/1/2009	-	11,290,422	11,290,422	0%	71,264,760	15.8%
1/1/2007	-	6,868,259	6,868,259	0%	63,649,794	10.8%

COUNTY OF DAUPHIN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 98,950,000	\$ 98,950,000	\$ 99,745,703	\$ 795,703
Intergovernmental	39,159,723	40,161,426	37,220,140	(2,941,286)
Charges for Services	17,822,282	17,866,782	18,069,559	202,777
License and Permits	68,500	68,500	111,168	42,668
Court Costs and Fines	4,232,018	4,688,176	3,791,976	(896,200)
Interest and Rents	262,350	262,350	185,288	(77,062)
Total Revenues	160,494,873	161,997,234	159,123,834	(2,873,400)
Expenditures				
Current:				
General Government	15,083,845	15,176,205	13,632,054	1,544,151
Judicial	54,285,325	55,079,648	50,928,613	4,151,035
Public Safety	41,638,589	41,635,276	43,398,077	(1,762,801)
Human Services	30,517,972	30,921,904	28,325,165	2,596,739
Culture and Recreation	2,330,862	2,391,737	2,145,684	246,053
Conservation and Development	4,668,579	4,780,584	4,623,413	157,171
Debt Service				
Principle	6,362,608	6,362,608	6,998,388	(635,780)
Interest	5,037,210	5,037,210	5,002,642	34,568
Total Expenditures	159,924,990	161,385,172	155,054,036	6,331,136
Excess of Revenues Over Expenditures	569,883	612,062	4,069,798	3,457,736
Other Financing Sources (Uses)				
Operating Transfer In	3,122,685	3,080,506	6,050,958	2,970,452
Operating Transfer (Out)	(24,568,324)	(24,568,324)	(15,607,709)	8,960,615
Transfer from Component Units	-	-	619,624	619,624
Loss on Guaranteed Debt Payments	-	-	(17,139,378)	(17,139,378)
Swap Proceeds	-	-	505,000	505,000
Gain (Loss) from Sale of Fixed Assets	4,000	4,000	6,550	2,550
Capital Lease Proceeds	-	-	817,977	817,977
Total Other Financing Uses	(21,441,639)	(21,483,818)	(24,746,978)	(3,263,160)
Net Change in Fund Balances	(20,871,756)	(20,871,756)	(20,677,180)	194,576
Fund Balances - January 1	20,871,756	20,871,756	91,199,378	70,327,622
Fund Balances - December 31	\$ -	\$ -	\$ 70,522,198	\$ 70,522,198

OTHER
SUPPLEMENTARY
INFORMATION

COUNTY OF DAUPHIN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	<u>Other Special Revenue Funds</u>	<u>Fort Hunter Permanent Fund</u>	<u>Total Other Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 5,067,724	\$ -	\$ 5,067,724
Investments	1,352,719	1,001,827	2,354,546
Receivables:			
Accounts	372,359	-	372,359
Loans	303,396	-	303,396
Due From Other Governments	1,500,892	-	1,500,892
Prepaid Expenses	3,462	-	3,462
Other Assets	62,999	-	62,999
	\$ 8,663,551	\$ 1,001,827	\$ 9,665,378
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,915,704	\$ -	\$ 1,915,704
Accrued Liabilities	248,266	-	248,266
Deferred Revenues	2,460,144	-	2,460,144
Due to Other Funds	146,683	-	146,683
	4,770,797	-	4,770,797
<u>Fund Balances</u>			
Nonspendable	275,280	-	275,280
Restricted	3,617,474	1,001,827	4,619,301
	3,892,754	1,001,827	4,894,581
	\$ 8,663,551	\$ 1,001,827	\$ 9,665,378

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Other Special Revenue <u>Funds</u>	Fort Hunter Permanent <u>Fund</u>	Total Other Governmental <u>Funds</u>
Revenues			
Hotel Taxes	\$ 9,074,534	\$ -	\$ 9,074,534
Intergovernmental	39,471,191	-	39,471,191
Charges for Services	1,426,944	-	1,426,944
Court Costs and Fines and Fees	1,325,556	-	1,325,556
Interest and Rent	36,715	23,825	60,540
Appreciation in Fair Market Value of Investments	-	60,535	60,535
Miscellaneous Revenue	1,484,777	8,262	1,493,039
	52,819,717	92,622	52,912,339
Total Revenues			
Expenditures			
Current:			
Judicial	7,241,182	-	7,241,182
Public Safety	97,727	-	97,727
Public Works	1,179,281	-	1,179,281
Human Services	38,362,882	-	38,362,882
Conservation and Development	171,274	-	171,274
Culture and Recreation	8,621,177	-	8,621,177
Debt Service			
Principle	572,750	-	572,750
Interest	42,521	-	42,521
	56,288,794	-	56,288,794
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	(3,469,077)	92,622	(3,376,455)
Other Financing Sources (Uses)			
Transfers In	3,521,220	-	3,521,220
Transfers Out	(155,670)	-	(155,670)
Proceeds from Asset Disposal	4,761	-	4,761
	3,370,311	-	3,370,311
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(98,766)	92,622	(6,144)
Fund Balances - Beginning of Year	3,991,520	909,205	4,900,725
Fund Balances - End of Year	\$ 3,892,754	\$ 1,001,827	\$ 4,894,581

COUNTY OF DAUPHIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012

	MH/ID	State Grant	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund
Assets							
Cash and Cash Equivalents	\$ 1,059,148	\$ 273,397	\$ 996,881	\$ 420,085	\$ 200	\$ 191,863	\$ 19,058
Investments	289,426	74,720	272,450	114,797	-	52,437	5,209
Receivables:							
Accounts	112,727	38,530	-	13,015	-	7	-
Loans	-	-	303,396	-	-	-	-
Due From Other Governments	-	-	-	824,047	161,341	-	-
Prepaid Expenses	-	-	-	-	-	-	-
Other Assets	1,034	285	916	652	46,623	184	92
Total Assets	\$ 1,462,335	\$ 386,932	\$ 1,573,643	\$ 1,372,596	\$ 208,164	\$ 244,491	\$ 24,359
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 306,751	\$ 72,677	\$ 228,653	\$ 14,244	\$ 16,094	\$ 3,479	\$ 7,523
Accrued Liabilities	82,122	2,917	-	78,906	9,219	-	-
Deferred Revenues	1,073,462	-	-	-	91,365	-	16,836
Due to Other Funds	-	-	-	-	57,599	-	-
Total Liabilities	1,462,335	75,594	228,653	93,150	174,277	3,479	24,359
Fund Balances							
Nonspendable	-	-	271,818	-	-	-	-
Restricted	-	311,338	1,073,172	1,279,446	33,887	241,012	-
Total Fund Balances	-	311,338	1,344,990	1,279,446	33,887	241,012	-
Total Liabilities and Fund Balances	\$ 1,462,335	\$ 386,932	\$ 1,573,643	\$ 1,372,596	\$ 208,164	\$ 244,491	\$ 24,359

COUNTY OF DAUPHIN
 COMBINED BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2012

	Aging Fund	Drug and Alcohol Fund	Drug Act-Forfeited State Property	Drug Act-Forfeited Federal Property	Hotel Tax Fund	ARRA Fund	Total
Assets							
Cash and Cash Equivalents	\$ 516,791	\$ 630,079	\$ 210,963	\$ 158,401	\$ 590,858	\$ -	\$ 5,067,724
Investments	111,806	172,175	54,924	43,292	161,483	-	1,352,719
Receivables:							
Accounts	63,904	7,417	-	136,759	-	-	372,359
Loans	-	-	-	-	-	-	303,396
Due From Other Governments	41,132	385,288	-	-	-	89,084	1,500,892
Prepaid Expenses	2,193	-	1,269	-	-	-	3,462
Other Assets	10,390	800	209	1,147	667	-	62,999
Total Assets	\$ 746,216	\$ 1,195,759	\$ 267,365	\$ 339,599	\$ 753,008	\$ 89,084	\$ 8,663,551
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 182,983	\$ 299,706	\$ 31,300	\$ -	\$ 752,294	\$ -	\$ 1,915,704
Accrued Liabilities	57,717	15,487	1,184	-	714	-	248,266
Deferred Revenues	397,915	880,566	-	-	-	-	2,460,144
Due to Other Funds	-	-	-	-	-	89,084	146,683
Total Liabilities	638,615	1,195,759	32,484	-	753,008	89,084	4,770,797
Fund Balances							
Nonspendable	2,193	-	1,269	-	-	-	275,280
Restricted	105,408	-	233,612	339,599	-	-	3,617,474
Total Fund Balances	107,601	-	234,881	339,599	-	-	3,892,754
Total Liabilities and Fund Balances	\$ 746,216	\$ 1,195,759	\$ 267,365	\$ 339,599	\$ 753,008	\$ 89,084	\$ 8,663,551

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	MH/ID	\$	State Grant	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund
Revenues								
Hotel Taxes	-	\$	-	-	-	-	-	-
Intergovernmental Charges for Services	23,626,569		-	836,689	3,928,284	232,997	57,476	267,330
Court Costs and Fines and Fees	1,096,557		-	-	70,185	67,994	49,202	-
Interest and Rent	-		519,289	-	-	-	-	-
Miscellaneous Revenue	7,980		1,722	10,308	1,403	-	960	362
								8,915
Total Revenues	24,731,106		521,011	846,997	3,999,872	300,991	107,638	276,597
Expenditures								
Current:								
Judicial	-		566,709	-	6,095,867	-	-	-
Public Safety	-		-	-	-	-	97,727	-
Public Works	-		-	1,179,281	-	-	-	-
Human Services	25,486,886		-	-	-	483,869	-	272,683
Conservation and Development	-		-	-	-	-	-	-
Culture and Recreation	-		-	-	-	-	-	-
Debt Service	132,750		-	-	-	-	-	-
Principle	25,581		-	-	-	-	-	-
Interest	-		-	-	-	-	-	-
Total Expenditures	25,645,217		566,709	1,179,281	6,095,867	483,869	97,727	272,683
Excess of Revenues Over (Under) Expenditures	(914,111)		(45,698)	(332,284)	(2,095,995)	(182,876)	9,911	3,914
Other Financing Sources (Uses)								
Transfers In	940,374		370	2,319	2,140,487	173,316	300	-
Transfers Out	(26,263)		(50,000)	-	-	-	-	(3,914)
Proceeds from Asset Disposal	-		4,761	-	-	-	-	-
Total Other Financing Sources (Uses)	914,111		(44,869)	2,319	2,140,487	173,316	300	(3,914)
Net Change in Fund Balances	-		(90,567)	(329,965)	44,492	(9,562)	10,211	-
Fund Balances - Beginning of Year	-		401,905	1,674,955	1,234,954	43,449	230,801	-
Fund Balances - End of Year	-		311,338	1,344,990	1,279,446	33,887	241,012	-

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Aging Fund	Drug and Alcohol Fund	Drug Act-Forfeited State Fund	Drug Act-Forfeited Federal Fund	Hotel Tax Fund	ARRA Fund	Totals
Revenues							
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,074,534	\$ -	\$ 9,074,534
Intergovernmental	5,897,228	3,686,843	-	-	-	937,775	39,471,191
Charges for Services	121,928	21,078	-	-	-	-	1,426,944
Court Costs and Fines and Fees	-	-	577,992	228,275	-	-	1,325,556
Interest and Rent	3,938	4,691	1,126	652	3,583	-	36,715
Miscellaneous Revenue	1,475,862	-	-	-	-	-	1,484,777
Total Revenues	7,498,956	3,712,612	579,118	228,927	9,078,117	937,775	52,819,717
Expenditures							
Current:							
Judicial	-	-	544,350	17,833	-	16,423	7,241,182
Public Safety	-	-	-	-	-	-	97,727
Public Works	-	-	-	-	-	-	1,179,281
Human Services	7,538,658	3,809,783	-	-	-	771,003	38,362,882
Conservation and Development	-	-	-	-	-	171,274	171,274
Culture and Recreation	-	-	-	-	8,621,177	-	8,621,177
Debt Service	-	-	-	-	-	-	572,750
Principle	-	-	-	-	440,000	-	42,521
Interest	-	-	-	-	16,940	-	-
Total Expenditures	7,538,658	3,809,783	544,350	17,833	9,078,117	958,700	56,288,794
Excess of revenues Over (Under)	(39,702)	(97,171)	34,768	211,094	-	(20,925)	(3,469,077)
Other Financing Sources(Uses)							
Transfers In	90,000	143,878	-	-	-	30,176	3,521,220
Transfers Out	(19,535)	(46,707)	-	-	-	(9,251)	(155,670)
Proceeds from Asset Disposal	-	-	-	-	-	-	4,761
Total Other Financing Sources (Uses)	70,465	97,171	-	-	-	20,925	3,370,311
Net Change in Fund Balances	30,763	-	34,768	211,094	-	-	(98,766)
Fund Balances - Beginning of Year	76,838	-	200,113	128,505	-	-	3,991,520
Fund Balances - End of Year	\$ 107,601	\$ -	\$ 234,881	\$ 339,599	\$ -	\$ -	\$ 3,892,754

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2012

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 92,851	\$ 980,003	\$ 30,784	\$ 1,103,638
Investments	25,376	267,837	-	293,213
Accounts Receivables	201,869	878,783	-	1,080,652
Due from Other Governments	-	36,495	-	36,495
Other Assets	100,164	2,815	-	102,979
Total current assets	420,260	2,165,933	30,784	2,616,977
Noncurrent Assets:				
Capital Assets, Not Being Depreciated	-	-	111,492	111,492
Capital Assets, Being Depreciated, (Net)	1,508,247	1,041,429	420,097	2,969,773
Total noncurrent assets	1,508,247	1,041,429	531,589	3,081,265
Total assets	1,928,507	3,207,362	562,373	5,698,242
LIABILITIES				
Current liabilities:				
Accounts Payable	112,121	14,674	-	126,795
Accrued Liabilities	5,846	93,626	-	99,472
Due to Other Funds	-	875,118	-	875,118
Obligation Under Capital Lease	-	25,470	-	25,470
Total current liabilities	117,967	1,008,888	-	1,126,855
Noncurrent liabilities:				
Accrued Compensated Absences	12,148	404,835	-	416,983
Total noncurrent liabilities	12,148	404,835	-	416,983
Total liabilities	130,115	1,413,723	-	1,543,838
NET POSITION				
Net Investment in Capital Assets	1,508,247	1,015,959	531,589	3,055,795
Unrestricted	290,145	777,680	30,784	1,098,609
Total net position	\$ 1,798,392	\$ 1,793,639	\$ 562,373	\$ 4,154,404

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
Operating Revenues				
Charges for Services	\$ 1,200,381	\$ 4,133,262	\$ 48,414	\$ 5,382,057
Total Operating Revenues	1,200,381	4,133,262	48,414	5,382,057
Operating Expenses				
Personnel Services	347,697	4,803,868	-	5,151,565
Contracted Services	687,410	58,659	-	746,069
Supplies and Materials	4,475	32,997	-	37,472
Repairs and Maintenance	87,228	1,446,076	-	1,533,304
Utilities	16,079	393,403	9,071	418,553
Other Services and Charges	200,782	215,321	21,730	437,833
Depreciation and Amortization	86,304	274,858	57,169	418,331
Total Operating Expenses	1,429,975	7,225,182	87,970	8,743,127
Operating Loss	(229,594)	(3,091,920)	(39,556)	(3,361,070)
Nonoperating Revenues (Expenses)				
Interest Income	556	8,672	-	9,228
Interest Expense	-	(3,935)	-	(3,935)
Grants	67,993	-	-	67,993
Total Nonoperating Revenues	68,549	4,737	-	73,286
Loss Before Operating Transfers In	(161,045)	(3,087,183)	(39,556)	(3,287,784)
Transfers In	240,000	650,323	-	890,323
Gain on Disposal of Capital Asset	-	389,426	-	389,426
Total Transfers In	240,000	1,039,749	-	1,279,749
Changes in Net Position	78,955	(2,047,434)	(39,556)	(2,008,035)
Total Net Position - Beginning of Year	1,719,437	3,841,073	601,929	6,162,439
Total Net Position - End of Year	\$ 1,798,392	\$ 1,793,639	\$ 562,373	\$ 4,154,404

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
Cash Flows From Operating Activities				
Receipts from Recycling Services	\$ 1,099,814	\$ 3,641,208	\$ -	\$ 4,741,022
Receipts from Recreational Activities	-	-	48,414	48,414
Payments to Employees	(378,218)	(4,716,068)	-	(5,094,286)
Payments to Suppliers	(1,143,214)	(2,163,422)	(30,801)	(3,337,437)
Internal Activity - Payments to other funds	-	875,118	-	875,118
Net Cash Provided by (Used In) Operating Activities	(421,618)	(2,363,164)	17,613	(2,767,169)
Cash Flow From Noncapital Financing Activities				
Operating Transfers In	240,000	650,323	-	890,323
Net Cash Provided by Noncapital Financing Activities	240,000	650,323	-	890,323
Cash Flows from Capital and Related Financing Activities				
Interest Paid	-	(3,935)	-	(3,935)
Grants	67,993	-	-	67,993
Purchase of Capital Assets, net of Disposals	-	231,813	(13,793)	218,020
Gain on Disposal of Capital Assets	-	389,426	-	389,426
Principal Payments on Capital Lease	-	(59,076)	-	(59,076)
Net Cash Provided by (Used in) Capital and Related Financing Activities	67,993	558,228	(13,793)	612,428
Cash Flows from Investing Activities				
Interest Income	556	8,672	-	9,228
Investments	15,175	151,845	-	167,020
Net Cash Provided by Investing Activities	15,731	160,517	-	176,248
Net Increase (Decrease) in Cash and Cash Equivalents	(97,894)	(994,096)	3,820	(1,088,170)
Cash and Cash Equivalents, Beginning of Year	190,745	1,974,099	26,964	2,191,808
Cash and Cash Equivalents, End of Year	\$ 92,851	\$ 980,003	\$ 30,784	\$ 1,103,638

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Solid Waste Fund	Emergency 911 Operating & Act 56 Wireless Fund	Fort Hunter Operating Fund	Totals
Reconciliation of Operating loss to net cash provided (used) by operating activities				
Operating Loss	\$ (229,594)	\$ (3,091,920)	\$ (39,556)	\$ (3,361,070)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities				
Depreciation and Amortization Expense	86,304	274,858	57,169	418,331
Change in assets and liabilities				
Accounts Receivable	(100,567)	(492,054)	-	(592,621)
Other Assets	(164)	(915)	-	(1,079)
Accounts Payable	(147,076)	(16,051)	-	(163,127)
Accrued Expenses	(35,064)	30,463	-	(4,601)
Accrued Vacation and Sick Pay	4,543	57,337	-	61,880
Due To/Due From Other Funds	-	875,118	-	875,118
Net Cash Provided by (Used In) Operating Activities	\$ (421,618)	\$ (2,363,164)	\$ 17,613	\$ (2,767,169)

COUNTY OF DAUPHIN, PENNSYLVANIA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 DECEMBER 31, 2012

	Tax Claim Agency Fund	Sheriff Agency Fund	Probation and Parole Agency Fund	Treasurer Agency Fund	Prerequisite Agency Fund	Recorder of Deeds Agency Fund	Clerk of Court Agency Fund	Prison Agency Fund	Domestic Relations Agency Fund	Registrar of Wills Agency Fund	Coroner's Agency Fund	Payroll Advance Fund	Children and Youth Agency Fund	Flexible Spending Account	Total
Cash and Cash Equivalents Investments	\$ 2,391,789	\$ 568,715	\$ 398,213	\$ 10,044	\$ 212,410	\$ 908,072	\$ 911,733	\$ 2,057,311	\$ 38,188	\$ 85,209	\$ 588	\$ 17,508	\$ 51,122	\$ 45,523	\$ 7,784,516
Total Assets	\$ 2,890,647	\$ 568,715	\$ 398,213	\$ 10,044	\$ 212,410	\$ 908,072	\$ 911,733	\$ 2,057,311	\$ 38,188	\$ 85,209	\$ 588	\$ 17,508	\$ 51,122	\$ 45,523	\$ 6,04,858
Accounts Payable	\$ 992,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 992,159
Funds Held in Escrow	\$ 2,024,488	\$ -	\$ 398,213	\$ 10,044	\$ 212,410	\$ 908,072	\$ 911,733	\$ 2,057,311	\$ 38,188	\$ 85,209	\$ 588	\$ 17,508	\$ 51,122	\$ 45,523	\$ 5,434,150
Due To Other Governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 2,996,647	\$ -	\$ 398,213	\$ 10,044	\$ 212,410	\$ 908,072	\$ 911,733	\$ 2,057,311	\$ 38,188	\$ 85,209	\$ 588	\$ 17,508	\$ 51,122	\$ 45,523	\$ 8,989,372

Assets

Liabilities

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
General Government				
Commissioners - Governing Body				
Personal Services	\$ 717,036	\$ 708,036	\$ 1,166,249	\$ (458,213)
Supplies and Services	2,071,370	2,225,363	1,487,316	738,047
Capital Outlay	-	-	-	-
	<u>2,788,406</u>	<u>2,933,399</u>	<u>2,653,565</u>	<u>279,834</u>
Finance				
Personal Services	335,335	335,335	320,699	14,636
Supplies and Services	18,120	17,774	12,064	5,710
Capital Outlay	-	-	-	-
	<u>353,455</u>	<u>353,109</u>	<u>332,763</u>	<u>20,346</u>
Risk Management				
Personal Services	176,186	176,186	141,071	35,115
Supplies and Services	4,928	4,928	4,230	698
	<u>181,114</u>	<u>181,114</u>	<u>145,301</u>	<u>35,813</u>
Purchasing				
Personal Services	410,334	410,334	361,513	48,821
Supplies and Services	524,354	524,354	450,963	73,391
Capital Outlay	-	-	-	-
	<u>934,688</u>	<u>934,688</u>	<u>812,476</u>	<u>122,212</u>
Voter's Registration				
Personal Services	471,988	471,988	475,301	(3,313)
Supplies and Services	698,700	675,919	662,708	13,211
Capital Outlay	-	8,000	7,517	483
	<u>1,170,688</u>	<u>1,155,907</u>	<u>1,145,526</u>	<u>10,381</u>
Tax Assessment				
Personal Services	1,576,850	1,576,850	1,499,674	77,176
Supplies and Services	1,570,036	1,594,543	1,434,131	160,412
Capital Outlay	-	-	-	-
	<u>3,146,886</u>	<u>3,171,393</u>	<u>2,933,805</u>	<u>237,588</u>
Treasurer				
Personal Services	344,646	331,295	306,160	25,135
Supplies and Services	13,175	26,526	22,596	3,930
Capital Outlay	-	-	-	-
	<u>357,821</u>	<u>357,821</u>	<u>328,756</u>	<u>29,065</u>
Tax Collectors				
Personal Services	188,388	188,388	182,932	5,456
Supplies and Services	70,800	72,416	61,106	11,310
Capital Outlay	-	-	-	-
	<u>259,188</u>	<u>260,804</u>	<u>244,038</u>	<u>16,766</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
General Government (Continued)				
Personnel				
Personal Services	842,700	842,700	1,589,279	(746,579)
Supplies and Services	909,850	909,850	50,613	859,237
Capital Outlay	-	-	-	-
	<u>1,752,550</u>	<u>1,752,550</u>	<u>1,639,892</u>	<u>112,658</u>
Controller				
Personal Services	1,007,063	1,007,063	937,185	69,878
Supplies and Services	229,069	229,069	241,038	(11,969)
Capital Outlay	-	-	-	-
	<u>1,236,132</u>	<u>1,236,132</u>	<u>1,178,223</u>	<u>57,909</u>
Solicitor				
Personal Services	468,408	468,408	396,873	71,535
Supplies and Services	126,068	126,068	156,651	(30,583)
Capital Outlay	-	-	-	-
	<u>594,476</u>	<u>594,476</u>	<u>553,524</u>	<u>40,952</u>
Public Defender				
Personal Services	2,986,884	2,986,884	2,803,206	183,678
Supplies and Services	885,388	848,515	845,453	3,062
Capital Outlay	-	-	-	-
	<u>3,872,272</u>	<u>3,835,399</u>	<u>3,648,659</u>	<u>186,740</u>
Recorder of Deeds				
Personal Services	564,991	564,991	483,277	81,714
Supplies and Services	671,308	643,895	437,707	206,188
Capital Outlay	-	-	-	-
	<u>1,236,299</u>	<u>1,208,886</u>	<u>920,984</u>	<u>287,902</u>
Facilities Management				
Personal Services	3,313,982	3,311,699	3,016,894	294,805
Supplies and Services	3,044,042	3,022,330	2,705,083	317,247
Capital Outlay	4,848	28,843	23,995	4,848
	<u>6,362,872</u>	<u>6,362,872</u>	<u>5,745,972</u>	<u>616,900</u>
Printing				
Personal Services	-	-	-	-
Supplies and Services	-	-	547	(547)
Capital Outlay	1,344	1,344	20,188	(18,844)
	<u>1,344</u>	<u>1,344</u>	<u>20,735</u>	<u>(19,391)</u>
Data Processing				
Personal Services	2,249,080	2,094,736	1,922,391	172,345
Supplies and Services	1,209,030	1,235,539	1,148,565	86,974
Capital Outlay	226,494	354,329	797,789	(443,460)
	<u>3,684,604</u>	<u>3,684,604</u>	<u>3,868,745</u>	<u>(184,141)</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued)				
Veterans' Affairs				
Personal Services	96,357	96,357	136,320	(39,963)
Supplies and Services	126,593	127,250	105,868	21,382
Capital Outlay	-	-	-	-
	<u>222,950</u>	<u>223,607</u>	<u>242,188</u>	<u>(18,581)</u>
Gasoline Center				
Supplies and Services	28,100	28,100	23,740	4,360
Capital Outlay	-	-	-	-
	<u>28,100</u>	<u>28,100</u>	<u>23,740</u>	<u>4,360</u>
Pass-through Library Grant	-	-	-	-
Less: Indirect Cost Reimbursement	<u>(13,100,000)</u>	<u>(13,100,000)</u>	<u>(12,806,838)</u>	<u>(293,162)</u>
Total General Government	<u>\$ 15,083,845</u>	<u>\$ 15,176,205</u>	<u>\$ 13,632,054</u>	<u>\$ 1,544,151</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial				
Courts				
Personal Services	\$ 2,446,577	\$ 2,446,577	\$ 2,182,226	\$ 264,351
Supplies and Services	3,605,749	3,648,462	3,553,370	95,092
Capital Outlay	-	-	-	-
	<u>6,052,326</u>	<u>6,095,039</u>	<u>5,735,596</u>	<u>359,443</u>
Court Reporters				
Personal Services	1,425,622	1,425,622	1,316,422	109,200
Supplies and Services	72,276	72,276	43,976	28,300
Capital Outlay	-	-	-	-
	<u>1,497,898</u>	<u>1,497,898</u>	<u>1,360,398</u>	<u>137,500</u>
Jury Commissioners				
Personal Services	-	-	-	-
Supplies and Services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District Justices				
Personal Services	4,714,041	4,714,041	4,218,521	495,520
Supplies and Services	2,041,566	2,077,309	1,690,694	386,615
Capital Outlay	171,423	171,423	-	171,423
	<u>6,927,030</u>	<u>6,962,773</u>	<u>5,909,215</u>	<u>1,053,558</u>
Law Library				
Personal Services	102,994	102,994	90,852	12,142
Supplies and Services	460,969	446,963	340,621	106,342
Capital Outlay	-	-	-	-
	<u>563,963</u>	<u>549,957</u>	<u>431,473</u>	<u>118,484</u>
Night Court				
Personal Services	221,345	221,345	232,475	(11,130)
Supplies and Services	21,045	19,845	6,204	13,641
Capital Outlay	-	-	-	-
	<u>242,390</u>	<u>241,190</u>	<u>238,679</u>	<u>2,511</u>
Clerk of Courts				
Personal Services	1,518,337	1,516,737	1,318,563	198,174
Supplies and Services	375,241	480,350	348,213	132,137
Capital Outlay	-	5,431	5,431	-
	<u>1,893,578</u>	<u>2,002,518</u>	<u>1,672,207</u>	<u>330,311</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Judicial (Continued)				
Coroner				
Personal Services	561,505	561,505	542,631	18,874
Supplies and Services	517,828	497,396	497,700	(304)
Capital Outlay	-	88,317	88,572	(255)
	<u>1,079,333</u>	<u>1,147,218</u>	<u>1,128,903</u>	<u>18,315</u>
District Attorney				
Personal Services	3,531,924	3,531,924	3,276,034	255,890
Supplies and Services	1,116,681	1,195,409	1,047,805	147,604
Capital Outlay	-	-	-	-
	<u>4,648,605</u>	<u>4,727,333</u>	<u>4,323,839</u>	<u>403,494</u>
Criminal Investigation				
Personal Services	1,566,584	1,566,584	1,469,451	97,133
Supplies and Services	619,388	593,172	564,370	28,802
Capital Outlay	36,824	36,824	34,853	1,971
	<u>2,222,796</u>	<u>2,196,580</u>	<u>2,068,674</u>	<u>127,906</u>
Prothonotary				
Personal Services	1,008,354	1,006,354	954,657	51,697
Supplies and Services	313,453	417,191	378,979	38,212
Capital Outlay	19,945	17,405	17,075	330
	<u>1,341,752</u>	<u>1,440,950</u>	<u>1,350,711</u>	<u>90,239</u>
Registrar of Wills				
Personal Services	500,199	490,199	458,030	32,169
Supplies and Services	291,081	328,891	260,021	68,870
Capital Outlay	-	-	4,845	(4,845)
	<u>791,280</u>	<u>819,090</u>	<u>722,896</u>	<u>96,194</u>
Sheriff				
Personal Services	3,455,486	3,438,586	3,380,995	57,591
Supplies and Services	751,073	764,987	740,378	24,609
Capital Outlay	-	86,000	84,759	1,241
	<u>4,206,559</u>	<u>4,289,573</u>	<u>4,206,132</u>	<u>83,441</u>
Cost & Fines				
Personal Services	224,757	224,757	215,664	9,093
Supplies and Services	28,506	27,440	26,505	935
Capital Outlay	-	-	-	-
	<u>253,263</u>	<u>252,197</u>	<u>242,169</u>	<u>10,028</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial (Continued)				
Adult Probation				
Personal Services	11,556,914	11,556,914	11,153,771	403,143
Supplies and Services	1,718,100	1,837,024	1,740,217	96,807
Capital Outlay	97,103	82,870	48,479	34,391
	<u>13,372,117</u>	<u>13,476,808</u>	<u>12,942,467</u>	<u>534,341</u>
Juvenile Probation				
Personal Services	6,486,616	6,449,146	6,112,622	336,524
Supplies and Services	1,343,080	1,406,684	1,160,607	246,077
Capital Outlay	-	37,470	-	37,470
	<u>7,829,696</u>	<u>7,893,300</u>	<u>7,273,229</u>	<u>620,071</u>
Victim Witness				
Personal Services	67,081	67,081	66,370	711
Supplies and Services	679,988	804,473	764,632	39,841
	<u>747,069</u>	<u>871,554</u>	<u>831,002</u>	<u>40,552</u>
Pretrial				
Personal Services	-	-	-	-
Supplies and Services	454,670	454,670	415,556	39,114
	<u>454,670</u>	<u>454,670</u>	<u>415,556</u>	<u>39,114</u>
RO County Records Improvement				
Supplies and Services	139,000	139,000	75,467	63,533
Capital Outlay	22,000	22,000	-	22,000
	<u>161,000</u>	<u>161,000</u>	<u>75,467</u>	<u>85,533</u>
Total Judicial	<u>\$ 54,285,325</u>	<u>\$ 55,079,648</u>	<u>\$ 50,928,613</u>	<u>\$ 4,151,035</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public Safety				
Prison				
Personal Services	\$ 28,858,447	\$ 28,788,447	\$ 30,302,294	\$ (1,513,847)
Supplies and Services	10,501,496	10,539,866	9,620,923	918,943
Capital Outlay	-	40,064	40,064	-
	<u>39,359,943</u>	<u>39,368,377</u>	<u>39,963,281</u>	<u>(594,904)</u>
Emergency Services				
Personal Services	742,480	742,480	760,559	(18,079)
Supplies and Services	1,528,166	1,522,075	2,663,482	(1,141,407)
Capital Outlay	8,000	2,344	10,755	(8,411)
	<u>2,278,646</u>	<u>2,266,899</u>	<u>3,434,796</u>	<u>(1,167,897)</u>
Total Public Safety	<u>\$ 41,638,589</u>	<u>\$ 41,635,276</u>	<u>\$ 43,398,077</u>	<u>\$ (1,762,801)</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Human Services				
Personal Services	\$ 418,799	\$ 448,629	\$ 594,043	\$ (145,414)
Supplies and Services	30,099,173	30,473,275	27,731,122	2,742,153
Capital Outlay	-	-	-	-
Total Human Services	\$ 30,517,972	\$ 30,921,904	\$ 28,325,165	\$ 2,596,739
Culture and Recreation				
Parks				
Personal Services	\$ 1,300,442	\$ 1,300,442	\$ 1,270,366	\$ 30,076
Supplies and Services	1,030,420	1,091,295	875,318	215,977
Capital Outlay	-	-	-	-
Total Culture and Recreation	\$ 2,330,862	\$ 2,391,737	\$ 2,145,684	\$ 246,053
Conservation and Development				
Cooperative Extension				
Personal Services	\$ 263,224	\$ 263,224	\$ 252,125	\$ 11,099
Supplies and Services	247,761	246,972	246,349	623
Capital Outlay	-	-	-	-
Total Cooperative Extension	510,985	510,196	498,474	11,722
Conservation Programs				
Personal Services	1,067,642	1,067,642	993,189	74,453
Supplies and Services	662,054	770,901	579,167	191,734
Capital Outlay	-	-	190,011	(190,011)
Total Conservation Programs	1,729,696	1,838,543	1,762,367	76,176
Economic Development				
Personal Services	385,070	385,070	323,036	62,034
Supplies and Services	2,042,828	2,046,775	2,039,536	7,239
Capital Outlay	-	-	-	-
Total Economic Development	2,427,898	2,431,845	2,362,572	69,273
Housing Redevelopment				
Supplies and Services	-	-	-	-
Total Housing Redevelopment	-	-	-	-
Total Conservation and Development	\$ 4,668,579	\$ 4,780,584	\$ 4,623,413	\$ 157,171

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service				
Principal	\$ 6,362,608	\$ 6,362,608	\$ 6,998,388	\$ (635,780)
Interest	5,037,210	5,037,210	4,877,642	159,568
Total Debt Service	<u>\$ 11,399,818</u>	<u>\$ 11,399,818</u>	<u>\$ 11,876,030</u>	<u>\$ (476,212)</u>
Other Financing Uses				
Interfund Transfers to				
Domestic Relations Fund	\$ 2,140,487	\$ 2,140,487	\$ 2,140,487	\$ -
MH/MR Fund	888,100	888,100	889,811	(1,711)
Office of Aging Fund	90,000	90,000	90,000	-
Drug and Alcohol Fund	207,871	207,871	141,168	66,703
Children, Youth, and Families Fund	11,500,000	11,500,000	10,742,873	757,127
State Grant Fund	-	-	-	-
Human Services Development Fund	40,000	40,000	-	40,000
Hazard Materials Emergency Response Fund	-	-	300	(300)
Weatherization	30,000	30,000	173,316	(143,316)
Liquid Fuels	-	-	2,319	(2,319)
ARRA	-	-	-	-
Affordable Housing	-	-	-	-
911 - EMA Communications Fund	650,000	650,000	650,323	(323)
Solid Waste	-	-	650,000	(650,000)
Capital Projects Fund	-	-	-	-
Human Service Building Fund	500,000	500,000	-	500,000
General Fund	721,866	721,866	362,798	359,068
Debt Service	7,800,000	7,800,000	-	7,800,000
Total Interfund Transfers	<u>\$ 24,568,324</u>	<u>\$ 24,568,324</u>	<u>\$ 15,843,395</u>	<u>\$ 8,724,929</u>