

**COUNTY OF DAUPHIN  
HARRISBURG, PENNSYLVANIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

COUNTY OF DAUPHIN, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2006

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

Commissioners  
County of Dauphin  
Harrisburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of COUNTY OF DAUPHIN as of and for the year ended December 31, 2006, which collectively comprise the COUNTY OF DAUPHIN's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the COUNTY OF DAUPHIN. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component units' financial statements for the Dauphin County Industrial Development Authority, the Dauphin County General Authority, and the Dauphin County Economic Development Corporation which represent 99.12 percent and 78.98 percent, respectively of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregately discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2006 the COUNTY OF DAUPHIN adopted the provisions of Governmental Accounting Standards Board's Statement No. 46, "*Net Assets Restricted by Enabling Legislation*" and Statement No. 47, "*Accounting for Termination Benefits*".

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# Zelenkofske Axelrod LLC

Commissioners  
County of Dauphin  
Page 2

The financial statements referred to above include the financial data of the Dauphin County General Authority whose financial statements include a uncertainty pertaining to the technical default of the trust indenture with respect to the Hotel and Conference Center Revenue Bonds, Series of 1998 (Hyatt Hotel Project) as described in Note 26.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2008, on our consideration of the COUNTY OF DAUPHIN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 18 and page 120 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF DAUPHIN's basic financial statements. The combining non-major fund financial statements on pages 122 through 141 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These items have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania  
February 1, 2008

# 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, 2006. 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, 2006.

## Financial Highlights

- Dauphin County's property tax rate of 6.876 mills was not raised in 2006.
- Dauphin County's Standard & Poors 'AA' rating with a stable outlook was reaffirmed as part of the first phase of the EMA Radio Project borrowing in July 2006.
- General Obligation Bonds in the amount of \$16,450,000 were issued in July 2006 for the first phase of the \$34,000,000 EMA Radio Upgrade Project. This borrowing was divided into two parts so that there would be no interest arbitrage rebate penalties.
- In June of 2006, a Floating-to-Fixed-Rate Swap agreement was entered into on the \$16,700,000 second phase of the EMA Radio Project borrowing. The effective date of this swap is 12/1/07.
- In August 2006, the County entered into Constant Maturity Swap agreements on its \$13,960,000 2004D Notes and the \$16,450,000 2006 EMA Radio Project bonds. The counterparty on both of these swaps is the Royal Bank of Canada. The projected benefit of these swaps is almost \$1 million over the remaining life of these two issues.
- In December 2006, the Spring Creek Nursing Home was sold to Continuum Care, a private company. This move will save Dauphin County approximately \$6,000,000 annually in subsidy payments.
- At December 31, 2006 the General Fund's unreserved balance was \$52,825,329. Of this amount, \$13,855,000 was designated for debt service defeasance, leaving \$38,970,329 undesignated. This is up from the \$28,321,033 unreserved balance at the end of 2005.
- The County's total net assets increased by \$11,888,862 in 2006. Unrestricted net assets at year-end were \$22,821,120.

## Overview of the Financial Statements

The financial section of this report consists of four parts:

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

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

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

- **Government-wide financial statements**, the first two statements, provide information about the County's overall financial status as well as the financial status of the County's component units.
- **Fund financial statements**, the remaining statements, focus on individual parts of County government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
  - o Governmental funds statements show how general government services such as public safety were financed in the short term, as well as what remains for future spending.
  - o Proprietary fund statements offer short-term and long-term financial information about the activities the county operates like a business, such as the Spring Creek long term care facility.
  - 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 related to one another.

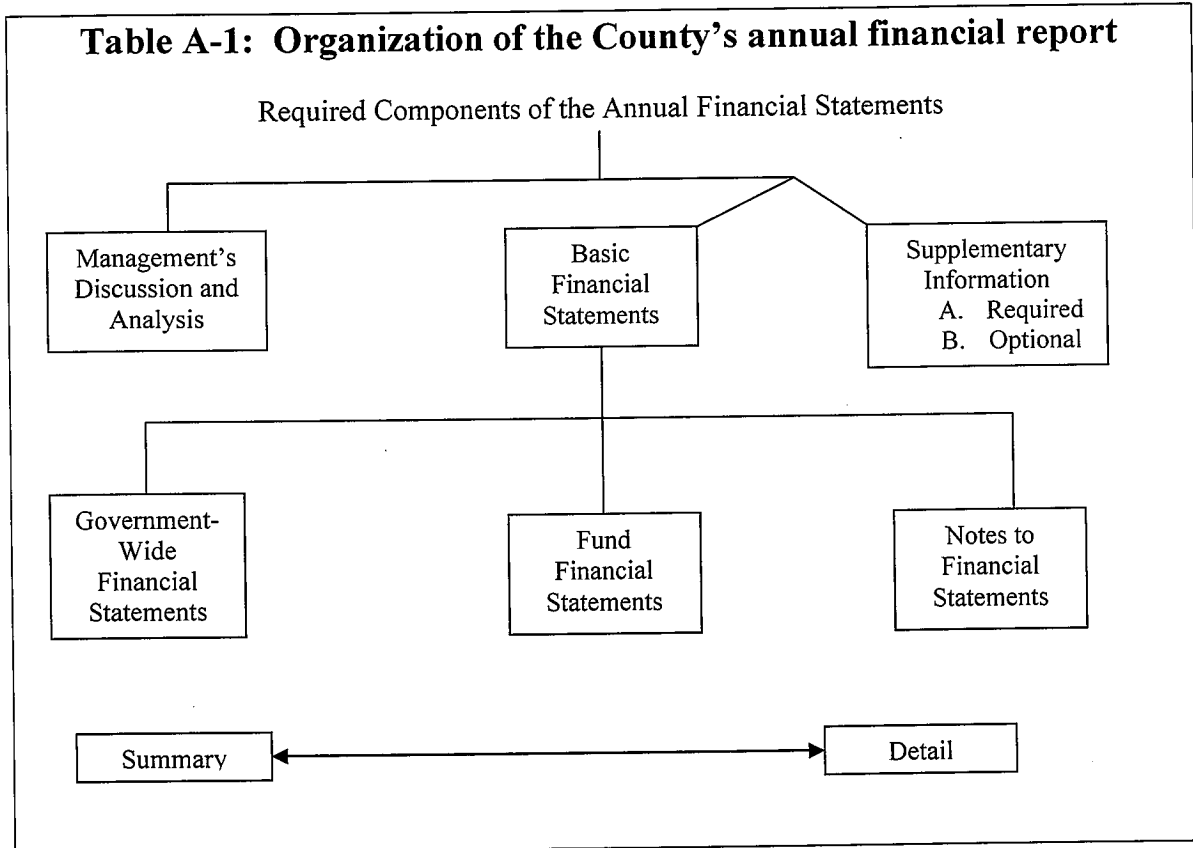


Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

**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 Spring Creek long-term care facility	Instances in which the County administers resources on behalf of others, such as the employee pension plan
Required Financial Statements	- Statement of net assets - Statement of activities	- Balance Sheet - Statement of revenues, expenditures and changes in fund balance	- Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows	- Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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



## Government-wide Financial Statements

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

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

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

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

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

There are two categories of activities for the primary government.

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

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

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

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

## **Fund Financial Statements**

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

The County has three kinds of funds:

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

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

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

- Proprietary Funds report business-type programs and activities that charge fees designed to recover the cost of providing services. They report using full accrual accounting.

- *Fiduciary Funds* are funds for which the County is the trustee or fiduciary. These include the Employee Retirement Fund and certain agency funds, or clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The County is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## Implementation of GASB No. 34

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

## Government-Wide Financial Statements

### Net Assets

Dauphin County's total assets were \$189,939,574 at December 31, 2006. Of this amount, \$77,241,705 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. In accordance with GASB No. 34, the County retroactively recorded its infrastructure assets, resulting in a \$5,469,831 increase in net assets at January 1, 2006.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		Total Percentage Change
	2005	2006	2005	2006	2005	2006	
Current & Other Assets	\$ 67,308,043	\$ 108,407,662	\$ 8,709,959	\$ 4,290,207	\$ 76,018,002	\$ 112,697,869	48.3%
Capital Assets	50,627,048	66,748,388	34,845,777	10,493,317	85,472,825	77,241,705	-9.6%
<b>Total Assets</b>	<b>117,935,091</b>	<b>175,156,050</b>	<b>43,555,736</b>	<b>14,783,524</b>	<b>161,490,827</b>	<b>189,939,574</b>	<b>17.6%</b>
Long-Term Debt Outstanding	\$ 92,480,287	\$ 128,692,797	\$ 34,656,206	\$ 9,322,296	\$ 127,136,493	\$ 138,015,093	8.6%
Other Liabilities	25,858,465	36,189,142	6,510,803	1,861,411	32,369,268	38,050,553	17.6%
<b>Total Liabilities</b>	<b>118,338,752</b>	<b>164,881,939</b>	<b>41,167,009</b>	<b>11,183,707</b>	<b>159,505,761</b>	<b>176,065,646</b>	<b>10.4%</b>
<b>Net Assets</b>							
Invested in Cap. Assets, Net of Related Debt	(19,030,093)	(20,458,251)	1,272,716	474,161	(17,757,377)	(19,984,090)	12.5%
Restricted	9,900,621	11,036,898	-	-	9,900,621	11,036,898	11.5%
Unrestricted	8,725,811	19,695,464	1,116,011	3,125,656	9,841,822	22,821,120	131.9%
<b>Total Net Assets</b>	<b>\$ (403,661)</b>	<b>\$ 10,274,111</b>	<b>\$ 2,388,727</b>	<b>\$ 3,599,817</b>	<b>\$ 1,985,066</b>	<b>\$ 13,873,928</b>	<b>598.9%</b>

The following statement of activities represents changes in net assets for the year ended December 31, 2006. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4  
County of Dauphin's  
Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		Total Percentage Change
	2005	2006	2005	2006	2005	2006	
Revenues							
Program Revenues							
Charges for Services	\$ 24,179,515	\$ 26,224,117	\$ 76,587,424	\$ 84,269,473	\$ 100,766,939	\$ 110,493,590	9.7%
Operating Grants & Contributions	126,856,871	135,519,898	108,504	287,293	126,965,375	135,807,191	7.0%
General Revenues							
Property Taxes	89,268,753	91,583,027	-	-	89,268,753	91,583,027	2.6%
Hotel Taxes	4,673,459	4,815,259	-	-	4,673,459	4,815,259	3.0%
In Lieu of Taxes	1,454,353	1,660,129	-	-	1,454,353	1,660,129	14.1%
Unrestricted Investment Earnings	1,534,161	3,104,902	62,900	75,755	1,597,061	3,180,657	99.2%
Gain/Loss on Asset Disposal	(1,028,199)	(66,748)	(609)	(8,646,598)	(1,028,808)	(8,713,346)	-746.9%
Rent Recoupment	635,707	-	-	-	635,707	-	-100.0%
(Depreciation)/Appreciation in Fair Market Value of Investments	9,629	138,835	-	-	9,629	138,835	1341.8%
Transfers From Component Units	487,111	502,940	-	-	487,111	502,940	3.2%
Assumption of Enterprise Fund Debt	-	(22,798,955)	-	22,798,955	-	-	100.0%
Transfers	(8,431,175)	6,357,108	8,431,175	(6,357,108)	-	-	0.0%
Total Revenues	239,640,185	247,040,512	85,189,394	92,427,770	324,829,579	339,468,282	4.5%
Program Expenses							
General Government	11,289,800	13,374,345	-	-	11,289,800	13,374,345	18.5%
Judicial	41,517,538	43,434,275	-	-	41,517,538	43,434,275	4.6%
Public Safety	32,544,320	34,942,934	-	-	32,544,320	34,942,934	7.4%
Public Works	424,029	766,555	1,934,247	1,894,057	2,358,276	2,660,612	12.8%
Human Services	122,438,536	133,151,444	46,636,325	54,781,723	169,074,861	187,933,167	11.2%
Culture & Recreation	5,736,188	5,973,139	-	-	5,736,188	5,973,139	4.1%
Conservation & Development	5,636,611	5,683,360	-	-	5,636,611	5,683,360	0.8%
Interest on Long Term Debt	4,386,942	4,653,691	-	-	4,386,942	4,653,691	6.1%
Patient Care	-	-	31,614,031	28,550,681	31,614,031	28,550,681	-9.7%
Other Programs	-	-	5,924,856	5,990,219	5,924,856	5,990,219	1.1%
Total Program Expenses	223,973,964	241,979,743	86,109,459	91,216,680	310,083,423	333,196,423	7.5%
Change in Net Assets	15,666,221	5,060,769	(920,065)	1,211,090	14,746,156	6,271,859	-57.5%
Net Assets - Beginning	(16,069,882)	5,213,342	3,308,792	2,388,727	(12,761,090)	7,602,069	159.6%
Net Assets - Ending	\$ (403,661)	\$ 10,274,111	\$ 2,388,727	\$ 3,599,817	\$ 1,985,066	\$ 13,873,928	598.9%

## 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 2006, general property taxes brought in \$91,583,027. Table A-5 depicts the net program expenses for the year ended December 31, 2006.

Program	Total Cost of Services	Net Cost of Services
General Government	\$ 13,374,345	\$ 6,990,747
Judicial	43,434,275	26,065,339
Public Safety	34,942,934	25,054,192
Public Works	2,660,612	216,378
Human Services	187,933,167	9,769,955
Culture & Recreation	5,973,139	5,598,433
Conservation & Development	5,683,360	2,156,265
Interest on Long Term Debt	4,653,691	4,653,691
Patient Care	28,550,681	8,023,088
Other Programs	5,990,219	(1,632,446)
<b>Total</b>	<b>\$ 333,196,423</b>	<b>\$ 86,895,642</b>

The County relied on property taxes and other general revenues to fund 26.1% of its governmental and business-type activities in 2006.

The property tax is based on the assessed value of real property. The County's 2006 millage rate of 6.876 is unchanged from 2005 and is well below the Commonwealth-set cap of 25 mills for operating costs.

Property taxes and other general revenues covered 52.3% of general government spending with the remainder coming from grants and fees for specific services. 60% of judicial system spending came from the property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenue covered more than 71% of public safety costs with the remainder coming from grants and fees covering room and board at the county prison.

8.1% of Public Works expenses were covered by tax and general revenue dollars in 2006. This area of the County's operations includes the management of a parking garage and the maintenance and replacement of county bridges.

Program expenditures for Culture & Recreation and Interest on Long Term Debt were almost 100% funded by property taxes and other general revenues, while Human Services expenses required only 5.2% from property taxes and other general revenues, with most of the remainder being picked up by state and federal grants.

The Patient Care program expense covers the operations of the County's long-term care facility, Spring Creek. In 2006, property taxes and other general revenues covered 28.1% of its operations with the remainder coming from Medicaid, resident fees, and other government assistance programs. Spring Creek was sold in 2006 so this category will end this year.

## Capital Assets

The County's investment in capital assets at December 31, 2006, net of accumulated depreciation, was \$77,241,705 which is down over \$8.2 million from 2005. Capital assets consist primarily of land, buildings and equipment. Table A-6 is a summary of capital assets at December 31, 2006.

Table A-6  
County of Dauphin's  
Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		Total Percentage Change
	2005	2006	2005	2006	2005	2006	
Construction in Progress	\$ 13,958,064	\$ 25,246,024	\$ 1,566,115	\$ 1,566,115	\$ 15,524,179	\$ 26,812,139	72.7%
Infrastructure -							
Construction in Progress	298,479	298,479	-	-	298,479	298,479	0.0%
Infrastructure	-	10,118,772	-	-	-	10,118,772	100.0%
Land	226,213	226,212	189,669	111,492	415,882	337,704	-18.8%
Land Improvements	-	-	179,700	-	179,700	-	-100.0%
Buildings & Improvements	65,460,685	65,460,685	30,268,214	2,035,953	95,728,899	67,496,638	-29.5%
Machinery & Equipment	6,921,933	7,154,771	20,868,426	10,393,018	27,790,359	17,547,789	-36.9%
Furniture & Fixtures	-	-	65,346	65,346	65,346	65,346	0.0%
Leasehold Assets	8,316,375	9,670,222	15,713,787	15,470,293	24,030,162	25,140,515	4.6%
Accumulated Depreciation	(44,554,701)	(51,426,777)	(34,005,480)	(19,148,900)	(78,560,181)	(70,575,677)	-10.2%
<b>Total Capital Assets</b>	<b>\$ 50,627,048</b>	<b>\$ 66,748,388</b>	<b>\$ 34,845,777</b>	<b>\$ 10,493,317</b>	<b>\$ 85,472,825</b>	<b>\$ 77,241,705</b>	<b>-9.6%</b>

Total Capital Assets declined in 2006 due to the sale of the County's long-term care facility Spring Creek. This sale resulted in an asset reduction of over \$30,000,000. As required by GASB 34, the County's infrastructure system, consisting solely of bridges, was added for the first time in 2006. These bridges added over \$10,000,000 to the County's total capital assets.

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

## Debt Administration

### Long Term Debt:

At December 31, 2006, the County had \$130,472,550 of long-term debt outstanding. This was an increase of \$11,529,172 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	\$ 109,370,569	\$ 38,045,000	\$ (26,031,068)	\$ 121,384,501
Compensated Absences	7,445,193	413,926	(889,015)	6,970,104
Estimated Workers Comp. Claims	2,127,616	1,600,934	(1,610,605)	2,117,945
<b>Total Long Term Debt</b>	<b>\$ 118,943,378</b>	<b>\$ 40,059,860</b>	<b>\$ (28,530,688)</b>	<b>\$ 130,472,550</b>

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, 2006 was over \$800 million, and the total debt outstanding was approximately \$130 million, well below the debt limit.

At year-end, the County had \$121,384,501 million in bonds and notes outstanding. This figure is up from 2005 due to the addition of the \$16,450,000 first phase of the EMA Radio Upgrade Project borrowing in June. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements.

### Bond Rating

The County's current bond rating through Standard & Poors is 'AA Stable Outlook'. This rating was reaffirmed as part of the 2006 G.O. Bonds issuance. The current combined net non-electoral and net lease rental debt limit is almost \$1.2 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, 2006 and December 31, 2005, were as follows. Table A-8 also presents changes from 2005 to 2006.

Source	2006	2005	Changes from 2005 to 2006
Property Taxes	\$ 90,902,267	\$ 89,302,293	\$ 1,599,974
Hotel Taxes	4,815,259	4,673,459	141,800
Intergovernmental	136,164,435	126,274,488	9,889,947
Charges for Services	21,344,153	19,535,542	1,808,611
License and Permits	64,295	56,989	7,306
Court Costs and Fines	4,803,433	4,543,961	259,472
Interest and Rents	3,954,001	1,986,415	1,967,586
(Deprec.)/Apprec. in Fair Market Value Inv.	138,835	9,629	129,206
Miscellaneous Revenue	178,729	2,263,212	(2,084,483)
Transfers from Component Units	502,940	487,111	15,829
Proceeds from Sale of Fixed Assets	18,928	516,848	(497,920)
Capital Lease Proceeds	1,429,672	461,021	968,651
Bonds/Notes Proceeds	16,450,000	25,895,000	(9,445,000)
Net Premium on Bonds Issued	788,724	1,121,260	(332,536)
Operating Transfers In	55,304,778	14,261,147	41,043,631
Total Revenues	\$ 336,860,449	\$ 291,388,375	\$ 45,472,074

Governmental fund revenues totaled \$336,860,449 for the year ended December 31, 2006. This is an increase of over \$45,000,000 from 2005.

The large increase in the 'Intergovernmental' category was the result of the State continuing to push MH/MR services down to the County level.

The vast majority of the overall increase can be found in the 'Operating Transfers In' category as shown in the table above. Three governmental funds were the primary recipients of this increase in 2006. First, the closing of Spring Creek's books resulted in a large transfer into the General Fund. Second, the Children & Youth Fund required a much larger transfer from the General Fund than during the previous year, and finally the Capital Projects Fund received the proceeds of EMA's radio project borrowing via a transfer from the General Fund.

An itemization of all of the interfund transfers can be found in Note 18 on the financial statements.



## Governmental Fund Expenditures

Governmental fund expenditures by function at December 31, 2006, and December 31, 2005, were as follows. Table A-9 also presents changes from 2005 to 2006.

Function	2006	2005	Changes from 2005 to 2006
General Government	\$ 12,900,117	\$ 8,864,916	\$ 4,035,201
Judicial	43,664,656	43,110,529	554,127
Public Safety	34,341,358	32,341,866	1,999,492
Public Works	512,274	414,836	97,438
Human Services	132,834,620	122,216,024	10,618,596
Culture & Recreation	5,885,166	5,713,302	171,864
Conservation & Development	5,662,958	5,692,076	(29,118)
Debt Service Principle	3,610,867	1,444,519	2,166,348
Debt Service Interest	4,114,452	3,815,095	299,357
Capital Projects	12,094,775	672,183	11,422,592
Payment to Refunded Bond Escrow Agent	-	26,584,475	(26,584,475)
Operating Transfers Out	48,956,516	22,750,538	26,205,978
Total Expenditures	\$ 304,577,759	\$ 273,620,359	\$ 30,957,400

Governmental fund expenditures totaled \$304,577,759 for the year ended December 31, 2006. This represents an increase of \$30,957,400 from what was spent in 2005.

As explained in the revenue section above, the large increase in the 'Human Services' category was the result of the State continuing to push MH/MR services down to the County level.

The 'Capital Projects' category increased due to the start of the EMA Radio Upgrade project that's being run through this fund. This project will total around \$34,000,000 and is scheduled to be completed in 2009.

The final significant piece of the overall expenditure increase seen in 2006 is in the 'Operating Transfers Out' category. The explanation for this large increase is the same as in the revenue section above since the entries in this category offset those in the 'Operating Transfers In'.

## Governmental Fund Balances

Table A-10 reflects ending balances for governmental funds and net assets for proprietary funds at December 31, 2006.

Fund	Governmental Funds	Proprietary Funds
General Fund	\$ 53,093,793	\$ -
Mental Health/Mental Retardation Fund	-	-
Children & Youth Fund	-	-
Capital Projects Fund	8,456,604	-
Other Governmental Funds	10,768,434	-
County Home Fund	-	-
Health Choices Fund	-	40,998
Human Services Building Fund	-	(3,644,130)
Other Enterprise Funds	-	7,202,949
<b>Total</b>	<b>\$ 72,318,831</b>	<b>\$ 3,599,817</b>

The County's governmental funds reported a combined fund balance of \$72,318,831 at December 31, 2006. Of the total, \$52,825,329 was unreserved in the General Fund and is available to meet the County's current and future needs including the \$13,855,000 designated for debt defeasance. This designated portion represents the sale proceeds of the County's long-term care facility and was used to defease a portion of the debt on that facility in the spring of 2007. This unreserved portion is up significantly from the \$28.6 million balance at the end of 2005. The Proprietary Funds are showing a balance of \$3,599,817 at year-end.

A detailed breakdown of ending fund balance for the \$10,768,434 million in 'Other Governmental Funds' can be found on pages 122 and 124 through 125 in the Other Supplementary Information Section of the Financial Statements.

A detailed breakdown of ending fund balance for the \$7,202,949 million in 'Other Enterprise Funds' can be found on page 128 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, 2005 the Dauphin County Commissioners approved the 2006 General Fund Budget in the amount of \$118,545,696. There was a \$537,317 budgeted draw down of fund balance necessary to meet the initial budgeted expenditures for 2006. Throughout the year, budget amendments in the amount of \$3,174,195 were approved. Most of this total was the result of recording indirect cost charges to General Fund departments for the first time late in 2005 after the 2006 budget was approved. The budget amendments resulted in a final General Fund budget for 2006 in the amount of \$121,719,891.

Total General Fund revenue came in well over budget for the second consecutive year. Tax revenue exceeded projections once again as property values in Dauphin County continue their strong growth pattern. Interest income came in over a million dollars above the budgeted amount due to rising interest rates and a sound investment policy implemented by the County Commissioners.

Expenditures for the year came in under budget as well. Department directors did an excellent job of controlling personnel costs which are the largest segment of the County's operation. Over \$1.3 million was saved in this area alone by limiting the filling of vacancies to four windows per year.

## **Economic Factors and Next Year's Budget**

### **Economic Conditions**

Unemployment in Dauphin County is currently at 3.9%, which is one of the lowest of Pennsylvania's 67 counties. This rate is less than Pennsylvania's average rate of 4.5% and the national rate of 4.7%.

Homeownership in Dauphin County still stands at 65.4%, with the median home value being \$116,760.00. There are currently an estimated 254,176 residents in Dauphin County, which represents a reasonable population growth rate of approximately 0.9%. The median family income for the Harrisburg-Carlisle MSA is \$65,600.00.

With Dauphin County being listed as the 5<sup>th</sup> fastest growing hi-tech region in the nation, there are many family-sustaining job opportunities. The County is home to many great companies such as the Hershey Company, HE&R, Milton S. Hershey/Penn State University Medical Center, Harman Stove Company, Phoenix Development Corporation, etc. The County is also houses many institutions of higher education such as Penn State University/Middletown Campus, Harrisburg University, Dickinson University, and Widener School of Law.

The Southcentral Region of Pennsylvania is strategically located close to major domestic and international markets. Within a 500 mile radius of the Region lies 40% of the United States population and more than 60% of Canada's population. This fact makes Dauphin County a major distribution hub for the movement of goods. It is estimated that approximately 61,000 freight carriers pass through the county daily and 33% of the nation's gross national product moves through Dauphin County.

To support these growth patterns, new economic development projects continue to evolve such as the expansion of TecPort, The Hershey Center for Applied Research, Advanced Communications, Hollywood Casino, and the Milton Hershey Museum. There are also proposals for the continued development of the mid-town and downtown sections of Harrisburg, as well as advances for the proposed CorridorOne. These developments will provide economic vitality for Dauphin County for years to come.

## **Next Year's Budget**

In December 2006, the Board of Commissioners passed a \$130,369,444 General Fund Budget for 2007 maintaining the 6.876 millage rate.

In February/March of 2007 three swap options that were initiated in 2004 were terminated. In April 2004, RBC paid Dauphin County \$2,603,500 for the right to exercise these options. The County paid \$1,046,500 to terminate the options in 2007 resulting in a net cash benefit of \$1,557,000.

In September 2007, the County settled on \$16,700,000 variable rate General Obligation Bonds to fund the second phase of the \$34,000,000 upgrade to the emergency communications radio system. This financing included a 'Floating-to-Fixed Rate Swap' with Deutsche Bank.

In September 2007, the County entered into three swap option agreements with DEPFA Bank. DEPFA Bank paid Dauphin County \$1,001,000 for the right to exercise these swap options through 11/15/12.

The County has 7 labor contracts with four separate unions that represent approximately 58% of all employees. 4 contracts expired in 2006. Three of these are currently in the arbitration process and the fourth was settled recently. The Teamsters contract at the Prison which expired in 2005 was settled in September 2006. One of the remaining two union contracts expires at 12/31/08 and the other at 12/31/09. Salary increases for the recently settled contracts and the remaining non-union employees have been limited to slightly less than 4% annually.

## **Contacting the County's Financial Management**

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

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

COUNTY OF DAUPHIN  
STATEMENT OF NET ASSETS (DEFICIT)  
DECEMBER 31, 2006

Page 19

Primary Government

<u>Assets</u>	Governmental Activities	Business-type Activities	Total	Component Units
Cash and Cash Equivalents	\$ 69,182,755	\$ 3,633,823	\$ 72,816,578	\$ 5,697,262
Investments	5,000,527	-	5,000,527	606,139
Inventory	-	-	-	133,344
Receivables:				
Accounts	4,566,607	597,413	5,164,020	1,412,583
Taxes	7,690,048	-	7,690,048	-
External Parties	53,053	-	53,053	-
Interest and Dividends	8,790	-	8,790	20,395
Loans	99,480	-	99,480	-
Internal Balances	20,730	(20,730)	-	-
Due From Other Governments	14,789,103	-	14,789,103	1,239,299
Due From Component Units	129,176	-	129,176	-
Notes and Loans Receivable	-	-	-	335,746,056
Investment in Direct Financing Leases	-	-	-	11,477,705
Prepaid Expenses	-	-	-	83,543
Other Assets	1,699,786	896	1,700,682	5,939,740
Advance to Related Party	-	-	-	241,814
Deferred Issuance Costs on Bonds, Net	-	5,094	5,094	-
Deferred Loss on Bonds	-	73,711	73,711	-
Deferred Interest from Refunding	2,921,969	-	2,921,969	-
Restricted Cash	2,245,633	-	2,245,633	2,641,635
Restricted Investments	-	-	-	85,117,245
Restricted Accrued Interest Income	5	-	5	848,872
Capital Assets, Not Being Depreciated	25,770,715	1,677,607	27,448,322	
Capital Assets Being Depreciated, Net	40,977,673	8,815,710	49,793,383	82,455,666
<b>Total Assets</b>	<b>\$ 175,156,050</b>	<b>\$ 14,783,524</b>	<b>\$ 189,939,574</b>	<b>\$ 533,661,298</b>
<u>Liabilities</u>				
Accounts Payable	\$ 14,999,754	\$ 340,242	\$ 15,339,996	\$ 1,770,999
Accrued Liabilities	5,127,069	222,752	5,349,821	11,214,984
Line of Credit	-	-	-	110,084
Unearned Revenues	4,898,456	-	4,898,456	887,777
Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	129,176
Funds Held in Escrow	1,399,736	-	1,399,736	35,240
Funds Held in Fiduciary Capacity	577,438	-	577,438	-
Bond Premium	-	30,602	30,602	-
Other Liabilities	4,110,528	-	4,110,528	(809,600)
Long-term liabilities				
Portion Due or payable within one year:				
Obligation Under Capital Lease	691,161	1,031,878	1,723,039	-
General Obligation Debt	4,385,000	235,937	4,620,937	6,919,914
Accrued Compensated Absences	-	-	-	24,475
Portion Due or payable after one year:				
Obligation Under Capital Lease	4,782,999	7,380,481	12,163,480	-
General Obligation Debt	115,040,000	1,723,564	116,763,564	525,657,329
Accrued Compensated Absences	6,751,853	218,251	6,970,104	17,624
Estimated Workers' Compensation Claims	2,117,945	-	2,117,945	-
<b>Total Liabilities</b>	<b>164,881,939</b>	<b>11,183,707</b>	<b>176,065,646</b>	<b>545,958,002</b>
<b>Net Assets (Deficit)</b>				
Invested in Capital Assets, Net of Related Debt	(20,458,251)	474,161	(19,984,090)	(20,862,974)
Restricted for:				
Debt Service	-	-	-	432,291
Workers Compensation	268,464	-	268,464	-
Program Purposes	8,849,462	-	8,849,462	6,498,732
Restricted Contributions/Fees	1,049,366	-	1,049,366	-
Permanent Fund	869,606	-	869,606	-
Unrestricted	19,695,464	3,125,656	22,821,120	1,635,247
<b>Total Net Assets (Deficit)</b>	<b>\$ 10,274,111</b>	<b>\$ 3,599,817</b>	<b>\$ 13,873,928</b>	<b>\$ (12,296,704)</b>

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

COUNTY OF DAUPHIN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Units	
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-type Activities
<b>Governmental activities:</b>								
General Government	\$ 20,760,134	\$ (7,385,789)	\$ 5,496,458	\$ 887,140	\$ -	\$ (6,990,747)	\$ -	\$ (6,990,747)
Judicial	39,639,284	3,734,991	9,668,109	7,700,927	-	(26,065,339)	-	(26,065,339)
Public Safety	33,925,942	1,016,992	7,922,141	1,866,601	-	(25,054,192)	-	(25,054,192)
Public Works	763,654	2,901	-	893,078	-	116,523	-	116,523
Human Services	132,526,481	624,863	2,768,358	120,549,502	-	(9,833,584)	-	(9,833,584)
Culture and Recreation	5,707,157	265,982	87,758	286,948	-	(5,598,433)	-	(5,598,433)
Conservation and Development	5,549,394	133,966	281,293	3,245,902	-	(2,156,265)	-	(2,156,265)
Interest and Fiscal Charges	4,653,691	-	-	-	-	(4,653,691)	-	(4,653,691)
on Long Term Debt	243,585,737	(1,605,994)	26,224,117	135,519,898	-	(80,235,728)	-	(80,235,728)
<b>Total government activities</b>								
Business-type activities:								
Patient Care - County Home	27,478,121	1,072,560	20,527,593	-	-	(8,023,088)	(8,023,088)	(8,023,088)
Human Services - Health Choices Fund	54,775,377	6,346	54,785,037	60,315	-	63,629	63,629	63,629
Public Works - Human Service Building	1,451,334	402,723	1,561,156	-	-	(332,901)	(332,901)	(332,901)
<b>Other Programs:</b>								
Public Works - Solid Waste Fund	751,274	38,966	702,047	174,246	-	86,053	86,053	86,053
Culture and Recreation - Fort Hunter	134,373	41,570	-	-	-	(92,803)	(92,803)	(92,803)
Public Safety - Emergency 911	4,980,207	85,399	6,652,070	52,732	-	1,639,196	1,639,196	1,639,196
<b>Total Other Programs</b>	5,865,854	124,365	7,395,687	226,978	-	1,632,446	1,632,446	1,632,446
<b>Total business-like activities</b>								
89,810,686	1,605,994	84,269,473	287,293	-	-	(6,659,914)	(6,659,914)	(6,659,914)
<b>Total Primary government</b>	\$ 333,196,423	\$ -	\$ 110,483,590	\$ 135,807,191	\$ -	\$ (80,235,728)	\$ (6,659,914)	\$ (86,895,642)
<b>Component Units:</b>								
Conservation District	\$ 470,979	-	\$ 322,548	\$ 667,454	\$ -	-	-	\$ 519,023
General Authority	45,803,647	-	27,772,491	-	-	-	-	(18,031,156)
Mental Health/Mental Retardation	7,970,421	-	83,554	7,667,091	-	-	-	(119,776)
Case Management Unit	4,739,165	-	126,952	4,613,074	-	-	-	861
Dauphin County Executive Commission on Drugs and Alcohol	4,342,429	-	438,448	4,135,263	-	-	-	231,282
Industrial Development Authority	1,840,150	-	206,069	1,666,565	-	-	-	32,484
Dauphin County Economic Development Corporation	65,066,791	-	28,950,062	18,749,447	-	-	-	(17,367,282)
<b>Total Component Units</b>								
91,583,027	-	91,583,027	-	-	-	91,583,027	-	91,583,027
4,815,259	-	4,815,259	-	-	-	4,815,259	-	4,815,259
1,660,129	-	1,660,129	-	-	-	1,660,129	-	1,660,129
3,104,502	-	3,104,502	-	-	-	3,104,502	-	3,104,502
(66,748)	-	(66,748)	-	-	-	(66,748)	-	(66,748)
138,835	-	138,835	-	-	-	138,835	-	138,835
502,940	-	502,940	-	-	-	502,940	-	502,940
(22,798,955)	-	(22,798,955)	-	-	-	(22,798,955)	-	(22,798,955)
6,357,108	-	6,357,108	-	-	-	6,357,108	-	6,357,108
7,871,004	-	7,871,004	-	-	-	7,871,004	-	7,871,004
1,211,090	-	1,211,090	-	-	-	1,211,090	-	1,211,090
2,388,727	-	2,388,727	-	-	-	2,388,727	-	2,388,727
<b>Total</b>	\$ 10,274,111	\$ -	\$ 3,599,817	\$ -	\$ -	\$ 13,873,929	\$ -	\$ (12,286,704)
<b>Net assets (deficit) - beginning, as restated (Note 29)</b>								
86,895,642	-	86,895,642	-	-	-	86,895,642	-	86,895,642
(11,258,361)	-	(11,258,361)	-	-	-	(11,258,361)	-	(11,258,361)
<b>Net assets (deficit) - ending</b>								
75,637,281	-	75,637,281	-	-	-	75,637,281	-	75,637,281

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

COUNTY OF DAUPHIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

Assets	General	Mental/Health Mental Retardation	Children Youth and Families	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 45,777,859	\$ 2,836,595	\$ 2,500	\$ 10,162,448	\$ 10,403,353	\$ 69,182,755
Investments	-	-	-	4,130,921	869,606	5,000,527
Receivables						
Accounts, net	4,232,083	72,182	95,987	-	166,355	4,566,607
Taxes, net	7,690,048	-	-	-	-	7,690,048
Loans	-	-	-	-	99,480	99,480
Interest and Dividends	5,668	61	-	36	3,025	8,790
Due From Other Funds	6,510,128	447,950	20,943	-	286,362	7,265,383
Due From Other Governments	804,122	695,663	9,758,396	-	3,530,922	14,789,103
Due From Component Units	129,176	-	-	-	-	129,176
Other Assets	133,252	-	-	-	36,554	169,806
Restricted Assets						
Cash	2,245,633	-	-	-	-	2,245,633
Interest Receivable	5	-	-	-	-	5
<b>Total Assets</b>	<b>\$ 67,527,974</b>	<b>\$ 4,052,451</b>	<b>\$ 9,877,826</b>	<b>\$ 14,293,405</b>	<b>\$ 15,395,657</b>	<b>\$ 111,147,313</b>

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

COUNTY OF DAUPHIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2006

Liabilities and Fund Balances	General	Mental/Health Mental Retardation	Children Youth and Families	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Liabilities</b>						
Accounts Payable	\$ 2,492,376	\$ 646,354	\$ 2,830,972	\$ 5,814,194	\$ 3,215,858	\$ 14,999,754
Accrued Liabilities	3,325,906	81,737	229,000	-	254,179	3,890,822
Unearned Revenues	4,763,992	3,318,613	660,974	-	886,645	9,630,224
Due to Other Funds	735,825	5,747	6,156,880	22,607	270,541	7,191,600
Funds Held in Escrow	1,399,736	-	-	-	-	1,399,736
Funds Held in Fiduciary Capacity	577,438	-	-	-	-	577,438
Other Liabilities	1,138,908	-	-	-	-	1,138,908
<b>Total Liabilities</b>	14,434,181	4,052,451	9,877,826	5,836,801	4,627,223	38,828,482
<b>Fund Balances:</b>						
Reserved For:						
Program Purposes	-	-	-	-	8,849,462	8,849,462
Restricted Contributions/Fees	-	-	-	-	1,049,366	1,049,366
Permanent Fund	-	-	-	-	869,606	869,606
Workers Compensation	268,464	-	-	-	-	268,464
Capital Projects	-	-	-	8,456,604	-	8,456,604
Unreserved:						
Designated, reported in:						
General Fund for debt service	13,855,000	-	-	-	-	13,855,000
Undesignated, reported in:						
General Fund	38,970,329	-	-	-	-	38,970,329
<b>Total Fund Balances</b>	53,093,793	-	-	8,456,604	10,768,434	72,318,831
<b>Total Liabilities and Fund Balances</b>	\$ 67,527,974	\$ 4,052,451	\$ 9,877,826	\$ 14,293,405	\$ 15,395,657	\$ 111,147,313

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



COUNTY OF DAUPHIN  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

Total fund balances for governmental funds \$ 72,318,831

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

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

Land	226,212
Construction in progress - Infrastructure	298,479
Construction in progress	25,246,024
Infrastructure, net of \$4,700,139 accumulated depreciation	5,418,633
Buildings and improvements, net of \$36,044,958 accumulated depreciation	29,415,727
Machinery and Tools, net of \$ 5,573,260 accumulated depreciation	1,581,511
Leasehold assets, net of \$5,108,420 accumulated amortization	<u>4,561,802</u>

Total capital assets 66,748,388

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

(2,117,945)

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.

4,731,768

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year the County issued additional debt. The amount borrowed is received in the governmental funds and increases fund balance. The County received a net premium of \$788,724 on the bond issue and incurred issuance costs of \$249,797. The net premium and bond issuance costs will be amortized an adjustment of interest expense over the remaining life of the new debt.

Balances at December 31, 2006 are:

Accrued interest on bonds	(1,236,247)
General obligation Debt	(119,425,000)
Less Deferred interest from refunding	2,921,969
Capital leases payable	(5,474,160)
Compensated absences	(6,751,853)
Deferred amount on bond issuance costs	1,529,980
Unamortized premiums/discounts	<u>(2,971,620)</u>

(131,406,931)

Total net assets of governmental activities

\$ 10,274,111

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, 2006

	General	Mental/Health Mental Retardation	Children Youth and Families	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 90,902,267	\$ -	\$ -	\$ -	\$ -	\$ 90,902,267
Hotel Taxes	-	-	-	-	4,815,259	4,815,259
Intergovernmental	8,961,353	59,648,322	29,399,783	124,280	38,030,697	136,164,435
Charges for Services	18,439,903	727,635	1,172,408	-	1,004,207	21,344,153
License and Permits	64,295	-	-	-	-	64,295
Court Costs and Fines	3,612,603	-	-	-	1,190,830	4,803,433
Interest and Rents	2,836,571	344,144	189	301,436	471,661	3,954,001
Appreciation in Fair Market Value of Investments	-	-	-	-	53,829	53,829
Miscellaneous Revenue	-	-	-	84,415	94,314	178,729
<b>Total Revenues</b>	124,816,992	60,720,101	30,572,380	510,131	45,660,797	262,280,401
<b>Expenditures</b>						
Current:						
General Government	12,900,117	-	-	-	-	12,900,117
Judicial	37,016,237	-	-	-	6,648,419	43,664,656
Public Safety	32,594,306	-	-	-	1,747,052	34,341,358
Public Works	-	-	-	-	512,274	512,274
Human Services	2,317,273	61,430,245	39,528,074	-	29,559,028	132,834,620
Culture and Recreation	1,504,820	-	-	-	4,380,346	5,885,166
Conservation and Development	2,455,886	-	-	-	3,207,072	5,662,958
Debt Service	3,089,580	112,430	2,982	-	405,875	3,610,867
Principle	3,944,547	73,459	44	-	96,402	4,114,452
Interest	-	-	-	12,094,775	-	12,094,775
Capital Projects	-	-	-	-	-	-
<b>Total Expenditures</b>	95,822,766	61,616,134	39,531,100	12,094,775	46,556,468	255,621,243
<b>Excess of Revenues Over (Under) Expenditures</b>	28,994,226	(896,033)	(8,958,720)	(11,584,644)	(895,671)	6,659,158
<b>Other Financing Sources (Uses)</b>						
Transfer In	21,220,329	903,033	13,477,509	17,388,927	2,314,980	55,304,778
Transfer Out	(44,011,911)	(7,000)	(4,518,789)	-	(418,816)	(48,956,516)
Transfers from Component Units	502,940	-	-	-	-	502,940
Proceeds from Asset Disposal	18,928	-	-	-	-	18,928
Appreciation in Fair Value of Investments	-	-	-	85,006	-	85,006
Net Premium on Bonds Issued	788,724	-	-	-	-	788,724
Capital Lease Proceeds	529,672	-	-	900,000	-	1,429,672
Proceeds of General Obligation Debt	16,450,000	-	-	-	-	16,450,000
<b>Total Other Financing Sources(Uses)</b>	(4,501,318)	896,033	8,958,720	18,373,933	1,896,164	25,623,532
<b>Net change in fund balances</b>	24,492,908	-	-	6,789,289	1,000,493	32,282,690
<b>Fund Balances - Beginning of Year, as restated (Note 29)</b>	28,600,885	-	-	1,667,315	9,767,941	40,036,141
<b>Fund Balances - End of Year</b>	\$ 53,093,793	\$ -	\$ -	\$ 8,456,604	\$ 10,768,434	\$ 72,318,831

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, 2006

Net change in fund balances - total governmental funds \$ 32,282,690

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$13,316,002) exceeded depreciation (\$2,578,817) and net book value of disposed fixed assets (\$85,676 ) in the current period. 10,651,509

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

Debt issued:

General Obligation Debt	(16,450,000)
General Obligation Debt Assumed from Enterprise Fund	(21,595,000)
Premium/Discount on new debt issues	(788,724)
Premium/Discount on debt assumed from enterprise fund	(963,592)
Bond issuance costs on new debt issues	249,797
Bond issuance costs on debt assumed from enterprise fund	265,467
Deferred interest from refunding on debt assumed from enterprise fund	1,249,380
Capital Leases	(1,429,672)

Repayments:

General Obligation Debt	2,715,000
Capital Leases	919,529
Net adjustment	(35,827,815)

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. This adjustment combines the net changes of five balances.

Compensated absences	(374,374)
Amortization of debt premium/discount	177,884
Amortization of bond issuance costs	(153,636)
Amortization of deferred interest from refunding	(443,525)
Accrued interest on bonds	(331,790)
Combined adjustment	(1,125,441)

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 12/31/05 to 12/31/06. 680,760

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 and is related to the sale of the Nursing Home and the assumption of obligations of the enterprise fund (1,600,934)

Change in net assets of governmental activities \$ 5,060,769

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

COUNTY OF DAUPHIN  
STATEMENT OF NET ASSETS (DEFICIT)  
PROPRIETARY FUNDS  
DECEMBER 31, 2006

	Health Choices Fund	Human Service Building	Other Enterprise Funds	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 271,547	\$ 220,039	\$ 3,142,237	\$ 3,633,823
Accounts Receivables	-	263	597,150	597,413
Due From Other Funds	-	27,713	-	27,713
Other Assets	-	9	887	896
<b>Total current assets</b>	<b>271,547</b>	<b>248,024</b>	<b>3,740,274</b>	<b>4,259,845</b>
<b>Noncurrent Assets</b>				
Capital Assets, Not Being Depreciated	-	-	1,677,607	1,677,607
Capital Assets, Being Depreciated (Net)	-	6,245,760	2,569,950	8,815,710
Deferred Issuance Costs on Bonds, Net	-	5,094	-	5,094
Deferred Loss on Bonds, Net	-	73,711	-	73,711
<b>Total noncurrent assets</b>	<b>-</b>	<b>6,324,565</b>	<b>4,247,557</b>	<b>10,572,122</b>
<b>Total assets</b>	<b>\$ 271,547</b>	<b>\$ 6,572,589</b>	<b>\$ 7,987,831</b>	<b>\$ 14,831,967</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts Payable	\$ 182,883	\$ 31,937	\$ 125,422	\$ 340,242
Accrued Liabilities	-	88,608	134,144	222,752
Due to Other Funds	47,666	572	205	48,443
Bond Premium	-	30,602	-	30,602
Obligation Under Capital Lease	-	1,030,000	1,878	1,031,878
General Obligation Debt	-	35,000	200,937	235,937
<b>Total current liabilities</b>	<b>230,549</b>	<b>1,216,719</b>	<b>462,586</b>	<b>1,909,854</b>
<b>Noncurrent liabilities:</b>				
Obligation Under Capital Lease	-	7,380,000	481	7,380,481
General Obligation Debt	-	1,620,000	103,564	1,723,564
Accrued Compensated Absences	-	-	218,251	218,251
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>9,000,000</b>	<b>322,296</b>	<b>9,322,296</b>
<b>Total liabilities</b>	<b>230,549</b>	<b>10,216,719</b>	<b>784,882</b>	<b>11,232,150</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in Capital Assets	-	(3,771,037)	4,245,198	474,161
Net of Related Debt	40,998	126,907	2,957,751	3,125,656
Unrestricted	-	-	-	-
<b>Total net assets (deficit)</b>	<b>\$ 40,998</b>	<b>\$ (3,644,130)</b>	<b>\$ 7,202,949</b>	<b>\$ 3,599,817</b>

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

COUNTY OF DAUPHIN  
 STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS (DEFICIT)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Business Type Activities - Enterprise Funds					Total
	County Home	Health Choice Fund	Human Service Building	Other Enterprise Funds		
Operating Revenues						
Charges for Services	\$ 20,527,593	\$ 54,785,037	\$ 1,561,156	\$ 7,395,687	\$ 84,269,473	
Total Operating Revenues	20,527,593	54,785,037	1,561,156	7,395,687	84,269,473	
Operating Expenses						
Personnel Services	16,758,909	125,529	-	3,943,838	20,828,276	
Contracted Services	4,930,689	53,116	107,495	317,690	5,408,990	
Supplies and Materials	1,945,085	263	4,317	28,148	1,977,813	
Repairs and Maintenance	249,510	-	91,055	295,309	635,874	
Utilities	1,162,813	375	239,027	552,361	1,954,576	
Other Services and Charges	1,456,402	25,463	402,722	334,855	2,219,442	
Claims Expense	1,146,696	54,576,977	-	-	54,576,977	
Depreciation and Amortization	-	-	695,316	503,679	2,345,691	
Total Operating Expenses	27,650,104	54,781,723	1,539,932	5,975,880	89,947,639	
Operating Income (Loss)	(7,122,511)	3,314	21,224	1,419,807	(5,678,166)	
Nonoperating Revenues (Expenses)						
Interest Income	-	60,315	17,707	110,780	188,802	
Interest Expense	(901,958)	-	(354,125)	(21,804)	(1,277,887)	
Grants	-	-	-	174,246	174,246	
Total Nonoperating Revenues (Expenses)	(901,958)	60,315	(336,418)	263,222	(914,839)	
Loss Before Operating Transfers In (Out)	(8,024,469)	63,629	(315,194)	1,683,029	(6,593,005)	
Transfers In	9,184,705	-	736,482	892,958	10,814,145	
Transfers Out	(16,174,002)	(53,555)	-	(934,850)	(17,162,407)	
General Government Assumes Enterprise General Obligation Debt	22,798,955	-	-	-	22,798,955	
Gain (Loss) on Asset Disposal	(8,646,722)	-	-	124	(8,646,598)	
Total Transfers In (Out)	7,162,936	(53,555)	736,482	(41,768)	7,804,095	
Change In Net Assets	(861,533)	10,074	421,288	1,641,261	1,211,090	
Total Net Assets (Deficit) - Beginning of Year	861,533	30,924	(4,065,418)	5,561,688	2,388,727	
Total Net Assets (Deficit) - End of Year	-	\$ 40,998	\$ (3,644,130)	\$ 7,202,949	\$ 3,599,817	

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, 2006

	County Home Fund	Health Choice Fund	Human Service Building	Other Enterprise Funds	Totals
Cash Flows From Operating Activities					
Receipts from Patient Services	\$ 23,300,214	\$ -	\$ -	\$ -	\$ 23,300,214
Receipts from Health Choices Services	-	54,996,388	-	-	54,996,388
Receipts from Recycling Services	-	-	-	685,843	685,843
Receipts from Emergency Communications Services	-	-	-	6,686,817	6,686,817
Receipts from Recreational Activities	-	-	-	41,570	41,570
Receipts from Space and Parking Rentals	-	-	1,580,078	-	1,580,078
Payments to Employees	(18,241,757)	(125,529)	-	(3,897,515)	(22,264,801)
Payments to Suppliers	(10,866,263)	(235,036)	(837,399)	(1,552,091)	(13,490,789)
Payments for Claims	-	(54,576,977)	-	-	(54,576,977)
Internal Activity - Payments (from) to other funds	126,230	1,389	(15,392)	86,165	198,392
Net Cash Provided by (Used in) Operating Activities	(5,681,576)	60,235	727,287	2,050,789	(2,843,265)
Cash Flow from Noncapital Financing Activities					
Operating Transfers In (Out)	(6,989,297)	(53,555)	736,482	(41,892)	(6,348,262)
Operating Grants Received	-	-	-	174,246	174,246
Net Cash Provided by (Used in) Noncapital Financing Activities	(6,989,297)	(53,555)	736,482	132,354	(6,174,016)
Cash Flows from Capital and Related Financing Activities					
Purchase of Fixed Assets	(145,573)	-	-	(192,075)	(337,648)
Disposal of Fixed Assets	13,856,640	-	-	24,805	13,881,445
Interest Paid	(1,006,706)	-	(371,979)	(50,387)	(1,429,072)
Principal Payments on Capital Lease	(20,119)	-	(1,000,000)	(28,020)	(1,048,139)
Principal Payments on Bonds	(1,495,000)	-	(35,000)	(191,068)	(1,721,068)
Net Cash Provided by (Used in) Capital and Related Financing Activities	11,189,242	-	(1,406,979)	(436,745)	9,345,518
Cash Flows from Investing Activities					
Interest Income	-	60,315	17,707	110,780	188,802
Net Cash Provided by Investing Activities	-	60,315	17,707	110,780	188,802
Net Increase (Decrease) in Cash and Cash Equivalents	(1,481,631)	66,995	74,497	1,857,178	517,039
Cash and Cash Equivalents, Beginning of Year	1,481,631	204,552	145,542	1,285,059	3,116,784
Cash and Cash Equivalents, End of Year	\$ -	\$ 271,547	\$ 220,039	\$ 3,142,237	\$ 3,633,823

COUNTY OF DAUPHIN  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	County Home Fund	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)	(7,122,511)	\$ 3,314	\$ 21,224	\$ 1,419,807	\$ (5,678,166)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities					
Depreciation and Amortization Expense	1,146,696	-	695,316	503,679	2,345,691
Change in assets and liabilities					
Accounts Receivable	2,772,621	211,351	18,572	18,416	3,020,960
Other Assets	626	-	350	3,122	4,098
Due From Other Governments	-	-	-	-	-
Inventories	35,253	-	-	-	35,253
Accounts Payable	(888,901)	-	-	(26,723)	(1,064,226)
Accrued Expenses	(527,592)	-	7,217	7,753	(519,839)
Estimated Workers' Compensation Claims Payable From Restricted Assets	(67,223)	-	-	-	(67,223)
Accrued Vacation and Sick Pay	(268,742)	-	-	-	(268,742)
Due To/Due From Other Funds	(888,033)	-	-	38,570	(849,463)
	126,230	1,389	(15,392)	86,165	198,392
Net Cash Provided by (Used In) Operating Activities	\$ (5,681,576)	\$ 60,235	\$ 727,287	\$ 2,050,789	\$ (2,843,265)

COUNTY OF DAUPHIN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006

	Retirement Trust <u>Fund</u>	Agency <u>Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,192,447	\$ 7,831,308	\$ 15,023,755
Investments	180,811,602	-	180,811,602
Interest and Dividends Receivable	783,013	-	783,013
Employee Contributions Receivable	26,178	-	26,178
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 188,813,240</u>	<u>\$ 7,831,308</u>	<u>\$ 196,644,548</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 18,432	\$ 653,085	\$ 671,517
Benefits Payable	4,840,756	-	4,840,756
Due To External Parties	53,053	-	53,053
Funds Held in Escrow	-	5,138,243	5,138,243
Due To Other Governments	-	2,039,980	2,039,980
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>4,912,241</u>	<u>7,831,308</u>	<u>12,743,549</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 183,900,999</u>	<u>\$ -</u>	<u>\$ 183,900,999</u>

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



COUNTY OF DAUPHIN  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2006

	Retirement Trust Fund
Addition:	
Contributions:	
Employee	\$ 3,981,426
Employer	6,683,297
	10,664,723
Investment Income:	
Net Appreciation in Fair Value of Investments	13,322,286
Interest	2,835,149
Dividends	1,490,708
Miscellaneous Revenue	192,781
	17,840,924
Less: Investment Expense	525,914
	17,315,010
Total Additions	27,979,733
Deductions:	
Benefits	11,100,373
Refunds of Contributions	1,838,411
Administrative Expenses	122,587
	13,061,371
Net Increase	14,918,362
Net Assets - Beginning of Year	168,982,637
Net Assets End of Year	\$ 183,900,999

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

COUNTY OF DAUPHIN  
COMBINING STATEMENT OF NET ASSETS (DEFICITS)  
COMPONENT UNITS  
DECEMBER 31, 2006

Assets	Conservation District	General Authority	Mental Health/ Mental Retardation Case Management Unit	Dauphin County Executive Commission on Drugs and Alcohol	Industrial Development Authority	Dauphin County Economic Development Corporation	Total
Cash and Cash Equivalents	\$ 812,948	\$ 2,597,154	\$ 56,354	\$ 333,703	\$ 460,837	\$ 1,436,266	\$ 5,697,262
Investments	-	606,139	-	-	-	-	606,139
Inventory	-	133,344	-	-	-	-	133,344
Receivables:							
Accounts	143,717	659,077	486,397	75,314	48,078	-	1,412,583
Interest and Dividends	-	20,395	-	-	-	36,300	20,395
Due from Other Governments	-	-	-	1,073,150	-	-	1,239,299
Notes and Loans Receivable	129,849	-	-	-	146,056	-	335,746,056
Prepaid Expenses	-	335,600,000	-	-	11,229	-	83,543
Investment in Direct Financing Leases	-	11,477,705	72,314	-	20,034	-	11,477,705
Other Assets	-	5,847,392	-	-	-	72,314	5,939,740
Advance to Related Party	-	-	-	-	-	241,814	241,814
Restricted Cash	-	2,570,249	-	71,386	-	-	2,641,635
Restricted Investments	-	85,117,245	-	-	-	-	85,117,245
Restricted Accrued Interest Income	-	848,872	-	-	-	-	848,872
Capital Assets, Net	826,145	76,624,804	606,738	-	2,380,717	2,017,262	82,455,666
Total Assets	\$ 1,912,659	\$ 522,102,376	\$ 1,221,803	\$ 1,553,553	\$ 3,066,951	\$ 3,803,956	\$ 533,661,298

Liabilities	Accounts Payable	Accrued Liabilities	Line of Credit	Unearned Revenues	Due to Other Governments	Due to Primary Government	Payable From Restricted Assets	Escrow Obligation	Other Liabilities	Long-term liabilities	Portion Due or payable within one year:	General Obligation Debt	Accrued Compensated Absences	Portion Due or payable after one year:	General Obligation Debt	Accrued Compensated Absences	Total Liabilities	Net Assets (Deficits)	Invested in Capital Assets, Net of Related Debt	Restricted for:	Program Purposes	Debt Service	Unrestricted	Total Net Assets (Deficits)	
Accounts Payable	\$ 800,348	\$ 197,344	\$ 685,967	\$ 80,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	10,695,901	486,345	32,738	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Line of Credit	-	110,084	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unearned Revenues	742,391	-	55,758	2,635	86,993	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to Other Governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payable From Restricted Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Escrow Obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Liabilities	(817,441)	-	-	7,841	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Long-term liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Portion Due or payable within one year:																									
General Obligation Debt	6,775,000	-	24,475	-	-	-	-	-	-	-	99,914	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accrued Compensated Absences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Portion Due or payable after one year:																									
General Obligation Debt	521,350,167	-	17,624	-	-	-	-	-	-	-	2,288,896	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accrued Compensated Absences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	129,176	539,546,366	793,773	816,562	2,405,853	2,266,272	45,000	6,919,914	24,475	-	99,914	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Assets (Deficits)	826,145	(22,241,760)	606,738	(6,093)	(46,004)	(20,862,974)	6,498,732	432,291	1,635,247	19,823	1,537,684	1,563,865	525,657,329	17,624	2,018,266	545,958,002	545,958,002								
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted for:																									
Program Purposes	-	4,389,578	(178,708)	723,997	1,563,865	6,498,732	432,291	1,635,247	19,823	1,537,684	1,563,865	525,657,329	17,624	2,018,266	545,958,002	545,958,002									
Debt Service	-	432,291	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unrestricted	937,338	(24,099)	-	12,994	669,191	1,635,247	432,291	1,635,247	19,823	1,537,684	1,563,865	525,657,329	17,624	2,018,266	545,958,002	545,958,002									
Total Net Assets (Deficits)	\$ 1,763,483	\$ (17,443,990)	\$ 428,030	\$ 736,991	\$ 661,098	\$ 1,537,684	\$ (12,296,704)	\$ 1,635,247	\$ 19,823	\$ 1,537,684	\$ 1,563,865	\$ 525,657,329	\$ 17,624	\$ 2,018,266	\$ 545,958,002	\$ 545,958,002									

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

COUNTY OF DAUPHIN  
COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNIT  
DECEMBER 31, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Conservation District	General Authority	Mental Health/ Mental Retardation Case Management Unit	Dauphin County Executive Commission on Drugs and Alcohol	Industrial Development Authority	Dauphin County Economic Development Corporation	Total
Conservation District	\$ 470,979	\$ 322,548	\$ 687,454	\$ -	\$ 519,023					\$	\$ 519,023
General Authority	45,803,647	27,772,491	-	-	(18,031,156)						(18,031,156)
Mental Health/Mental Retardation Case Management Unit	7,870,421	83,554	7,687,091	-		(119,776)					(119,776)
Dauphin County Executive Commission on Drugs and Alcohol	4,739,165	126,952	4,613,074	-			861				861
Industrial Development Authority	4,342,429	438,448	4,135,263	-				231,282			231,282
Dauphin County Economic Development Corporation	1,840,150	206,069	1,666,565	-					32,484		32,484
Tourism and Economic Development	\$ 65,066,791	\$ 28,950,062	\$ 18,749,447	\$ -	\$ 519,023	\$ (18,031,156)	\$ (119,776)	\$ 861	\$ 231,282	\$ 32,484	\$ (17,367,282)
General revenues:											
Unrestricted investment earnings					56,982			23,783			16,831,879
Transfer to primary government					(502,940)						(502,940)
Total general revenue, special items, transfers					(445,958)						16,328,939
Change in net assets					73,065			24,644			124,143
Net assets-beginning, as restated (Note 29)					1,710,418			712,347			1,413,541
Net assets (Deficit) -ending					\$ 1,783,483			\$ 736,991			\$ 1,537,684

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

COUNTY OF DAUPHIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

A. Reporting Entity

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

Discretely Presented Component Units

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

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

The District operates and reports on a calendar year basis.

Dauphin County General Authority ("General Authority"): The General Authority was incorporated by the County on March 7, 1984, under the provisions of the Pennsylvania Municipal Authorities Act to acquire, hold, construct, improve, maintain and operate, own, and lease 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, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

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

The General Authority reports on a calendar year basis.

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

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

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

The IDA acts as a financing vehicle for industrial development in the County. The IDA's work includes tax exempt and taxable bonds as well as mortgage financing for manufacturers, non-profits and companies establishing corporate headquarters in the County. The IDA participates in millions of dollars in new construction and rehabilitation each year through its industrial recruitment and expansion projects.

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, the IDA's offices are provided rent-free in a building owned by the County, and other significant operating expenses such as telephone, office maintenance and insurance are paid for by the County. In addition to providing financial support for operations, the Commissioners of the County have the sole power to appoint members of the IDA's Board of Directors.

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

The DCEDC is administered by the County of Dauphin through the Dauphin County Department of Community and Economic Development. The Commissioners of Dauphin County have the sole power to appoint members of the DCEDC's Board of Directors. The County pays for all significant management and administrative costs required to operate the DCEDC on a day-to-day basis. The DCEDC's management and support staff are employees of the County. The DCEDC's offices are provided rent-free in a building owned by the County, and other significant operating expenses, such as telephone, office maintenance, and insurance are paid for by 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.

Dauphin County Executive Commission on Drugs and Alcohol, Inc. ("Commission"): The Commission was incorporated on January 1, 2003. The Commission operates as a private Executive commission contracted by the County of Dauphin to provide drug and alcohol intervention and treatment related services. As such, the County of Dauphin has oversight responsibility for the Commission and is required to provide a match of County Funds. The County has committed to providing funding to the Commission in the amount of \$103,936 on January 1 and July 1 each year for which the contract between the Commission and the County is in effect.

The Commission operates and reports on a fiscal year ending June 30.

Separately published audit reports of the Component Units are available for public inspection in the Controller's Office.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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 should not be included in its financial reporting entity (condensed financial information relative to these entities is included in the notes herein):

<u>Name of Organization</u>	Cumberland, Dauphin Harrisburg Transit <u>Authority</u>	Tri-County Regional Planning <u>Commission</u>
Services Provided	Bus Services	Regional Planning
Dauphin County Board Representation	3 of 7 Members	13 of 31 Members
Fiscal Year	June 30, 2006	December 31, 2006
Current Assets	\$3,465,213	\$437,901
Total Assets	22,972,334	452,822
Net Assets/Fund Balance	21,397,177	234,875
Operating Revenues	5,675,325	2,044,325
Operating Loss	(10,702,888)	188,038
Net Income	608,450	188,038
Dauphin County Contribution to Operations	382,731	-
Dauphin County Working Capital Advances	None	None

Separately published audit reports of the Joint Ventures are available for public inspection in the Controller's Office.

C. 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:

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Related Organizations (Continued)

Authorities

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

Advisory Boards

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

D. Government-Wide and Fund Financial Statements

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

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

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



COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major governmental funds:

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

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The County reports the following major proprietary funds:

- The County Home Fund accounts for the fiscal activities of the County's nursing home that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans. The County Home was sold in 2006 thus the operations of this proprietary fund has concluded.
- Health Choices Fund accounts for the fiscal activities of the County Behavioral Health Program that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.
- Human Services Building Fund accounts for the fiscal activities of the County's Human Services Building that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

Additionally, the County reports the following fund types:

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Cash Equivalents

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

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for doubtful accounts.

• Unbilled Service Receivables

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

3. Investments

Investments for the County are reported at fair value. Investments that do not have an established market value are reported at estimated values.

4. Restricted Assets

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

5. Capital Assets

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (continued)

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

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

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

6. Allowance for Doubtful Accounts

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

7. Compensated Absences

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

8. Long-Term Obligations

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Unearned Revenues

Unearned revenues reported in government-wide financial statements represent revenues not yet earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and in accordance with the modified accrual basis of accounting are reported as unearned revenues. The County deems revenues received within 365 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

10. Interfund Transactions

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

11. Net Assets/Fund Balances

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Accounting Estimates

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

G. Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and amendment of GASB Statement No. 34. The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 47 "*Accounting for Termination Benefits*". The adoption of this statement had no effect on previously reported amounts.

H. Pending Changes in Accounting Principles

In June 2004, the GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*". The County is required to adopt Statement No. 45 for its calendar year 2007 financial statements.

In September 2006, the GASB issued Statement No. 48, "*Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". The County is required to adopt Statement No. 48 for its calendar year 2007 financial statements.

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

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, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 sheets. Net assets are segregated into "invested in capital assets, net of related liabilities", "restricted" and "unrestricted" components. The financial statements are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Conduit Debt Issues

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

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.



COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Investments

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

Direct Financing Lease Transactions

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

Notes Receivable Transactions

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

Capital Assets

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

Inventory

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

Deferred Financing Costs

Deferred financing costs, representing issuance costs for the outstanding bonds, net of reimbursement, are being amortized over the outstanding terms of the bonds on the straight-line method.

Bond Discount

Bond discounts, representing the underwriters' discount on bonds issued and/or the discount for bonds issued at less than par value, are amortized over the outstanding terms of the Bonds by the straight-line method.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Restricted Assets

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

Net Assets

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

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.

Dauphin County Mental Health/Mental Retardation Case Management Unit

Basis of Presentation

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Mental Health/Mental Retardation Case Management Unit (Continued)

Revenue Recognition

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

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

Use of Estimates

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

Capital Assets

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Mental Health/Mental Retardation Case Management Unit  
 (Continued)

Capital Assets (Continued)

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

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

Income Taxes

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

Adoption of Governmental Accounting Standards Board  
 Statement

The Dauphin County Mental Health/Mental Retardation Case Management Unit adopted the provisions of GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", an amendment of GASB Statement No. 34, and GASB Statement No. 47 "Accounting for Termination Benefits." . These statements had no effect on the financial statement of the Case Management Unit.

Dauphin County Industrial Development Authority ("IDA")

Basis of Accounting

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Industrial Development Authority (Continued)

Basis of Accounting (Continued)

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

Cash and Cash Equivalents

The IDA considers all highly-liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents at September 30, 2006 consist of cash held in bank checking accounts.

Capital Assets

Capital Assets which include office equipment and furnishings and buildings are recorded at original cost at the time title reverts to the IDA and said assets are in operating condition. To the extent the IDA's capitalization threshold is met, capital outlays are recorded and depreciated using the straight-line method over their estimated useful lives. Estimated useful lives for office equipment furnishings range from three to seven years and buildings forty years.

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 relate to the collectibility 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.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Industrial Development Authority (Continued)

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at outstanding principal. Account balances generally are written off when management judges such balances uncollectible such as an account in bankruptcy. Management continually monitors and reviews loan receivable balances. Interest at rates ranging from 3-5% is charged on unpaid balance and is recognized in revenue upon receipt. Loans receivable potentially subject the IDA to credit risk to the extent that such amounts could become uncollectible. The IDA's management evaluates the risk and when determined to be necessary, provides an allowance for loans which may become uncollectible. Management considers all loan receivables to be fully collectable at September 30, 2006.

Dauphin County Economic Development Corporation ("DCEDC")

Basis of Accounting

The financial statements for the year ended December 31, 2006 have been prepared on the accrual basis of accounting under which revenue is recognized when earned and expenses are recognized when incurred.

Net Assets

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

Revenue

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Economic Development Corporation (Continued)

Cash and Cash Equivalents

DCEDC considers all highly-liquid debt instruments purchased with a maturity of one year or less to be cash equivalents. Cash and cash equivalents at December 31, 2006 consist of cash held in bank checking accounts and certificates of deposit.

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 of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Purchases of fixed assets are recorded at their original cost and are depreciated on a straight line basis over their estimated useful lives. Estimated lives for office equipment and furnishings range from three to seven years. Estimated life for buildings is 39 years. Depreciation expense for the year ended December 31, 2006 was \$56,918.

Concentration of Credit Risk

Financial instruments which potentially subject the DCEDC to credit risk consist primarily of cash. DCEDC maintains its cash deposits with various regional financial institutions. DCEDC's bank accounts at December 31, 2006 were insured by the Federal Deposit Insurance Corporation or were collateralized in accordance with Act 72.

Accounts receivable potentially subject the DCEDC to credit risk to the extent that such amounts could become uncollectible. DCEDC's management has evaluated this risk and determined no allowance was necessary.

Income Taxes

DCEDC is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code and files Form 990, return of Organization Exempt from Income Tax. Certain revenue deemed to be unrelated to a nonprofit corporation's tax-exempt purpose is subject to federal income taxes. DCEDC received no revenues deemed to be unrelated to its tax-exempt purpose during the year ended December 31, 2006.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

Financial Statement Presentation

The Commission follows SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting and Revenue Recognition

The Commission prepares its financial statements on an accrual basis of accounting whereby support and revenue are recognized when earned and expenses are recognized when incurred. Grant revenue is recognized when allowable expenses are incurred. Any grant payments received in excess of allowable expenses are reflected as deferred revenue. When allowable expenses are incurred in excess of grant payments received, a grant receivable is reflected.

Cash and Cash Equivalents

The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fixed Assets

The Commission expenses the cost of fixed asset acquisitions on their income and expense reports submitted to the Pennsylvania Department of Health, Office of Drug and Alcohol Programs. Since the funding agreement specifies that title to the assets remains with the State, the assets cannot be capitalized.

Income Taxes

Income taxes are not provided for in the financial statements since the Commission is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Commission is not classified as a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

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 certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.



COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 2: BUDGETARY DATA

County Budget Process

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

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

Legal Requirements

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 2: BUDGETARY DATA

County Budget Process (Continued)Level of Control

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

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

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

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

## NOTE 3: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2006 were as follows:

	Cost	Market
<b>Governmental Funds</b>		
Capital Projects Fund	\$ 4,045,915	\$ 4,130,921
U.S. Government Securities	4,045,915	4,130,921
<b>Fort Hunter Permanent Fund</b>		
Fixed Income Mutual Funds - Bonds	413,464	410,643
Fixed Income Mutual Funds - Stocks	351,678	458,963
Total Permanent Fund	765,142	869,606
Total Governmental Funds	4,811,057	5,000,527
<b>Fiduciary Funds</b>		
Retirement Fund		
U.S. Government Securities	31,564,747	35,253,017
Savings, CD's & Time Deposits	240,659	239,340
Corporate Bonds	18,222,894	17,836,137
Common Stocks	58,339,088	75,539,698
Equity Funds	47,526,844	51,943,410
Total Retirement Fund	155,894,232	180,811,602
Total Fiduciary Funds	155,894,232	180,811,602
Total Investments	\$ 160,705,289	\$ 185,812,129

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2006, 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
U.S. Government Agencies	\$ 4,130,921	\$ 4,130,921	\$ -	\$ -	\$ -
Fixed Income Mutual Fund - Bonds	410,643	410,643	-	-	-
Total	\$ 4,541,564	\$ 4,541,564	\$ -	\$ -	\$ -

As of December 31, 2006, 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	\$ 11,660,893	\$ 301,413	\$ 7,473,357	\$ 3,886,123	\$ -
U.S. Government Agencies	23,592,124	1,112,727	12,957,035	3,570,401	5,951,961
Savings, CD's & Time Deposits	239,340	-	-	239,340	-
Corporate Bonds	17,836,137	2,823,335	8,847,481	3,283,019	2,882,302
Total	\$ 53,328,494	\$ 4,237,475	\$ 29,277,873	\$ 10,978,883	\$ 8,834,263

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2006, the County's operating investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
U.S. Government Agencies	Aaa	100%
Fixed Income Mutual Funds	Aaa	80%
Fixed Income Mutual Funds	Aa	5%
Fixed Income Mutual Funds	A	8%
Fixed Income Mutual Funds	Baa	7%

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

As of December 31, 2006, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
U.S. Government Agencies	AAA	100%
Corporate Bonds	AAA	23%
Corporate Bonds	AA2	8%
Corporate Bonds	AA3	13%
Corporate Bonds	A1	10%
Corporate Bonds	A2	17%
Corporate Bonds	A3	9%
Corporate Bonds	BAA1	5%
Corporate Bonds	BAA2	4%
Corporate Bonds	BAA3	2%
Corporate Bonds	Not rated	9%

*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, 2006, \$94,495,654 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, 2006.

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

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

At December 31, 2006, the County is not subject to concentration of credit risk.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

Component Units – Deposit and Investment Risk

Dauphin County Conservation District

Deposits

At times during the year ended December 31, 2006, the Conservation District's cash balances may have exceeded the federally insured limit of \$100,000. The excess, if any, is covered by collateral held by the pledging financial institution's trust department. Pennsylvania Act 72 allows for bank-owned securities to be pledged on a pooled basis to service public funds.

Cash and cash equivalents include the following as of December 31, 2006:

	<u>Carrying Amount</u>	<u>Market Value</u>
Pennsylvania INVEST Program	<u>\$ 812,948</u>	<u>\$ 812,948</u>
	<u>\$ 812,948</u>	<u>\$ 812,948</u>

Custodial Credit Risk

For deposits and investments, custodial risk is the risk that in the event of the failure of the counterparty, 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, 2006, none of the Conservation District's deposits were exposed to custodial credit risk.

Concentration of Credit Risk

The Conservation District places no limit on the amount that may be invested in any one issuer. All of the Conservation District's investments, which are classified as cash and cash equivalents, consist of cash equivalents with the Pennsylvania INVEST Program.

Dauphin County General Authority

Deposits and Investments

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

*Custodial credit risk.* At December 31, 2006, the carrying amount of the Authority's unrestricted deposits was \$2,597,158 and the bank balance was \$2,603,873. Of the unrestricted bank balance, \$100,000 was covered by federal depository insurance (Category 1). Of the remaining unrestricted bank balance \$2,103,475 was collateralized under Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors and \$400,398 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name (Category 3).

At December 31, 2006, the carrying amount of Authority's restricted deposits was \$2,570,249 and the bank balance was \$2,568,379. Of the restricted bank balance, \$208,144 was covered by federal depository insurance. Of the remaining restricted bank balance, \$2,360,335 was collateralized under Act 72.

Investments

Total General Authority investments reported on the balance sheet at December 31, 2006 are as follows:

	<u>Fair Value</u>
Unrestricted	\$ 159,306
Money market funds	3,583
U.S. government obligations	443,250
U.S. government agencies obligations	<u>\$ 606,139</u>
Restricted	
Money market funds	\$ 47,681,699
Guaranteed investment contracts	37,435,546
	<u>\$ 85,117,245</u>

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

	<u>Fair Value</u>	<u>Percentage of Investments</u>
Money market funds		
Federated Treasury Obligations Fund	\$ 43,889,802	51.20%
Guaranteed Investment Contracts		
FSA Capital Management	\$23,860,000	27.83%
AMBAC Capital Funding	\$8,875,000	10.35%

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## 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's money market funds and fixed income investments had the following level of exposure to credit risk as of December 31, 2006:

	Fair Value	Rating
<b>Unrestricted</b>		
Money market funds	\$ 159,306	AAA
U.S. government agencies	443,250	AAA
Federal National Mortgage Association		
<b>Restricted</b>		
Money market funds	47,681,699	AAAm
Guaranteed investment contracts	37,435,546	Unrated

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
<b>Unrestricted</b>					
Money market funds	\$ 159,306	\$ 159,306	\$ -	\$ -	\$ -
U.S. government agencies	443,250	443,250	-	-	-
	<u>\$ 602,556</u>	<u>\$ 602,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Restricted</b>					
Money market funds	\$ 47,681,699	\$ 47,681,699	\$ -	\$ -	\$ -
Guaranteed investment contracts	37,435,546	13,860,000	10,000,000		13,575,546
	<u>\$ 85,117,245</u>	<u>\$ 61,541,699</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 13,575,546</u>

Dauphin County Mental Health/Mental Retardation Case Management UnitCash Concentrations

The Case Management Unit had deposits with local banks of \$56,354, which were covered by FDIC insurance.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)

Dauphin County Industrial Development Authority ("IDA")

Deposits

The IDA's deposit and investment policy adheres to State Statutes and prudent business practices. Custodial credit risk is the risk that in the event of a bank failure, the IDA's deposits may not be returned to them. The IDA does not have a deposit policy for custodial credit risk. As of September 30, 2006 none of the IDA's \$8,436,863 was exposed to custodial credit risk.

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

Deposits and Investments

The Commission maintains its cash with one local bank. Total cash balances are federally insured by the FDIC up to \$100,000 per financial institution. As of June 30, 2006, \$100,000 of the cash balance of \$405,089 is insured, and management believes that the credit risk related to the uninsured balance is minimal.

NOTE 4: NOTES RECEIVABLE

Component Unit - Notes Receivable

Dauphin County General Authority

At December 31, 2006, the General Authority has completed financing agreements with the following entities for which it received general obligation notes:

General Obligation Notes

Altoona School District	\$ 47,835,000
Philadelphia School District	208,975,000
Derry Township	2,300,000
N.E. Bradford School District	4,445,000
Penncrest School District	6,180,000
Great Valley School District	12,500,000
Susquehanna Township School District	3,500,000
Lancaster General Hospital	43,360,000
Lancaster General Medical Group	4,465,000
Central Pennsylvania Nursing Alliance	1,990,000
	<hr/>
Total general obligation notes	\$335,600,000
Current portion	\$ 8,400,000
Noncurrent portion	327,200,000
	<hr/>
	\$335,600,000



COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 5: RESTRICTED ASSETS

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

	<u>Cash</u>
Governmental Funds	
General Fund	
Amounts held in escrow for purposes including tax protest ordered liabilities	\$1,399,736
Amounts held in fiduciary capacity District Attorney's Office	577,438
Amounts Reserved for Workers' Compensation Liabilities	<u>268,464</u>
Total General Fund	<u>2,245,638</u>
Total Governmental Funds	<u>\$2,245,638</u>

Component Units-Restricted Assets

Dauphin County-Executive Commission on Drug and Alcohol, Inc.

Restricted cash in the amount of \$71,386 represents the cash remaining that was transferred from the County for the Commission's pension plan as described in Note 22.

NOTE 6: RISK MANAGEMENT

The County is exposed to risk of loss related to self-insurance activities for workers' compensation. The County records the liability for the risk associated with the workers' compensation.

The County has excess workers' compensation insurance with a self-insured retention per occurrence of \$350,000, and a maximum indemnity per occurrence of \$2,000,000.

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, 2006, was \$268,459 and is included in the restricted cash amount in the General Fund. The County was required to fund the amount in 2006, a result of the County's loss reserves exceeding the loss reserves calculated by the Pennsylvania Department of Labor and Industry. The purpose of the account is to provide a source of funds for claimants entitled to benefits under Article III Section 305 of the Pennsylvania Workers' Compensation Act in case the County could not pay claims.

The County maintains workers' compensation reserves for claims incurred and claims incurred but not reported on the funds to which, per the County's estimate, they apply.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 6: RISK MANAGEMENT (CONTINUED)

Independent of these reserves, the County maintains a \$50,000 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 4.5% for workers' compensation.

Accrued workers' compensation self-insurance liabilities at December 31, 2006, are summarized as follows:

Governmental  
Activities

\$2,117,945

The following summary provides aggregate information on self-insurance liabilities, incurred claims, and payments during the years ended December 31, 2006 and 2005.

2006

January 1, 2006, <u>Liability</u>	Incurred Claims and Changes in <u>Estimate</u>	<u>Payments</u>	December 31, 2006, <u>Liability</u>
<u>\$2,127,616</u>	<u>\$221,353</u>	<u>\$(231,024)</u>	<u>\$2,117,945</u>

2005

January 1, 2005, <u>Liability</u>	Incurred Claims and Changes in <u>Estimate</u>	<u>Payments</u>	December 31, 2005, <u>Liability</u>
<u>\$2,165,692</u>	<u>\$130,682</u>	<u>\$(168,758)</u>	<u>\$2,127,616</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.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

**Primary Government**

	Beginning Balance, as restated (Note 29)	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 226,212	\$ -	\$ -	\$ 226,212
Construction in Progress - Infrastructure	298,479	199,280	(199,280)	298,479
Construction in Progress	13,958,064	11,287,960	-	25,246,024
<b>Total Capital Assets, Not Being Depreciated</b>	<b>14,482,755</b>	<b>11,487,240</b>	<b>(199,280)</b>	<b>25,770,715</b>
Capital Assets, Being Depreciated				
Infrastructure	9,919,492	199,280	-	10,118,772
Buildings and Improvements	65,460,685	-	-	65,460,685
Machinery and Tools	6,921,934	399,090	(166,253)	7,154,771
Leasehold Assets	8,316,455	1,429,672	(75,905)	9,670,222
<b>Total Capital Assets, Being Depreciated</b>	<b>90,618,566</b>	<b>2,028,042</b>	<b>(242,158)</b>	<b>92,404,450</b>
Less Accumulated Depreciation and Amortization For:				
Infrastructure	(4,449,661)	(250,478)	-	(4,700,139)
Buildings and Improvements	(35,117,339)	(927,619)	-	(36,044,958)
Machinery and Tools	(5,122,562)	(552,215)	101,517	(5,573,260)
Leasehold Assets	(4,314,880)	(848,505)	54,965	(5,108,420)
<b>Total Accumulated Depreciation and Amortization</b>	<b>(49,004,442)</b>	<b>(2,578,817)</b>	<b>156,482</b>	<b>(51,426,777)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>41,614,124</b>	<b>(550,775)</b>	<b>(85,676)</b>	<b>40,977,673</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 56,096,879</b>	<b>\$ 10,936,465</b>	<b>\$ (284,956)</b>	<b>\$ 66,748,388</b>
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 189,669	\$ -	\$ (78,177)	\$ 111,492
Construction in Progress	1,566,115	38,469	(38,469)	1,566,115
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,755,784</b>	<b>38,469</b>	<b>(116,646)</b>	<b>1,677,607</b>
Capital Assets, Being Depreciated				
Land Improvements	179,700	-	(179,700)	-
Buildings and Improvements	30,268,214	88,232	(28,320,493)	2,035,953
Machinery and Equipment	20,868,426	210,947	(10,686,355)	10,393,018
Furniture and Fixtures	65,346	-	-	65,346
Leasehold Assets	15,713,787	-	(243,494)	15,470,293
<b>Total Capital Assets, Being Depreciated</b>	<b>67,095,473</b>	<b>299,179</b>	<b>(39,430,042)</b>	<b>27,964,610</b>
Less Accumulated Depreciation and Amortization For:				
Land Improvements	(157,463)	(3,526)	160,989	-
Buildings and Improvements	(7,775,253)	(755,558)	7,027,599	(1,503,212)
Machinery and Equipment	(17,265,637)	(717,812)	9,618,110	(8,365,339)
Furniture and Fixtures	(54,538)	(3,472)	-	(58,010)
Leasehold Assets	(8,752,589)	(681,698)	211,948	(9,222,339)
<b>Total Accumulated Depreciation and Amortization</b>	<b>(34,005,480)</b>	<b>(2,162,066)</b>	<b>17,018,646</b>	<b>(19,148,900)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>33,089,993</b>	<b>(1,862,887)</b>	<b>(22,411,396)</b>	<b>8,815,710</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 34,845,777</b>	<b>\$ (1,824,418)</b>	<b>\$ (22,528,042)</b>	<b>\$ 10,493,317</b>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 7: CAPITAL ASSETS (CONTINUED)

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

<u>Governmental Activities:</u>	
General Government	\$ 947,252
Judiciary	354,049
Conservation and Development	20,486
Human Services	410,323
Culture and Recreation	82,400
Public Safety	510,025
Public Works	<u>254,282</u>
Total Depreciation Expense – Governmental Activities	<u>\$2,578,817</u>
<u>Business-Type Activities:</u>	
Patient Care	\$1,012,937
Public Works	669,566
Other Programs	<u>479,562</u>
Total Depreciation Expense – Business-Type Activities	<u>\$2,162,065</u>

Component Units – Capital AssetsDauphin County Conservation District

Capital Assets consists of the following:

	<u>Cost</u>	<u>Estimated Useful Lives</u>
Land Improvements	\$ 110,095	20 years
Buildings and Improvements	1,106,805	40 years
Machinery and Equipment	101,283	5-6 years
Leasehold Assets	15,241	5 years
	<u>1,333,424</u>	
Less: Accumulated Amortization and Depreciation	<u>(507,279)</u>	
	<u>\$ 826,145</u>	

Depreciation expense for the year ended December 31, 2006 was \$36,613.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 7: CAPITAL ASSETS (CONTINUED)

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

Changes in Capital Assets of the business-type activities at December 31, 2006, 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
Capital assets, being depreciated				
Land improvements	5,743,097	-	-	5,743,097
Buildings	93,305,659	33,850	-	93,339,509
Building improvements	325,599	3,379	-	328,978
Golf course equipment	841,188	107,598	(25,600)	923,186
Other equipment	767,098	17,229	-	784,327
Total capital assets, being depreciated	100,982,641	162,059	(25,600)	101,119,097
Less accumulated depreciation for:				
Land improvements	(1,962,637)	(182,500)	-	(2,145,137)
Buildings	(20,014,667)	(3,111,357)	-	(23,126,024)
Building improvements	(157,497)	(21,857)	-	(179,354)
Golf course equipment	(722,079)	(35,927)	25,600	(732,406)
Other equipment	(271,713)	(68,445)	-	(340,158)
Total accumulated depreciation and amortization	(23,128,593)	(3,420,086)	25,600	(26,523,079)
Capital assets, net	\$77,854,048	\$(3,258,030)	\$ -	\$76,624,804

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 7: CAPITAL ASSETS (CONTINUED)

Component Units-Capital Assets (Continued)Dauphin County Mental Health/Mental Retardation Case Management Unit

Capital assets activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being depreciated:				
Furniture and Equipment	\$1,107,644	\$ 111,506	\$ (195,387)	\$1,023,763
Leasehold Improvements	99,750	-	-	99,750
Total Capital Assets being depreciated	1,207,394	111,506	(195,387)	1,123,513
Less Accumulated Depreciation for:				
Furniture and Equipment	537,114	148,100	194,639	490,575
Leasehold Improvements	17,385	8,815	-	26,200
Total Accumulated Depreciation	554,499	156,915	194,639	516,775
Total Capital Assets, net	<u>\$652,895</u>	<u>\$ (45,409)</u>	<u>\$ (748)</u>	<u>\$606,738</u>

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, 2006:

	October 1	Additions	Deletions	September 30
Capital assets, not being depreciated:				
Construction in progress	\$36,466	\$ -	\$36,466	\$ -
Land	101,000	60,000	-	161,000
Total capital assets not depreciated	137,466	60,000	36,466	161,000
Capital assets, being depreciated:				
Buildings	416,720	840,000	-	1,256,720
Buildings held for lease	474,354	-	-	474,354
Building Improvements	-	550,830	-	550,830
Office furniture and equipment	5,243	-	-	5,243
Total capital assets, being depreciated	896,317	1,390,830	-	2,287,147
Less Accumulated Depreciation for:				
Buildings	5,835	20,291	-	26,126
Buildings held for lease	6,566	11,223	-	17,789
Building Improvements	-	18,361	-	18,361
Office furniture and equipment	4,741	413	-	5,154
Total accumulated depreciation	17,142	50,288	-	67,430
Total capital assets, being depreciated, net	879,175	1,340,542	-	2,219,717
Total capital assets, net	<u>1,016,641</u>	<u>\$1,400,542</u>	<u>\$ 36,466</u>	<u>\$2,380,717</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 8: CONDUIT DEBT ISSUES

Component Unit - Conduit Debt IssuesDauphin County General Authority

The following Conduit debt issues were outstanding at December 31, 2006:

Pennsylvania Higher Education Assistance	\$ 535,000
Western Pennsylvania Hospital	13,745,000
Reading Hospital and Medical Center	9,335,000
Dauphin County Library System	1,205,600
Pinnacle Health Systems	55,000,000
	<u>\$79,820,600</u>

## NOTE 9: LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General obligation bonded debt	\$84,095,000	\$38,045,000	\$(2,715,000)	\$119,425,000	\$ 4,385,000
Total bonds and notes payable	<u>\$84,095,000</u>	<u>\$38,045,000</u>	<u>\$(2,715,000)</u>	<u>\$119,425,000</u>	<u>\$ 4,385,000</u>
Other Liabilities:					
Compensated absences	6,377,479	374,374	-	6,751,853	-
Estimated workers compensation claims	517,011	1,600,934	-	2,117,945	-
Total Other Liabilities	<u>\$ 6,894,490</u>	<u>\$ 1,975,308</u>	<u>\$ -</u>	<u>\$ 8,869,798</u>	<u>\$ -</u>
Governmental Activities Long-Term Liabilities	<u>\$90,989,490</u>	<u>\$40,020,308</u>	<u>\$(2,715,000)</u>	<u>\$128,294,798</u>	<u>\$ 4,385,000</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
General obligation debt	\$25,275,569		\$(23,316,068)	\$ 1,959,501	\$235,937
Total bonds and notes payable	<u>\$25,275,569</u>	<u>\$ -</u>	<u>\$(23,316,068)</u>	<u>\$1,959,501</u>	<u>\$ 235,937</u>
Other Liabilities:					
Compensated absences	1,067,714	39,552	(889,015)	218,251	-
Estimated workers compensation claims	1,610,605	-	(1,610,605)	-	-
Total Other Liabilities	<u>\$ 2,678,319</u>	<u>\$ 39,552</u>	<u>\$(2,499,620)</u>	<u>\$ 218,251</u>	<u>\$ -</u>
Business-Type Activities Long-Term Liabilities	<u>\$27,953,888</u>	<u>\$39,552</u>	<u>\$(25,815,688)</u>	<u>\$2,177,752</u>	<u>\$ 235,937</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

An analysis of debt service requirements to maturity on these obligations follows (with the exception of compensated absences and estimated workers' compensation liability):

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2007	\$4,620,936	\$4,626,969	\$9,247,905
2008	4,733,565	4,445,903	9,179,468
2009	4,845,000	4,242,496	9,087,496
2010	5,860,000	4,017,723	9,877,723
2011	7,155,000	3,753,596	10,908,596
2012-2016	30,995,000	15,483,333	46,478,333
2017-2021	38,420,000	8,598,745	47,018,745
2022-2024	24,755,000	1,646,723	26,401,723
	<u>\$121,384,501</u>	<u>\$46,815,488</u>	<u>\$168,199,989</u>

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

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2006</u>
1998	\$ 1,660,000	Repayment of debt incurred to finance the initial start up cost of the Solid Waste Authority. This debt was assumed by the County when the Solid Waste Authority dissolved in March 2000 (final maturity in 2008).	\$ 304,501
2002	\$ 3,500,000	Provide funds to construct road and transportation improvements (final maturity in 2012).	\$ 2,430,000
2002	\$16,500,000	Current refunding of general obligation note Series A of 2001 and pay the cost of issuance related to the bond issue (Final Maturity in 2024).	\$ 16,485,000
2003	\$ 7,910,000	Series A and B issued for refinancing current principal and interest payment of general obligation bonds Series of 1993, 1998, 2001 and defeased general obligation notes Series of 2000 B and F and pay the cost of issuance related to the bond issue (Final Maturity in 2010).	\$ 3,135,000



COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2006</u>
2004	\$6,775,000	Series A and B issued for refinancing current principal and interest payments of general obligation bonds Series of 1998, 1999, 2001 and 2002A and pay the cost of issuance related to the Bond issue (Final Maturity in 2014).	\$6,765,000
2004	\$39,760,000	General Obligation Bonds, Series of 2004 and General Obligation Notes, Series C and D issued for defeasing General Obligation Bonds, Series of 1998, 1999, Series A of 2003 and to partially refund the Second Series of 2001 and to pay the cost of issuance related to the bond issue (Final Maturity in 2024).	\$36,515,000
2005	\$33,990,000	General Obligation Bonds, Series of A, B and C of 2005 issued to currently refund General Obligation Bonds, Series A of 2000; to advance refund General Obligation Bonds, Second Series of 2001; and to advance refund General Obligation Bonds, Series of 2002 (Final Maturity in 2024)	\$33,985,000
2005	\$5,315,000	General Obligation Bonds, Series D of 2005 issued to currently refund General Obligation Notes, Series E of 2000 (Final Maturity in 2011)	\$5,315,000
2006	\$16,450,000	General Obligation Bonds, Series of 2006 issued to fund the costs of the emergency communications project and to pay the cost of issuance related to the bond issue (Final Maturity 2023 )	\$16,450,000
			<u>\$121,384,501</u>

Interest rates on the above obligations range from 1.8% to 7.9%. The County has pledged its taxing power as security for outstanding general obligation debt.

In February 2003, the County issued \$3,420,000 in General Obligation Notes, Series B of 2003 to refund general obligation debt of the County. As a result of the refunding, the Human Service Building Fund recognized a loss of \$172,010 that is being amortized on the interest method over the term of the notes. The balance of the deferred loss at December 31, 2006 is \$73,711.

In August 2005, the County issued \$4,120,000 in General Obligation Bonds, Series A of 2005 to currently refund general obligation debt of the County. The Human Service Building Fund recognized a bond premium of \$41,144 as a result of this refunding. The premium is being amortized on the interest method over the term of the bonds. The balance of the premium at December 31, 2006 is \$30,602.

In July 2006, the County issued \$16,450,000 of General Obligation Bonds. The bonds were issued at a premium of \$788,724, which will be amortized over the life of the bonds. The Series 2006 Bonds mature on November 15, 2023 at an annual interest rate of 3.55% to 5.00%. The proceeds of the Series 2006 Bonds were used to pay bond issuance costs of \$249,797 and to fund the County's Emergency Communications Project.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

In the current and prior years, the County defeased various general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying general purpose financial statements. At December 31, 2006, the principal amount outstanding relative to defeased debt was \$54,730,000.

Component Unit – Long Term DebtDauphin County General Authority

Long-term debt outstanding at December 31, 2006, is as follows:

School District Pooled Financing Program I	\$200,000,000
School District Pooled Financing Program II	150,000,000
Education and Health Loan Program Pool	49,815,000
Office and Parking Revenue Bonds (Riverfront Office Center)	
Series A of 1998	33,980,000
Series C of 1998 Capital Appreciation Bonds	9,397,671
Hotel and Conference Center Bonds (Hyatt Hotel Project) Series of 1998	62,605,000
Dauphin County Guaranteed Lease Revenue Bonds - Series of 2001 (Building Bonds)	5,760,000
Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 (Building Bonds) Capital Appreciation Bonds	2,317,496
Lease Revenue Bonds (100 Chestnut Street)	
Series A of 2003	2,490,000
Series B of 2003	875,000
Dauphin County Guaranteed Revenue Bonds – Series A and B of 2005 (Dauphin Highlands)	10,895,000
	<u>\$528,125,167</u>

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

Current portion of long-term debt	\$ 6,775,000
Long-term debt, net of current portion	<u>521,350,167</u>
	<u>\$528,125,167</u>

Long-term liability activity for the General Authority for the year ended December 31, 2006, 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	\$533,775,473	\$ 764,694	\$(6,415,000)	\$528,125,167	\$ 6,775,000
Deferred charge	(1,118,314)	-	68,047	(1,050,267)	-
	<u>\$532,657,159</u>	<u>\$ 764,694</u>	<u>\$(6,346,953)</u>	<u>\$527,074,900</u>	<u>\$ 6,775,000</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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, 2006 except as described in Note 25.

School District Pooled Financing Program I

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

The bonds mature on June 1, 2026, and bear interest at variable rates adjusted periodically by the Remarketing Agent. The rate set will be the rate necessary to enable the Remarketing Agent to sell the bonds (exclusively of accrued interest, if any) at a price equal to their principal amount. The rates at December 31, 2006, ranged from 2.82% to 5.70%. The bonds are insured by a municipal bond guaranty insurance policy.

The bonds are reoffered periodically as school district projects become available. Individual re-offerings outstanding at December 31, 2006, mature from 2000 through 2025. Total principal subject to mandatory tender on June 1, 2007 is \$10,340,000. At December 31, 2006, all of the available bond proceeds had not been loaned to participants. Unloaned funds at December 31, 2006, were \$8,395,000. The General Authority expects to enter into additional note agreements during 2007 for the unloaned funds.

Based on a weighted-average interest calculation of 3.94%, debt service to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 7,635,621	\$ 7,635,621
2008	-	7,635,621	7,635,621
2009	-	7,635,621	7,635,621
2010	-	7,635,621	7,635,621
2011	-	7,635,621	7,635,621
2012 to 2016	-	39,178,105	39,178,105
2017 to 2021	-	39,178,105	39,178,105
2022 to 2026	200,000,000	34,607,587	234,607,587
	<u>\$200,000,000</u>	<u>\$151,141,902</u>	<u>\$351,141,902</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County General Authority (Continued)

School District Pooled Financing Program I (Continued)

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

School District Pooled Financing Program II

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

During 2002, \$100,000,000 in revenue bonds were called to effectuate a reduction in the program. At December 31, 2006, revenue bonds of \$150,000,000 were outstanding. These remaining bonds will mature on September 1, 2032, and bear interest at variable rates adjusted periodically by the Remarketing Agent. The rate set will be the rate necessary to enable the Remarketing Agent to sell the bonds (exclusively of accrued interest, if any) at a price equal to their principal amount. The rate at December 31, 2006, was 4.31%. The bonds are insured by a municipal bond guaranty insurance policy.

The Bonds will be reoffered periodically as school district projects become available. Individual re-offerings outstanding at December 31, 2006, mature from 2006 through 2027. Total principal subject to mandatory tender in 2007, is \$1,370,000. At December 31, 2006, all of the available bond proceeds had not been loaned to participants. Unloaned funds at December 31, 2006 were \$2,875,000. The General Authority expects to enter into additional note agreements during 2007 for the unloaned funds.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)School District Pooled Financing Program II (Continued)

Based on a weighted-average interest calculation of 3.94%, debt service to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 5,910,000	\$ 5,910,000
2008	-	5,910,000	5,910,000
2009	-	5,910,000	5,910,000
2010	-	5,910,000	5,910,000
2011	-	5,910,000	5,910,000
2012 to 2016	-	29,550,000	29,550,000
2017 to 2021	-	29,550,000	29,550,000
2022 to 2026	-	29,550,000	29,550,000
2027 to 2031	-	29,550,000	29,550,000
2032	150,000,000	3,959,700	153,959,700
	<u>\$150,000,000</u>	<u>\$151,709,700</u>	<u>\$301,709,700</u>

As required by the mandatory sinking fund provision, the trustee maintains \$6,000,000 of Bond proceeds in the Debt Service Account.

Education and Health Loan Program Pool

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

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

The General Authority enters into a Note Agreement with each participant evidencing the proceeds borrowed by the participant and the terms of repayment. As of December 31, 2006, all of the available bond proceeds were loaned to participants.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Education and Health Loan Program Pool (Continued)

As the principle is collected on the outstanding receivable, the fund will repay principle on the outstanding bonds payable. Based on the variable rate at December 31, 2006 of 3.96%, debt service to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$3,815,000	\$ 1,972,674	\$ 5,787,674
2008	4,030,000	1,821,600	5,881,600
2009	4,260,000	1,662,012	5,922,012
2010	4,500,000	1,493,316	5,993,316
2011	4,750,000	1,315,116	6,065,116
2012 to 2016	23,505,000	3,708,540	27,213,540
2017	4,955,000	196,218	5,151,218
	<u>\$ 49,815,000</u>	<u>\$ 12,169,476</u>	<u>\$ 61,984,476</u>

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

On November 21, 2001, the General Authority issued \$5,620,000 Dauphin County Guaranteed Lease Revenue Refunding Bonds – Series A of 2001 and \$4,750,000 Dauphin County Guaranteed Lease Revenue Bonds, Series B of 2001. The proceeds of Series A of 2001 were used to defease the County Building Bonds Series of 1997, as issued, consisted of Current Interest Bonds of \$8,535,000. The bonds are insured by a municipal bond guaranty insurance policy. The General Authority used the Series A of 2001 Bond proceeds to advance refund the Current Interest Bonds, resulting in defeasance of the bonds. As a result, the liability for those bonds has been removed from the Building Bond Fund. The balance outstanding on the County Building Bonds Series of 1997 at December 31, 2006, is zero.

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.00%	\$ 1,030,000	\$ 256,988	\$ 1,286,988
2008	4.00%	5,000	226,088	231,088
2009	4.00%	10,000	225,883	235,883
2010	4.00%	10,000	225,488	235,488
2011	4.00%	305,000	225,088	530,088
2012 to 2016	4.25%-4.75%	1,720,000	918,177	2,638,177
2017 to 2021	5.00%	2,180,000	462,500	2,642,500
2022	5.00%	500,000	25,000	525,000
		<u>\$ 5,760,000</u>	<u>\$ 2,565,212</u>	<u>\$ 8,325,212</u>

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

The General Authority issued \$11,845,695 Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 on July 1, 1992, the proceeds of which were used to defease the County Building Bonds - Series of 1986. The balance outstanding on the defeased bonds at December 31, 2006, is \$3,710,000. The bonds are insured by a municipal bond guaranty insurance policy.

The 1992 Bonds, as issued, consisted of Current Interest Bonds and Capital Appreciation Bonds of \$10,900,000 and \$945,695, respectively. The bonds are insured by a municipal bond guaranty insurance policy. Through the issuance of the County Building Bonds Series of 1997, the General Authority advance refunded the Current Interest Bonds resulting in defeasance of the bonds. The balance outstanding on the defeased bonds at December 31, 2006, is zero.

The 1992 Capital Appreciation Bonds mature as follows:

<u>Maturity Dates</u>	<u>Stated Values at Issuance</u>	<u>Maturity Values</u>	<u>Discount</u>	<u>Accreted Value</u>
March 1, 2008	\$ 202,015	\$ 530,000	\$ 36,946	\$ 493,054
September 1, 2008	195,846	530,000	52,003	477,997
March 1, 2009	188,346	530,000	67,086	462,914
September 1, 2009	182,553	530,000	81,330	448,670
March 1, 2010	176,935	530,000	95,139	434,861
	<u>\$ 945,695</u>	<u>\$ 2,650,000</u>	<u>\$ 332,504</u>	<u>\$ 2,317,496</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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:

Series A

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	5.50%	\$ 895,000	\$ 2,024,213	\$ 2,919,213
2008	5.50%	960,000	1,974,988	2,934,988
2009	5.75%	1,025,000	1,922,188	2,947,188
2010	5.75%	1,100,000	1,863,250	2,963,250
2011	6.00%	1,160,000	1,800,000	2,960,000
2012 to 2016	6.00%	6,940,000	7,867,800	14,807,800
2017 to 2021	6.00%	9,290,000	5,520,000	14,810,000
2022 to 2025	6.00%	12,610,000	2,199,900	14,809,900
		<u>\$33,980,000</u>	<u>\$25,172,339</u>	<u>\$59,152,339</u>

Series B

There was no balance remaining on the Series B bonds at December 31, 2006.



COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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

<u>Maturity Dates</u>	<u>Stated Values at Issuance</u>	<u>Maturity Values</u>	<u>Discount</u>	<u>Accreted Value</u>
July 1, 2024	\$ 304,140	\$ 1,820,000	\$1,274,055	\$545,945
January 1, 2025	293,857	1,820,000	1,292,509	527,491
July 1, 2025	283,920	1,820,000	1,310,345	509,655
January 1, 2026	274,310	1,820,000	1,327,581	492,419
July 1, 2026	265,047	1,820,000	1,344,234	475,766
January 1, 2027	256,074	1,820,000	1,360,323	459,677
July 1, 2027	247,411	1,820,000	1,375,865	444,135
January 1, 2028	3,310,677	25,205,000	19,262,417	5,942,583
	<u>\$5,235,436</u>	<u>\$37,945,000</u>	<u>\$28,547,329</u>	<u>\$9,397,671</u>

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

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

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

The bonds bear interest and mature as follows:

Series A

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	N/A	\$ -	\$ 102,927	\$ 102,927
2008	N/A	-	102,927	102,927
2009	N/A	-	102,927	102,927
2010	3.40%	75,000	102,927	177,927
2011	3.65%	265,000	100,378	365,378
2012 to 2016	3.80%-4.20%	1,475,000	341,128	1,816,128
2017 to 2018	4.40%-4.60%	675,000	46,260	721,260
		<u>\$2,490,000</u>	<u>\$ 899,474</u>	<u>\$3,389,474</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.85%	\$225,000	\$ 37,909	\$262,909
2008	4.15%	235,000	29,247	264,247
2009	4.55%	240,000	19,495	259,495
2010	4.90%	175,000	8,575	183,575
		<u>\$875,000</u>	<u>\$ 95,226</u>	<u>\$970,226</u>

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

On September 1, 1998, the General Authority issued Tax Exempt Lease Revenue Bonds, Series A in the principal amount of \$4,285,000 and Federally Taxable Lease Revenue Bonds, Series B in the principal amount of \$340,000. The bond proceeds were used to acquire certain real estate in the City of Harrisburg, known as "100 Chestnut Street," to fund certain renovations to the facility, to fund a debt service reserve, and to pay the costs of issuance. On October 1, 2003, the General Authority advance refunded the Series A and B of the 1998 Bonds, resulting in a defeasance of the bonds. As a result, the liability for those bonds has been removed from the 100 Chestnut Street Fund. The balance outstanding on the defeased Series A bonds on December 31, 2006 is \$3,245,000. The Series B bonds matured in 2006 and were paid in full.

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 to 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, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County General Authority (Continued)Hotel and Conference Center Revenue Bonds – Series of 1998 (Hyatt Hotel Project) (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>
2007	6.00%	\$ 800,000	\$ 3,848,700	\$ 4,648,700
2008	6.00%	970,000	3,795,600	4,765,600
2009	6.00%	1,205,000	3,730,350	4,935,350
2010	6.00%	1,430,000	3,651,300	5,081,300
2011	6.20%	1,580,000	3,559,420	5,139,420
2012 to 2016	6.20%	9,455,000	16,156,735	25,611,735
2017 to 2021	6.20%	12,640,000	12,745,960	25,385,960
2022 to 2026	6.20%	16,910,000	8,206,940	25,116,940
2027 to 2029	6.20%	17,615,000	1,964,315	19,579,315
		<u>\$62,605,000</u>	<u>\$57,659,320</u>	<u>\$120,264,320</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 25, debt service reserve funds were used to meet the 2005 debt service.

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

On January 6, 2005, the General Authority issued Tax Exempt County Guaranteed Revenue Refunding Bonds, Series A of 2005 and Taxable County Guaranteed Revenue Refunding Bonds, Series B of 2005 in the principal amount of \$8,565,000 and \$2,435,000, respectively. The bonds are insured by a municipal bond guaranty insurance policy. The net proceeds were used to advance refund the 1993 Series Capital Appreciation Bonds, advance refund the County Guaranteed Revenue Bonds, Series of 2003 and pay the costs of issuing the bonds. As a result, the liability for those bonds has been removed from Dauphin Highlands. At December 31, 2006, the maturity value and accreted value of the bonds outstanding on the 1993 Series Capital Appreciation Bonds are \$14,005,000 and \$7,810,864, respectively. The balance outstanding on the County Guaranteed Revenue Bonds, Series of 2003 at December 31, 2006, is \$1,325,000. The Authority completed the refunding to extend the principal repayment period.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.25%	\$ 5,000	\$ 392,868	\$ 397,868
2008	2.40%	5,000	392,756	397,756
2009	2.75%	5,000	392,634	397,634
2010	3.00%	5,000	392,498	397,498
2011	3.25%	5,000	392,348	397,348
2012 to 2016	3.50% - 4.00%	25,000	1,959,066	1,984,066
2017 to 2021	4.00%	185,000	1,956,150	2,041,050
2022 to 2026	4.20% - 4.50%	2,395,000	1,725,950	4,120,950
2027 to 2031	4.625% - 4.70%	3,425,000	1,087,464	4,512,464
2032 to 2034	4.70%	2,505,000	299,270	2,747,270
		<u>\$ 8,560,000</u>	<u>\$ 8,931,004</u>	<u>\$ 17,491,104</u>

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

<u>Years</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.50%	\$ 5,000	\$ 120,618	\$ 125,618
2008	3.75%	5,000	120,442	125,442
2009	4.00%	65,000	120,256	185,256
2010	4.25%	80,000	117,656	197,656
2011	4.50%	95,000	114,254	209,254
2012 to 2016	4.65% - 5.15%	790,000	482,416	1,272,416
2017 to 2021	5.15% - 5.50%	1,285,000	210,946	1,495,946
		<u>\$ 2,325,000</u>	<u>\$ 1,286,588</u>	<u>\$ 3,611,588</u>

Dauphin County Industrial Development AuthorityVariable Rate Demand Revenue Bonds (WITF, Inc. Project), Series of 2005

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

Pursuant to the Agreement, the IDA lent the full proceeds of the Bonds to the Borrower for the acquisition and construction of a public media center to be occupied and used by the Borrower, and payment of related costs and expenses,

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County Industrial Development Authority (Continued)

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

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 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.

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

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

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

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

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 DCIDA and the Borrowers (the Agreement).

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Taxable Mortgage Revenue Bonds, Series 2006 Bentley Harrisburg Senior Living Facility) (Continued)

Pursuant to the Agreement, the IDA lent the full proceeds of the Bonds to the Borrowers to refinance certain short-term debt incurred by the Borrowers to acquire the facility, to fund certain working capital needs for the facility, and to pay Bond issuance costs. The Borrower is obligated to make payments in amounts equal to scheduled principal and interest on the Bonds, along with certain annual administrative expenses of the IDA, until the Bonds mature in 2039.

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

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

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

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

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

Other Projects Financed by Limited Obligation Mortgages and Bond Issues

The IDA serves as a financing vehicle for industrial development in the County of Dauphin, using tax exempt and taxable bonds, as well as mortgage financing. Such projects are amortized through lease rentals received from respective tenants. The terms range from 15 to 27 years with various interest rate structures. Industrial projects are leased or sold to tenants under the provisions of long-term noncancellable leases or installment sales agreements. The leases

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Other Projects Financed by Limited Obligation Mortgages and Bond Issues (Continued)

provide a purchase option under which the tenant may acquire the property by assuming the unpaid principal balance of the mortgage or bond issue.

The bond issues are limited obligations of the IDA, payable from the payments required to be made by the projects or tenant. No recourse can be made against the IDA for payment of principal or interest. The mortgages are arranged between private contractors and the banks by the IDA, but are not obligations of the IDA. The installment sales agreements provide for a purchase price equal to the indebtedness of the IDA. Industrial development bond and mortgage balances outstanding as of September 30, 2006 were approximately \$113,000,000.

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. Rental income for the year ended September 30, 2006 was \$63,120.

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

Principal	Interest	Interest Rate	Maturity Date
\$ 40,873	\$ 14,200	3.63%	2007
45,691	12,574	3.63%	2008
47,378	10,887	3.63%	2009
49,126	9,138	3.63%	2010
50,940	7,325	3.63%	2011
174,048	10,457	3.63%	2012 - 2014
<u>\$ 408,056</u>	<u>\$ 64,581</u>		

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations (Continued)\$900,000 Guaranteed Lease Revenue Note, Series of 2005 (Continued)

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

The IDA's payment obligations under the note and loan agreement are secured by a pledge of the IDA's right, title and interest in and to the receipts, revenues and moneys derived by the IDA in any manner from the operation of the Veterans Building. The County guarantees payment of principal and interest on the note. This note is a limited obligation of the IDA secured solely as provided in the loan agreement. Rental income for the year ended September 30, 2006 was \$285,927.

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

Principal	Interest	Interest Rate	Maturity Date
\$ 24,341	\$ 50,484	5.75%	2007
25,658	50,168	5.75%	2008
27,335	48,490	5.75%	2009
28,972	46,853	5.75%	2010
30,707	45,118	5.75%	2011
183,167	195,958	5.75%	2012 - 2016
245,164	133,961	5.75%	2017 - 2021
328,895	50,989	5.75%	2022 - 2026
<u>\$ 894,239</u>	<u>\$ 622,021</u>		



COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

\$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. Rental income for the year ended September 30, 2006 was \$28,384.

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>
\$ 29,648	\$ 38,473	4.40%	2007
30,972	37,149	4.40%	2008
32,363	35,759	4.40%	2009
33,816	34,304	4.40%	2010
35,334	32,788	4.40%	2011
201,939	138,667	4.40%	2012 to 2016
251,530	89,076	4.40%	2017 to 2021
272,434	27,763	4.40%	2022 to 2026
<u>\$ 888,036</u>	<u>\$ 433,981</u>		

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)Dauphin County Industrial Development Authority (Continued)Qualified Tax-Exempt Obligations (Continued)Loan Payable, Vartan Bank (Continued)

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

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 5,052	\$ 13,704	7.00%	2007
5,350	13,406	7.00%	2008
5,775	12,981	Var.	2009
6,192	12,563	Var.	2010
6,640	12,116	Var.	2011
41,064	52,716	Var.	2012 to 2016
58,263	35,516	Var.	2017 to 2021
70,143	11,413	Var.	2022 to 2026
<u>\$ 198,479</u>	<u>\$ 164,415</u>		

The following is a summary of long-term debt for the year ended September 30, 2006:

Guaranteed lease revenue notes:	Balance		Deletions	Balance
	October 1, 2005	Additions		September 30, 2006
Series of 2004	\$ 453,744	\$ -	\$ 45,688	\$ 408,056
Series of 2005	502,934	397,066	5,761	894,239
Series of 2006	-	900,000	11,964	888,036
Subtotal	956,678	1,297,066	63,413	2,190,331
Loan Payable	-	200,000	1,521	198,479
Total	<u>\$ 956,678</u>	<u>\$1,497,066</u>	<u>\$ 64,934</u>	<u>\$2,388,810</u>

Dauphin County Economic Development Corporation

Long-term debt at December 31, 2006, consisted of the following:

Note payable available of \$2,200,000 to a bank, payable in variable annual installments plus interest at LIBOR rate determined and in effect on applicable adjustment date not to exceed 10%, initial principal payment due 2006, final payment due December 2030, bank has the option to call the note in December 2014, secured by assignment of leases and rentals	\$ 2,063,266
Less current portion	<u>(45,000)</u>
Long-term debt	<u>\$ 2,018,266</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 9: LONG-TERM DEBT (CONTINUED)

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

Maturities of long-term debt are as follows:

2007	\$ 45,000
2008	45,000
2009	60,000
2010	60,000
2011	65,000
Thereafter	<u>1,788,266</u>
	<u>\$2,063,266</u>

## NOTE 10: GUARANTEED DEBT

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

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

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 11: INTEREST RATE SWAPS

2005 SWAPS

A. *Objectives and terms of the swaps.* In August 2005 the County executed fixed to floating rate swaps. The 2005C fixed to floating rate swaps will hedge \$11,320,000 of the remaining \$16,975,000 fixed rate bonds, Series of 2005C to a variable rate, thus creating a contingent "synthetic variable rate" liability starting at the earliest in November 2005. The 2002A fixed to floating rate swap will hedge \$11,150,000 of the remaining \$16,490,000 fixed rate bonds, Series A of 2002 to a variable rate, thus creating a contingent "synthetic variable rate" liability starting at the earliest in November 2005. The Series B of 2005 fixed to floating rate swaps will hedge \$12,465,000 of the remaining \$12,895,000 fixed rate bonds, Series B of 2005 to a variable rate, thus creating a contingent "synthetic variable rate" liability starting at the earliest in November 2005.

The terms, fair values, and credit ratings of the outstanding transactions as of December 31, 2006, were as follows:

Transaction Type	Associated Bonds	County Pays	County Receives	Trade Date	Effective Date	Maturity Date	Initial Notional	Counterparty	Counterparty Credit Rating	Fair Value
Swaption	Series 2002/ Series 2005C	BMA	4.00%	4/29/2004	11/15/2004	11/15/2024	\$ 11,320,000	Royal Bank of Canada	Aaa/ AA-/ AA	\$ (308,187)
Swaption	Series 2002A	BMA	4.00%	4/29/2004	11/15/2004	11/15/2024	\$ 11,150,000	Royal Bank of Canada	Aaa/ AA-/ AA	\$ (302,663)
Swaption	Series 2001/ Series 2005B	BMA	4.00%	4/29/2004	11/15/2004	11/15/2022	\$ 12,465,000	Royal Bank of Canada	Aaa/ AA-/ AA	\$ (280,875)

*Fair Market Values.* The swaps had negative fair market values as of December 31, 2006. The fair market values are a calculation of the mid-market value were the County to exit the swaps. Mid-market values exclude transaction costs. These are estimated using the zero-coupon method and market standard option pricing methods. This method calculates the future net settlement payments required by the swaps, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

*Credit Risk.* As of December 31, 2006, the County was not exposed to counterparty credit risk on its outstanding swaps. The fair market values were negative. However, should interest rates change, and the Counterparty exercises the swaptions, and the fair market values of the swaps become positive, the County would be exposed to credit risk in the amount of the derivatives' fair value.

The County also entered into master netting agreements when the County enters into more than one derivative transaction with one counterparty. Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair value so that a single sum will be owed by, or owed to, the nondefaulting party.

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 11: INTEREST RATE SWAPS (Continued)

2005 SWAPS (Continued)

*Objectives and terms of the swap.* In October 2005, the County entered into a basis swap with the Royal Bank of Canada as the Counterparty. The basis swap is structured such that the notional principle schedule matches the principle amortization of the County's General Obligation Notes, Series D of 2004. The County will pay the Counterparty the weekly BMA Index Rate, while the Counterparty will pay the County 67% of the month LIBOR plus a pre-determined .31% per annum.

The terms, fair values, and credit ratings of the basis swap as of December 31, 2005 were as follows. The notional amount of the swap match the principal amount of the 2004 D Series Notes.

Associated Bond Issue	Notional Amount	Effective Date	County Pays	County Receives	Fair Value	Swap Termination Date	Counterparty Credit Rating
Series D of 2004 GON	\$ 14,805,000	10/1/2005	BMA	67% of USD-LIBOR + .39%	\$ 146,101	3/1/2019	Aaa/ AA-/ AA

*Fair market value.* The swaps had a positive fair market value as of December 31, 2006. The fair market values 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.* The swaps fair value represented the County's exposure to the counterparty as of December 31, 2005. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faced a maximum possible loss equivalent to the swap fair value. As of December 31, 2006, the counterparty was rated Aaa by Moody's Investors Service, AA- by Standard & Poor's, and AA by Fitch Ratings.

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 11: INTEREST RATE SWAPS (Continued)

2006 SWAPS

*Objectives and terms of the swap.* In June 2006, the County entered into a floating to fixed rate basis swap with the Deutsche Bank as the Counterparty. The basis swap is structured such that the notional principle schedule matches the principle amortization of the County's General Obligation Notes, Series of 2007. The County will pay the Counterparty a fixed rate of 3.917%, while the Counterparty will pay the County 67% of the month LIBOR.

The terms, fair values, and credit ratings of the basis swap as of December 31, 2006 were as follows. The notional amount of the swap match the principal amount of the 2007 Series Bonds.

Associated Bond Issue	Notional Amount	Effective Date	County Pays	County Receives	Fair Value	Swap Termination Date	Counterparty Credit Rating
Series of 2007 GOB	\$ 16,700,000	12/1/2007	3.92%	67% of 1 MONTH-LIBOR	\$ (548,247)	10/15/2023	Aa3/ AA-/ AA-

*Fair market value.* The swap had a negative fair market value as of December 31, 2006. The fair market values 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.* The swaps fair value represented the County's exposure to the counterparty as of December 31, 2006. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faced a maximum possible loss equivalent to the swap fair value. As of December 31, 2006, the counterparty was rated Aa3 by Moody's Investors Service, AA- by Standard & Poor's, and AA- by Fitch Ratings.

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

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

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

In August 2006 The County entered into a Constant Maturity Swap (CMS) with Royal Bank of Canada as the Counterparty. The CMS is structured such that the County will pay to the Counterparty 67% of the 1-month LIBOR rate, plus 39 basis points, and will receive from the Counterparty 66.1% of the 10-year LIBOR rate. The 2006 CMS will compliment but act independent of the 2005 Basis Swap. The County expects to receive a monthly cash flow that will improve the net value of the 2005 Basis Swap, which will mitigate, in part, the tax-event risk associated with the 2005 Basis Swap.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 11: INTEREST RATE SWAPS (Continued)

2006 SWAPS (Continued)

Fair Value. The CMS transaction had a negative value as of December 31, 2006. The fair value was (\$155,467). The value is estimated using the zero coupon method and market standard option pricing methods. 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 the hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2006. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap's (\$155,467) fair value. As of December 31, 2006, the counterparty was rated Aaa by Moody's Investors Service, AA- by Standard & Poor's and AA by Fitch.

Basis Risk. This is the risk that there is a mismatch between the 66.1% of the 10-year LIBOR payments to the County and the 67% of 1-month LIBOR, plus 39 basis points (0.39%) payment to Royal Bank of Canada. Because the County is receiving 67% of 1-month Libor, plus 39 basis points (0.39%) from Royal Bank of Canada in the 2005 Basis Swap, the net cash flow is the sum of the payments to the County which is equal to 66.1% of the 10-year LIBOR rate less the payment to Royal Bank of Canada which is equal to SIFMA. The risk is mitigated by the general economic theory that long term interest rates will trade at a higher rate than short term interest rates.

In August 2006 The County entered into a Constant Maturity Swap (CMS) with Royal Bank of Canada as the Counterparty. The CMS is structured such that the County will pay to the Counterparty 67% of the 1-month LIBOR rate, and will receive from the Counterparty 59.6% of the 10-year LIBOR rate. The 2006 CMS will compliment but act independent of the Series 2006 General Obligation Bonds. The County expects to receive a monthly cash flow that will improve the net value of the 2006 Bonds, which will mitigate, in part, the tax-event risk associated with the 2006 Bonds.

Fair Value. The CMS transaction had a negative value as of December 31, 2006. The fair value was (\$218,053). The value is estimated using the zero coupon method and market standard option pricing methods. 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 the hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2006. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap's (\$215,053) fair value. As of December 31, 2006, the counterparty was rated Aa3 by Moody's Investors Service, Aa- by Standard & Poor's and Aa- by Fitch.

Basis Risk. This is the risk that there is a mismatch between the 59.6% of the 10-year LIBOR payments to the County and the 67% of 1-month LIBOR, payment to Royal Bank of Canada. Because the County is receiving 67% of 1-month Libor, from Royal Bank of Canada in the 2006 Bonds, the net cash flow is the sum of the payments to the County which is equal to 59.6% of the 10-year LIBOR rate less the payment to Royal Bank of Canada which is equal to SIFMA. The risk is mitigated by the general economic theory that long term interest rates will trade at a higher rate than short term interest rates.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 12: DIRECT FINANCING LEASES

Component Unit - Direct Financing LeasesDauphin County General Authority

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

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

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

<u>Years Ending December 31,</u>	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Total</u>
2007	\$ 1,286,988	\$ 365,837	\$ 1,652,825
2008	1,202,136	367,176	1,569,312
2009	1,147,471	362,422	1,509,893
2010	670,351	361,503	1,031,854
2011	530,088	365,377	895,465
2012 – 2016	2,638,177	1,816,125	4,454,302
2017 – 2021	2,642,500	721,260	3,363,760
2022	525,000	-	525,000
	<u>\$ 10,642,711</u>	<u>\$ 4,359,700</u>	<u>\$ 15,002,411</u>

The net investment in direct financing leases consists of the following at December 31, 2006:

	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Total</u>
Total Minimum Lease			
Payments to be Received	\$ 10,642,711	\$ 4,359,700	\$ 15,002,411
Less: Unearned Income	2,565,215	959,491	3,524,706
	<u>\$ 8,077,496</u>	<u>\$ 3,400,209</u>	<u>\$ 11,477,705</u>
Current Portion	\$ 1,030,000	\$ 260,209	\$ 1,290,209
Noncurrent Portion	7,047,496	3,140,000	10,187,496
	<u>\$ 8,077,496</u>	<u>\$ 3,400,209</u>	<u>\$ 11,477,705</u>



COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 13: CAPITAL LEASE OBLIGATIONS

Obligations under capital lease consists of a lease payable to the General Authority for the Human Services Building Fund that is accounted for as an Enterprise Fund bearing interest at rates from 2.10% to 5.00% and for the Chestnut Street Building that is accounted for in the Governmental Activities bearing interest rates from 1.90% to 5.875%. The County also has two lease payables to the Industrial Development Authority for District Justice Offices that are accounted for in the Governmental Activities bearing interest rates of 3.63% and 4.40%. The County has also entered into capital lease agreements for automobiles, computer equipment, and office equipment which are accounted for in the Governmental Activities. Also, the County has entered into capital lease agreements for office equipment in the Solid Waste Fund that is accounted for as an Enterprise Fund.

In 2006, the County entered into three new capital leases. These leases included a computer networking lease in the amount of \$484,540 and a computer equipment lease in the amount of \$45,132, both accounted for in the General Fund. The County also entered into a building lease for a new District Justice Office in the amount of \$900,000, accounted for in the Capital Projects Fund.

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, 2006:

<u>Years Ending December 31</u>	<u>Governmental Activities</u>	<u>Human Services Building Enterprise Fund</u>	<u>Solid Waste Fund</u>
2007	\$ 928,911	\$1,286,988	\$1,940
2008	849,027	761,088	485
2009	573,513	765,888	-
2010	513,759	765,888	-
2011	486,911	1,060,088	-
2012-2016	2,328,362	3,168,176	-
2017-2021	1,061,866	2,642,500	-
2022-2026	295,192	525,000	-
Total Minimum Lease Payments	7,037,541	10,975,217	66
Less: Amount Representing Interest	1,563,381	2,565,217	66
Total Present Value of Net Minimum Lease Payments	5,474,160	8,410,000	2,359
Less: Amounts Due within One Year	691,161	1,030,000	481
	<u>\$ 4,782,999</u>	<u>\$ 7,380,000</u>	<u>\$ 1,878</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 14: SALE OF NURSING HOME

On June 28, 2006, the County sold certain operating assets and associated operations related to the Spring Creek Nursing Home, reported as an enterprise fund of the County as described in Note 1 to the basic financial statements, for \$15,000,000, which after the payment of expenses associated with the sale, resulted in proceeds from the sale equaling \$13,855,000. The proceeds were transferred to the General Fund as a result of the sale and conclusion of the County's operations of Dauphin Manor. As a result of the sale the County assumed all debt of Spring Creek as reflected in Note 9 and the outstanding workers compensation claims as reflected in Note 6.

NOTE 15: NOTES PAYABLE

Component Unit - Notes Payable

Dauphin County Mental Health/Mental Retardation Case Management Unit

The Case Management Unit has a \$600,000 line of credit with a bank secured by all accounts receivable, which expires June 30, 2007. Interest on outstanding borrowings is due monthly at .5% above the bank's prime rate, which was 8% at June 30, 2006. There were \$2,765,084 in borrowings on the line and \$2,655,000 in repayments for the year ended June 30, 2006. The principle balance as of June 30, 2006 was \$110,084.

NOTE 16: RESERVED FUND BALANCES/NET ASSETS

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

Governmental Funds

General Fund

<u>Workers Compensation</u>	<u>\$ 268,464</u>
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This reserve represents cash and accrued interest that is held in trust for workers compensation (See Note 6 for further detail).

Special Revenue Funds

<u>Restricted Contributions/Fees</u>	<u>\$ 1,049,366</u>
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This reserve represents unexpended contributions and fees that are to be utilized to fund future expenditures of various programs.

<u>Program Purposes</u>	<u>\$ 8,849,462</u>
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This reserve represents amounts reserved for the payment of specific program expenditures.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 16: RESERVED FUND BALANCES/NET ASSETS (CONTINUED)

Governmental Funds (Continued)

Capital Projects Fund \$ 8,456,604

This reserve represents the restriction of funds for capital projects.

Permanent Fund \$ 869,606

This reserve represents unexpended contributions that are to be used to fund future expenditures of the Fort Hunter Trust Fund.

Fiduciary Funds \$ 183,900,999

This reserve represents funds restricted to the retirement fund use for future payments of members' benefits.

Component Units-Reserved Fund Balance/Net AssetsDauphin County Executive Commission on Drug and Alcohol, Inc.

Temporarily restricted net assets of \$723,997 is comprised of three components. The first component is DUI fines in the amount of \$621,959 received through the County Court System, including interest earned on the funds, that is restricted for activities related to the DUI program. The second component in the amount of 59,800 represents fine revenues received from the State as a result of Act 198 of 2002. These funds are restricted for research based approaches to prevention, intervention, training, treatment and evaluation services to reduce substance abuse. The third component in the amount of \$42,238 represents the balance of Dauphin County's contribution to the Commission's 401 (k) plan. As disclosed in Note 21, the County transferred \$139,641 to the Commission in 2004 and as of June 30, 2006 \$42,238 is the balance in this account. This net asset balance is restricted for the Commission's pension plan contributions.

Dauphin County Economic Development Corporation ("DCEDC")

Temporarily restricted net assets are available for the following as of December 31, 2006:

Tourism and regional promotion	\$1,469,511
State of the County event	20,176
Team PA Calling Program	74,178
	<u>\$1,563,865</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2006:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 6,510,128	\$ 735,825
Special Revenue Funds		
Mental Health/Mental Retardation Fund	447,950	5,747
Children and Youth Families Fund	20,943	6,156,880
Domestic Relations Fund	-	16,433
Weatherization Program Fund	37,284	17
State Grants Fund	244,317	156,580
Human Services Development Fund	-	69,436
Aging Fund	3,521	24,721
Drug and Alcohol Fund	1,240	
Drug Forfeited State Property Fund	-	3,354
Capital Projects	-	22,607
Total Governmental Funds	<u>7,265,383</u>	<u>7,191,600</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choices Fund	-	47,666
Human Services Building Fund	27,713	572
Solid Waste Fund	-	205
Total Proprietary Funds	<u>27,713</u>	<u>48,443</u>
Fiduciary and Agency Funds :		
Retirement Fund	-	53,053
Total Fiduciary and Agency Funds	<u>-</u>	<u>53,053</u>
	<u>\$ 7,293,096</u>	<u>\$ 7,293,096</u>

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.

Component Unit-Interfund Receivables and Payables

	<u>Due From Component Units</u>	<u>Due to Primary Government</u>
Dauphin County Conservation District	<u>\$129,176</u>	<u>\$129,176</u>
	<u>\$129,176</u>	<u>\$129,176</u>

Dauphin County General Authority

Working capital for Dauphin Highlands Golf Course is being provided by the Dauphin General Authority Administrative Fund. At December 31, 2006, the Administrative Fund has advanced \$1,797,544 to the Dauphin Highlands Golf Course Fund. Effective January 1, 2001 the General Authority began accruing interest on the advance balance at a simple interest rate of 6% per annum. Dauphin Highlands Golf Course had accrued interest of \$458,746 at December 31, 2006. The Dauphin Highlands Golf Course expects to repay the amount from future operating revenues.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 18: 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	\$21,220,329	\$44,011,911
Special Revenue Funds		
Mental Health/Mental Retardation Fund	903,033	7,000
Children and Youth Families Fund	13,477,509	4,518,789
Domestic Relations	1,823,322	-
Weatherization Program Fund	37,284	104,053
Hazard Materials Emergency Response Fund	9,974	5,459
State Grants Fund	276,351	147,580
Human Services Development Fund	18,324	103,137
Aging Fund	-	18,585
Drug and Alcohol Fund	144,325	-
Drug Forfeited State Property Fund	-	10,000
Low Income Housing Grant	-	30,000
Total Special Funds	<u>16,690,122</u>	<u>4,944,605</u>
Capital Projects Fund	17,388,927	-
Permanent Fund		
Fort Hunter Trust	5,400	-
Total Governmental Funds	<u>\$55,304,778</u>	<u>\$48,956,516</u>
Proprietary Funds :		
Enterprise Funds:		
County Home Fund	\$ 9,184,705	\$16,174,002
Health Choice Fund	-	53,555
Human Services Building Fund	736,482	-
Fort Hunter Operating Fund	-	5,400
Emergency 911 Operating Fund	892,958	929,450
Total Proprietary Funds	<u>10,814,145</u>	<u>17,162,407</u>
	<u>\$66,118,923</u>	<u>\$66,118,923</u>

During 2006 Spring Creek, Enterprise Fund, transferred \$13,855,000 to the General Fund as a result of the sale of the County Nursing Home. See Note 14.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 18: INTERFUND OPERATING TRANSFERS (CONTINUED)

Component Unit - Interfund Operating Transfers

	Transfers From Component Unit	Transfers to Primary Government
Dauphin County Conservation District	\$502,940	\$502,940

## NOTE 19: 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 2006 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2006 and expected to be collected within the first sixty (60) days of 2007 are recognized as revenue in 2007. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2006 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, 2006

## NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Solid Waste Enterprise Fund</u>
<b>CONDENSED STATEMENT OF NET ASSETS</b>	
Assets:	
Current Assets	\$ 1,100,871
Capital Assets	2,119,638
Total Assets	3,220,509
Liabilities:	
Due to Other Funds	205
Other current liabilities	258,030
Noncurrent liabilities	110,666
Total Liabilities	368,901
Net Assets:	
Invested in capital assets, net of related debt	2,117,279
Unrestricted	734,329
Total Net Assets	\$ 2,851,608
 <b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>	
Operating revenues	\$ 702,047
Depreciation and amortization expense	(105,427)
Other operating expenses	(672,153)
Operating Loss	(75,533)
Nonoperating revenues (expenses):	
Interest income	54,877
Interest expense	(18,566)
Grants	174,246
Change in net assets	(135,024)
Beginning net assets	2,716,584
Ending net assets	\$ 2,851,608

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ (31,357)
Noncapital financing activities	174,246
Capital and related financing activities	(371,507)
Investing activities	54,877
Net decrease	<u>(173,741)</u>
Beginning cash and cash equivalents	1,152,861
Ending cash and cash equivalents	<u>\$ 979,120</u>

Component Units – Segment Information for Enterprise Funds

Dauphin County General Authority

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



COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Component Units – Segment Information for Enterprise Funds (Continued)

Dauphin County General Authority (Continued)

CONDENSED BALANCE SHEET

	School Pool I	School Pool II	Municipal Pool	Education and Health Program	AllHealth Pool	Special Obligation Bond Fund
<b>ASSETS</b>						
Current assets	\$ 3,215,000	\$ 1,370,000	\$ -	\$ 3,815,000	\$ -	\$ -
Noncurrent notes receivable	141,445,000	139,755,000	-	46,000,000	-	-
Restricted assets	56,593,188	9,513,962	-	204,582	-	-
Other noncurrent assets	1,421,563	651,733	-	379,991	-	-
Total assets	\$ 202,674,751	\$ 151,290,695	\$ -	\$ 50,399,573	\$ -	\$ -
<b>LIABILITIES</b>						
Current liabilities	\$ 918,409	\$ 487,682	\$ -	\$ 4,020,962	\$ -	\$ -
Noncurrent liabilities	200,000,000	150,000,000	-	46,000,000	-	-
Total liabilities	200,918,409	150,487,682	-	50,020,962	-	-
<b>NET ASSETS</b>						
Restricted	1,756,342	803,013	-	378,611	-	-
Total liabilities and net assets	\$ 202,674,751	\$ 151,290,695	\$ -	\$ 50,399,573	\$ -	\$ -

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Component Units – Segment Information for Enterprise Funds (Continued)

Dauphin County General Authority (Continued)

CONDENSED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS

	School Pool I	School Pool II	Municipal Pool	Education and Health Program	AllHealth Pool	Special Obligation Bond Fund
Operating revenues	\$ 8,073,864	\$ 5,752,633	\$ -	\$ 2,015,897	\$ -	\$ -
Operating expenses	(7,863,883)	(5,762,062)	-	(2,049,199)	-	-
Operating (loss)	(209,981)	(9,429)	-	(33,302)	-	-
Beginning net assets	1,546,361	812,442	-	411,913	-	-
Ending net assets	\$ 1,756,342	\$ 803,013	\$ -	\$ 378,611	\$ -	\$ -

CONDENSED STATEMENT OF CASH FLOWS

	School Pool I	School Pool II	Municipal Pool	Education and Health Program	AllHealth Pool	Special Obligation Bond Fund
Net cash provided by (used in):						
Operating activities	\$ (7,096,682)	\$ (3,183,767)	\$ (6,916)	\$ 5,506,170	\$ (173,131)	\$ (25,858)
Investing activities	77,548	8,385,603	-	(40,521)	-	-
Noncapital financing activities	(7,159,230)	(5,201,836)	-	(5,465,649)	-	-
Net increase (decrease)	15,000	-	(6,916)	-	(173,131)	(25,858)
Cash and cash equivalents – beginning	170,000	-	6,916	-	173,131	25,858
Cash and cash equivalents – ending	\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ -

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Component Units – Segment Information for Enterprise Funds (Continued)

Dauphin County General Authority (Continued)

	County Building Bond Fund	100 Chestnut Street Fund	Dauphin Highlands Golf Course Fund
<b>CONDENSED BALANCE SHEET</b>			
<b>ASSETS</b>			
Current assets	\$ 1,030,000	\$ 271,872	\$ 164,630
Noncurrent investment in Direct financing lease	7,047,496	3,140,000	-
Capital asset	-	-	6,681,648
Restricted assets	117,049	1,144,322	135,519
Other noncurrent assets	-	-	362,257
Total assets	<u>\$ 8,194,545</u>	<u>\$ 4,556,194</u>	<u>\$ 7,344,054</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 1,081,144	\$ 925,223	\$ 177,349
Noncurrent liabilities	7,047,496	3,140,000	12,081,023
Total liabilities	<u>8,128,640</u>	<u>4,065,223</u>	<u>12,258,372</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	(2,655,309)
Restricted	65,905	490,971	-
Unrestricted	-	-	(2,259,009)
Total net assets	<u>65,905</u>	<u>490,971</u>	<u>(4,914,318)</u>
Total liabilities and net assets	<u>\$ 8,194,545</u>	<u>\$ 4,556,194</u>	<u>\$ 7,344,054</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	County Building Bond Fund	100 Chestnut Street Fund	Dauphin Highlands Golf Course Fund
Operating revenue	\$ 462,308	\$ 377,227	\$ 1,859,682
Operating expenses	(457,630)	(379,323)	(2,264,434)
Operating income (loss)	4,678	(2,096)	(404,752)
Beginning net assets	61,277	493,067	(4,509,566)
Ending net assets	\$ 65,905	\$ 490,971	\$ (4,914,318)

CONDENSED STATEMENT OF CASH  
 FLOWS

Net cash provided by (used in):			
Operating activities	\$ 1,295,599	\$ 336,528	\$ 523,404
Investing activities	1,689	(1,672)	2,267
Capital and related financing	-	(147,124)	(633,657)
Noncapital financing activities	(1,297,288)	(215,000)	(600)
Net increase (decrease)	-	(27,268)	(108,586)
Cash and cash equivalents – beginning	3,318	72,622	222,299
Cash and cash equivalents – ending	\$ 3,318	\$ 45,354	\$ 113,713

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 21: LEGAL COMPLIANCE

Component Unit/DeficitDauphin County General Authority

The following funds of the General Authority had negative net assets as of December 31, 2006:

<u>Fund</u>	<u>Amount</u>
Dauphin Highlands Golf Course	\$ 4,914,318
Riverfront Office Center	\$ 6,061,460
Pittsburgh Hyatt Hotel and Conference Center	\$ 15,053,309

Revenue and receipts of each fund are pledged as collateral on the bonds and are not cross collateralized.

## NOTE 22: EMPLOYEES RETIREMENT PLAN

Plan Description

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

At December 31, 2006, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and Beneficiaries Receiving Benefits	888
Terminated Employees Entitled to Benefits but not yet Receiving Them	144
Active Plan Participants	<u>1,498</u>
Total Membership	<u>2,530</u>

Investments

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 22: EMPLOYEES RETIREMENT PLAN (Continued)

Funding

Employees are required to contribute a portion of their salaries (5% of earnings in 2006) to the Plan and employees can elect to contribute up to 15% of their salaries. Per Act 96 of 1971, 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 Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the aggregate actuarial cost funding method.

The annual required contribution was determined based on the most recent annual actuarial valuation dated December 31, 2006. The aggregate actuarial cost method of funding was used in the valuation which does not identify and separately amortize unfunded actuarial liabilities. 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 3% per annum increases from 2002 to 2003 with subsequent increases in .25 increments until the ultimate assumed rate of 4.5% is attained for 2009 and later years. The method used to determine the actuarial value of assets is a five year smoothed market.

Annual Pension Cost and Pension Obligation

The County's Annual Required Contribution for 2006 was determined as part of the December 31, 2006 actuarial valuation. The County's annual pension costs, annual required contributions and net pension benefit obligation to the County's Employees Retirement Trust Fund Plan are as follows for 2006, 2005, and 2004.

Annual Pension Cost – Three Year Trend Information

<u>Years Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2006	\$6,683,297	100%	\$ -
December 31, 2005	\$7,329,921	100%	\$ -
December 31, 2004	\$6,782,318	100%	\$ -

Schedule of Contributions from the Employer - Six Year Trend Information

<u>Years Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Required Contribution</u>
December 31, 2006	\$6,683,297	100%
December 31, 2005	\$7,329,921	100%
December 31, 2004	\$6,782,318	100%
December 31, 2003	\$6,548,736	100%
December 31, 2002	\$4,206,139	100%
December 31, 2001	\$1,688,363	100%

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 22: EMPLOYEES RETIREMENT PLAN (Continued)

Component Unit – Employees Retirement Plan

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

The Dauphin County Executive Commission on Drugs and Alcohol, Inc., provides pension benefits for all of its full-time employees through a 401(k) plan. Employees are eligible to participate in the plan 30 days after date of hire. The Commissioner's 401 (k) plan has three components.

The first component allows all employees to voluntarily contribute a percentage of their salary to the 401 (k) plan. The Commission matches these contributions up to 3% of the employee's salary. This employer contribution of \$16,470, for the year ended June 30, 2006, is included in the program services and supporting services expenses on the statement of activities. The Commission's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years of service.

The second component of the 401 (k) plan involves a profit sharing provision that includes all employees. The amount credited to each employee's pension account is to be distributed based on the employee's salary and is subject to the plan's vesting schedule. For the year ended, June 30, 2006, the Commission did not make a profit sharing contribution.

The third component of the 401 (k) plan provides for an additional contribution received from Dauphin County for those vested employees that transferred from the County to the Commission. This County contribution of \$139,641 was transferred to the Commission in July 2004 and is to be distributed to the employee's pension accounts in accordance with a Commission Board approved six year distribution plan. Transactions related to this component of the pension plan are reflected in the temporarily restricted column of the statement of activities. Pension expense for the year was \$29,143.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

## NOTE 23: COMPENSATED ABSENCES (Continued)

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.

Component Units-Compensated AbsencesDauphin County Executive Commission on Drug and Alcohol, Inc.

The Commission's Paid Time Off (PTO) program provides employees with earned time off to be used for vacation, personal, family and medical issues. Time accrues at various rates based on length of service. Employees are encouraged to utilize earned paid time off by June 30 of each year; however, current practice allows for the carryover of 50 unused PTO days to the subsequent fiscal year. Time carried over in this manner is considered vested.

## NOTE 24: LEASES

Operating Leases

The County leases office space under several operating leases with expiration dates through 2020.

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

2007	\$1,242,186
2008	1,179,958
2009	925,198
2010	866,342
2011	819,938
2012-2016	1,471,984
2017-2021	59,900
2022 - 2026	<u>23,940</u>
Total minimum payments required	<u>\$6,589,446</u>

Total rental expense for these leases during 2006 approximated \$1,182,242.



COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 24: LEASES (CONTINUED)

Component Units – LeasesDauphin County Mental Health/Mental Retardation Case Management Fund

The Case Management Unit leased its principal office space. Rent expense totaled \$513,948 for the fiscal year ended June 30, 2006.

In October 2003, CMU occupied a new building and entered into a new lease agreement.

The lease agreement is for a period of ten consecutive years with two additional five-year renewal periods. Monthly rent for the first lease year, which began October 24, 2003, was \$40,673. Monthly rent will increase 2.75% at the beginning of each lease year thereafter.

In May 2005, CMU entered into a new lease for the Millersburg, Pennsylvania office. The lease agreement is for a period of three years with one-year renewal options. Rent for this lease is \$21,600 per year payable in four equal quarterly installments commencing on June 1, 2005.

Future minimum lease payments under the lease are as follows:

Year ending June 30,	Amount
2007	\$ 546,334
2008	555,363
2009	553,992
2010	569,228
2011	584,884
2012-2014	1,426,141
	<u>\$4,235,942</u>

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

The Commission leases office space from Dauphin County under an operating lease with an expiration date greater than one year. Minimum rental payments at June 30, 2006, are as follows:

2007	\$ 109,521
2008	112,533
2009	115,628
2010	118,808
2011	122,075
Thereafter	297,661
	<u>\$ 876,226</u>

Rental expense totaled \$106,590 for the year ended June 30, 2006.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 25: RELATED PARTY TRANSACTIONS

The Dauphin County General Authority's audit report contains an uncertainty pertaining to the technical default of the General Authority to make certain bond payments on the Office and Parking Revenue Bonds-Series A, B, and C that pertain to Forum Place. The County does not pledge its taxing power to support the payments of these bonds; therefore there should be no impact on the County's financial statements pertaining to any payment default on these Bonds.

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 2006, were \$1,735,940.

The County is paying rent in excess of the lease requirement to the General Authority since 2000. The total amount of these overpayments is \$662,290 at December 31, 2006 and is reported as unearned revenue on the balance sheet.

Dauphin County Industrial Development Authority

The County of Dauphin pays for all significant management and administrative costs required to operate the IDA on a day-to-day basis. The IDA's management and support staff are employees of the County, the IDA's offices are provided rent-free in a building owned by 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 IDA shares management, support staff and office space, and performs various administrative and program functions in conjunction with the Dauphin County Department of Community and Economic Development (DCDCED) which is an internal department of the County and the Dauphin County Economic Development Corporation (DCEDC), a non-profit corporation created by the County to partner in real estate development projects and to channel grant funding to communities and organizations in need of community and economic development assistance.

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

Dauphin County Mental Health/Mental Retardation Case Management Unit

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

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Units - Related Party Transactions (Continued)

Dauphin County Economic Development Corporation

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

The County pays for all significant management and administrative costs required to operate the Corporation on a day-to-day basis. DCEDC's management and support staff are employees of the County. DCEDC's offices are provided rent-free in a building owned by the County, and other significant operating expenses such as telephone, office maintenance and insurance are paid directly by the County. The value of donated management services and donated facilities for the year ended December 31, 2006 were \$13,650 and \$10,500 respectively.

The County also provides significant operating revenue, primarily through Hotel Tax distributions passed-through to DCEDC. Revenue from the County was \$1,594,040 in 2006, representing 82.6% of total revenue.

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

At December 31, 2006 due from related party was comprised of the following pass-through items:

2% Hotel Tax Distribution	\$ 40,302
Transfer in from Dauphin County	<u>201,512</u>
	<u>\$241,814</u>

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

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, 2006.
- B. In 2000 the County entered into a contract for the purpose of renovating the Courthouse. The contract value approximated \$13,656,045 of which \$13,548,545 has been expended at December 31, 2006.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

- C. In 2006, the County entered into a contract for the Emergency Management Act (EMA) Radio Project. The contract value approximated \$34,000,000 of which \$10,777,420 has been expended at December 31, 2006.

Component Unit-Commitments and Contingencies

Dauphin County General Authority

Sale of Property

In July 2006, the Authority entered into an agreement of the sale of commercial real estate for their property known as Riverfront Office Center in the amount of approximately \$46,000,000. The buyer's original due diligence period was granted for a 120 period, but has been extended through June 2007.

Payments in Lieu of Taxes and Real Estate Taxes

The General Authority, as part of its construction of the Hyatt Hotel Project, committed to make payments in lieu of property taxes to the County of Allegheny in return for exempting this property from real estate taxes. This payment in lieu of taxes (PILOT) will be made from the respective funds if sufficient resources exist to make such payments are available, on an annual basis, from the respective funds revenues after meeting operating costs and debt service payments. The PILOTs for the Hyatt Hotel Project have been accrued for the years ended December 31, 2000, 2001, 2002, 2003, 2004, 2005 and 2006 in the amounts of \$460,000, \$537,000, \$614,000, \$680,000, \$767,000, \$767,000 and \$767,040 respectively.

Project Viability

The continued operation of the Dauphin Highlands Golf Course is dependent on the Administrative Fund providing working capital to fund any deficits created by operations of this golf course. The Dauphin County General Authority's Administrative Fund has provided, and intends to continue to provide funds for working capital needs of the Dauphin Highlands Golf Course, as discussed in Note 16. The Administrative Fund provided \$100,000 of working capital advances during 2006 to the Dauphin Highlands Golf Course. As of December 31, 2006, \$100,000 was repaid to the Administrative Fund.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

## NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Units - Commitments and Contingencies (Continued)Dauphin County General Authority (Continued)

The Pittsburgh Hyatt Hotel and Conference Center project viability is dependent upon the facility maintaining sufficient operating cash flows to meet debt service payments. Operations of the facility commenced June 29, 2000, and the bond proceeds included a working capital reserve that approximated eighteen (18) months of working capital necessary for operations. In 2002 funds sufficient to meet the debt service payments were transferred from the construction fund. In 2003, the project generated sufficient cash flows from operations to meet debt service requirements on the facility. However, in January 2004, an unscheduled withdrawal was made on the bond redemption improvement fund in order to satisfy the January 2004 interest payment. The operating revenues of the facility were sufficient to meet the July 2004 and January 2005 debt service payment. However, the Authority made unscheduled withdrawals from the Bond Reserve Fund in order to satisfy the July 2005, January 2006 and July 2006 debt service payments. Under the trust indenture, the Authority has within 12 months of such withdraw to replenish the Bond Reserve Fund. At December 31, 2006, the Authority is in technical default because the Bond Reserve Fund has not been replenished as required by the trust indenture in the amount of approximately \$750,000.

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.

## NOTE 27: ADMINISTRATIVE AND BOND ISSUE FEES

Component Units - Administrative and Bond Issue FeesDauphin County General Authority

Provisions of the financing documents of the bond issues require administrative fees to be paid to the General Authority. For 2006, these fees, as paid by each fund, are as follows:

Administrative Fees:	
Administrative Fund	
County Building Bonds	\$ 20,000
School Pools	32,685
Riverfront Office Center	265,596
Chestnut Street	29,580
Dauphin Highlands Golf Course	24,000
Education and Health Program	10,000
Pittsburgh Hyatt Hotel & Convention Center	37,584
Nonrecourse Debt Issues	12,433
Total Administrative Fees	<u>\$431,878</u>

COUNTY OF DAUPHIN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006

NOTE 28: HOTEL TAX REVENUE AND RELATED EXPENSES

Component Units – Hotel Tax Revenue and Related Expenses

Dauphin County Economic Development Corporation

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.

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 3% hotel tax, but requires that distribution of revenue from the first 2% of the tax be kept separate from distribution of revenue from the remaining 1%, and restricts the use of such revenue to promotion of tourism and regional development.

After the costs of collecting the tax have been deducted, the remaining 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 the 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 \$1,594,040 for the year ended December 31, 2006.

After the costs of collecting the tax have been deducted, the County distributes 20% of this revenue to the City of Harrisburg, 70% to the Derry Township Industrial Authority and 10% to DCEDC to be used solely for tourism and regional promotion purposes.

NOTE 29: RESTATEMENT

Fund balance at January 1, 2006 for the governmental funds has been increased by \$147,172 due to the reclassification of the County's Revolving Loan Fund from an agency fund to a special revenue fund. As a result of this restatement, the governmental funds' fund balance at January 1, 2006 has increased from \$39,888,969 to \$40,036,141.

The reclassification of the Revolving Loan Fund has also resulted in an increase in net assets for the governmental activities of \$147,172. In addition, in 2006, in accordance with GASB Statement No. 34, the County has retroactively recorded its infrastructure assets resulting in a \$5,469,831 increase in net assets. As a result the governmental activities' net asset balance at January 1, 2006 has increased from \$(403,661) to \$5,213,342.

Component Units-Restatement

Dauphin County Executive Commission on Drugs and Alcohol Inc

The financial statements include a restatement of beginning net assets of \$40,453 was reclassified from unrestricted beginning net assets to restricted beginning net assets. This amount reflects the prior year's balance of funding received from Act 198 revenues.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 30: ECONOMIC DEPENDENCY

Component Units-Economic Dependency

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

Since 91% of the Commission's revenues come from federal and state funding, any significant reduction in funding of the Commission's programs by any of these sources would result in corresponding curtailment of the Commission's activities.

NOTE 31: 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 2006. 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 32: MANAGEMENT PLAN

Component Unit – Management Plan

Dauphin County Mental Health/Mental Retardation Case Management Unit

The Case Management Unit has a deficit balance in restricted net assets in the amount of \$178,708 at June 30, 2006. If program losses continue the Case Management Unit will begin to experience cash flow problems and have difficulty in meeting its current obligations as they become due; however, management does not believe operations will be discontinued. Management of the Case Management Unit has developed a plan to address the deficit and is reviewing operations to reduce costs and increase efficiencies. The possible effects of these events cannot be presently determined and, accordingly, no additional adjustments that may result have been recorded in the financial statements.

NOTE 33: ESCROW OBLIGATION

Component Unit – Escrow Obligation

Dauphin County Economic Development Corporation

DCEDC acts in an agency capacity for the County's Community Development Block Grant HOME and Affordable Housing Programs programs. DCEDC holds funds and processes disbursements solely as directed by employees of the County. At December 31, 2006, the accounts had an aggregate balance of \$35,240 as reported on the financial statements.

COUNTY OF DAUPHIN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

NOTE 34: GENERAL GOVERNMENT ASSUMES ENTERPRISE GENERAL OBLIGATION DEBT

On June 28, 2006 the County sold certain operating assets and associated operations related to the Spring Creek Nursing Home as described in Note 14. As a result of the sale, the County assumed all of the debt outstanding of the Spring Creek Nursing Home.

NOTE 35: SUBSEQUENT EVENTS

- A. On September 13, 2007, the County entered into a fixed to floating rate Swap with DEPFA Bank to manage interest costs on its General Obligation Bonds, Series A of 2002. This Swap will have a beginning notional amount of \$16,480,000 and will be structured to match the principal amortization of the 2002A Bonds. The County will enter this contract with the Counterparty. The Counterparty will have the right to place the County into the Swap quarterly beginning November 15, 2007 through and including November 15, 2012. In exchange for this right, the Counterparty will make an upfront payment to the County of \$411,850. If the County were to be placed into the 2002A Swaption, the County's 2002A Bonds would be considered synthetic variable rate debt. The County would pay BMA to the Counterparty while the Counterparty would pay the County a fixed rate of 3.735%.
- B. On September 13, 2007, the County entered into a fixed to floating rate Swap with DEPFA Bank to manage interest costs on its General Obligation Bonds, Series B of 2005. This Swap will have a beginning notional amount of \$6,600,000 and will be structured to match the principal amortization of the 2005B Bonds. The County will enter this contract with the Counterparty. The Counterparty will have the right to place the County into the Swap quarterly beginning November 15, 2007 through and including November 15, 2012. In exchange for this right, the Counterparty will make an upfront payment to the County of \$164,950. If the County were to be placed into the 2005B Swaption, the County's 2005B Bonds would be considered synthetic variable rate debt. The County would pay BMA to the Counterparty while the Counterparty would pay the County a fixed rate of 3.775%.
- C. On September 13, 2007, the County entered into a fixed to floating rate Swap with DEPFA Bank to manage interest costs on its General Obligation Bonds, Series C of 2005. This Swap will have a beginning notional amount of \$16,975,000 and will be structured to match the principal amortization of the 2005C Bonds. The County will enter this contract with the Counterparty. The Counterparty will have the right to place the County into the Swap quarterly beginning November 15, 2007 through and including November 15, 2012. In exchange for this right, the Counterparty will make an upfront payment to the County of \$424,200. If the County were to be placed into the 2005C Swaption, the County's 2005C Bonds would be considered synthetic variable rate debt. The County would pay BMA to the Counterparty while the Counterparty would pay the County a fixed rate of 3.735%.
- D. On September 27, 2007 the County issued General Obligations Bonds Series of 2007 in the amount of \$16,7000,000. The proceeds of the Series of 2007 are to be used to fund the County's Emergency Communications Project and to pay the costs related to issuing the bonds. The bonds carry a variable interest and have a final maturity in 2023.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

COUNTY OF DAUPHIN  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 88,359,650	\$ 88,359,650	\$ 90,902,267	\$ 2,542,617
Intergovernmental	7,713,286	10,194,987	8,961,353	(1,233,634)
Charges for Services	16,587,019	16,938,448	18,439,903	1,501,455
License and Permits	66,900	66,900	64,295	(2,605)
Court Costs and Fines	3,881,300	4,184,365	3,612,603	(571,762)
Interest and Rents	1,273,600	1,273,600	2,836,571	1,562,971
<b>Total Revenues</b>	<b>117,881,755</b>	<b>121,017,950</b>	<b>124,816,992</b>	<b>3,799,042</b>
<b>Expenditures</b>				
General Government	17,651,245	15,338,378	12,900,117	2,438,261
Judicial	34,573,049	39,734,183	37,016,237	2,717,946
Public Safety	32,171,842	33,445,355	32,594,306	851,049
Human Services	1,872,054	2,684,520	2,317,273	367,247
Culture and Recreation	1,326,797	1,567,934	1,504,820	63,114
Conservation and Development	2,599,453	2,767,630	2,455,886	311,744
Debt Service	3,763,451	3,758,855	3,089,580	669,275
Principle	3,387,589	3,823,273	3,944,547	(121,274)
Interest				
<b>Total Expenditures</b>	<b>97,345,480</b>	<b>103,120,128</b>	<b>95,822,766</b>	<b>7,297,362</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>20,536,275</b>	<b>17,897,822</b>	<b>28,994,226</b>	<b>11,096,404</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfer In	122,624	160,624	21,220,329	21,059,705
Operating Transfer (Out)	(21,200,216)	(18,599,763)	(44,011,911)	(25,412,148)
Transfer from Component Units	-	-	502,940	502,940
Proceeds from Sale of Fixed Assets	4,000	4,000	18,928	14,928
Net Premium on Bonds Issued	-	-	788,724	788,724
Capital Lease Proceeds	-	-	529,672	529,672
Proceeds of General Obligation Debt	-	-	16,450,000	16,450,000
<b>Total Other Financing Sources (Uses)</b>	<b>(21,073,592)</b>	<b>(18,435,139)</b>	<b>(4,501,318)</b>	<b>13,933,821</b>
<b>Net Change in Fund Balances</b>	<b>(537,317)</b>	<b>(537,317)</b>	<b>24,492,908</b>	<b>25,030,225</b>
<b>Fund Balances - January 1</b>	<b>537,317</b>	<b>537,317</b>	<b>28,600,885</b>	<b>28,063,568</b>
<b>Fund Balances - December 31</b>	<b>-</b>	<b>-</b>	<b>53,093,793</b>	<b>53,093,793</b>

OTHER  
SUPPLEMENTARY  
INFORMATION

COUNTY OF DAUPHIN  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2006

	<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	\$ 10,403,353	\$ -	\$ 10,403,353
Investments	-	869,606	869,606
Receivables:			
Accounts	166,355	-	166,355
Loans	99,480	-	99,480
Interest and Dividends	3,025	-	3,025
Due From Other Funds	286,362	-	286,362
Due From Other Governments	3,530,922	-	3,530,922
Due From Component Units	-	-	-
Other Assets	36,554	-	36,554
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 14,526,051	\$ 869,606	\$ 15,395,657
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 3,215,858	\$ -	\$ 3,215,858
Accrued Liabilities	254,179	-	254,179
Unearned Revenues	886,645	-	886,645
Due to Other Funds	270,541	-	270,541
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,627,223	-	4,627,223
	<hr/>	<hr/>	<hr/>
<u>Fund Balances</u>			
Reserved for Program Purposes	8,849,462	-	8,849,462
Reserved for Restricted			
Contributions/Fees	1,049,366	-	1,049,366
Reserved for Permanent Fund	-	869,606	869,606
	<hr/>	<hr/>	<hr/>
Total Fund Balances	9,898,828	869,606	10,768,434
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 14,526,051	\$ 869,606	\$ 15,395,657
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

COUNTY OF DAUPHIN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Other Special Revenue Funds</u>	<u>Fort Hunter Permanent Fund</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>			
Hotel Taxes	\$ 4,815,259	\$ -	\$ 4,815,259
Intergovernmental	38,030,697	-	38,030,697
Charges for Services	1,004,207	-	1,004,207
Court Costs and Fines and Fees	1,190,830	-	1,190,830
Interest and Rent	444,093	27,568	471,661
Appreciation in Fair Market Value of Investments	-	53,829	53,829
Miscellaneous Revenue	94,314	-	94,314
	<hr/>		
Total Revenues	45,579,400	81,397	45,660,797
	<hr/>		
<b>Expenditures</b>			
<b>Current:</b>			
Judicial	6,648,419	-	6,648,419
Public Safety	1,747,052	-	1,747,052
Public Works	512,274	-	512,274
Human Services	29,559,028	-	29,559,028
Conservation and Development	3,207,072	-	3,207,072
Culture and Recreation	4,380,346	-	4,380,346
<b>Debt Service</b>			
Principle	405,875	-	405,875
Interest	96,402	-	96,402
	<hr/>		
Total Expenditures	46,556,468	-	46,556,468
	<hr/>		
<b>Excess of Revenues Over (Under)</b>			
Expenditures	(977,068)	81,397	(895,671)
	<hr/>		
<b>Other Financing Sources (Uses)</b>			
Transfers In	2,309,580	5,400	2,314,980
Transfers Out	(418,816)	-	(418,816)
	<hr/>		
Total Other Financing Sources (Uses)	1,890,764	5,400	1,896,164
	<hr/>		
Net Change in Fund Balances	913,696	86,797	1,000,493
	<hr/>		
Fund Balances - Beginning of Year, as restated (Note 29)	8,985,132	782,809	9,767,941
	<hr/>		
Fund Balances - End of Year	\$ 9,898,828	\$ 869,606	\$ 10,768,434
	<hr/>		

COUNTY OF DAUPHIN  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	State Grants	Human Services Development Fund	Aging Fund	Drug and Alcohol Fund	Drug Act-Forfeited State Property
<b>Assets</b>									
Cash and Cash Equivalents	\$ 5,545,829	\$ 345	\$ 206,730	\$ 125,584	\$ 1,557,800	\$ 174,147	\$ 1,077,488	\$ 36,536	\$ 69,384
Receivables:									
Accounts	-	10,000	15,497	-	35,759	-	50,303	6,884	4,254
Loans	-	-	-	-	-	-	-	-	-
Interest and Dividends	106	-	5	2	41	5	2,834	1	1
Due From Other Funds	-	-	37,284	-	244,317	-	3,521	1,240	-
Due From Other Governments	-	1,282,803	-	-	1,836,645	-	2,164	409,310	-
Due From Component Units	-	-	-	-	-	-	-	-	-
Other Assets	-	-	36,554	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,545,935</b>	<b>\$ 1,293,148</b>	<b>\$ 296,070</b>	<b>\$ 125,586</b>	<b>\$ 3,674,562</b>	<b>\$ 174,152</b>	<b>\$ 1,136,310</b>	<b>\$ 453,971</b>	<b>\$ 73,639</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 113,941	\$ 20,066	\$ 12,481	\$ 5,243	\$ 1,936,442	\$ 34,492	\$ 247,712	\$ 453,971	\$ 9,178
Accrued Liabilities	294	113,347	13,036	-	26,512	2,011	96,275	-	1,820
Unearned Revenues	-	-	247,229	-	571,203	68,213	-	-	-
Due to Other Funds	-	16,433	17	-	156,580	69,436	24,721	-	3,354
<b>Total Liabilities</b>	<b>114,235</b>	<b>149,846</b>	<b>272,763</b>	<b>5,243</b>	<b>2,690,737</b>	<b>174,152</b>	<b>368,708</b>	<b>453,971</b>	<b>14,352</b>
<b>Fund Balances</b>									
Reserved for Program Purposes	5,431,700	1,143,302	23,307	120,343	983,825	-	(281,764)	-	59,287
Reserved for Restricted Contributions/Fees	-	-	-	-	-	-	1,049,366	-	-
<b>Total Fund Balances</b>	<b>5,431,700</b>	<b>1,143,302</b>	<b>23,307</b>	<b>120,343</b>	<b>983,825</b>	<b>-</b>	<b>767,602</b>	<b>-</b>	<b>59,287</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,545,935</b>	<b>\$ 1,293,148</b>	<b>\$ 296,070</b>	<b>\$ 125,586</b>	<b>\$ 3,674,562</b>	<b>\$ 174,152</b>	<b>\$ 1,136,310</b>	<b>\$ 453,971</b>	<b>\$ 73,639</b>

COUNTY OF DAUPHIN  
 COMBINED BALANCE SHEET (CONTINUED)  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2006

	Drug Act- Forfeited Federal Property	Low Income Housing Grant	Hotel Tax Fund	Revolving Loan Fund	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 496,226	\$ 708,954	\$ 351,773	\$ 52,557	\$ 10,403,353
Receivables:					
Accounts	14,785	28,873	-	-	166,355
Loans	-	-	-	99,480	99,480
Interest and Dividends	9	12	8	1	3,025
Due From Other Funds	-	-	-	-	286,362
Due From Other Governments	-	-	-	-	3,530,322
Due From Component Units	-	-	-	-	-
Other Assets	-	-	-	-	36,554
<b>Total Assets</b>	<b>\$ 511,020</b>	<b>\$ 737,839</b>	<b>\$ 351,781</b>	<b>\$ 152,038</b>	<b>\$ 14,526,051</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ 31,435	\$ 350,897	\$ -	\$ 3,215,858
Accrued Liabilities	-	-	884	-	254,179
Unearned Revenues	-	-	-	-	886,645
Due to Other Funds	-	-	-	-	270,541
<b>Total Liabilities</b>	<b>-</b>	<b>31,435</b>	<b>351,781</b>	<b>-</b>	<b>4,627,223</b>
<b>Fund Balances</b>					
Reserved for Program Purposes	511,020	706,404	-	152,038	8,849,462
Reserved for Restricted Contributions/Fees	-	-	-	-	1,049,366
<b>Total Fund Balances</b>	<b>511,020</b>	<b>706,404</b>	<b>-</b>	<b>152,038</b>	<b>9,898,828</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 511,020</b>	<b>\$ 737,839</b>	<b>\$ 351,781</b>	<b>\$ 152,038</b>	<b>\$ 14,526,051</b>

COUNTY OF DAUPHIN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	State Grants	Human Services Development Fund	Aging Fund
<b>Revenues</b>							
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	618,246	3,545,900	715,368	44,924	22,755,411	693,969	5,776,208
Charges for Services	-	110,995	119,819	52,203	-	-	223,300
Court Costs and Fines and Fees	-	-	-	-	517,036	-	-
Interest and Rent	264,832	5,343	10,288	6,286	4,209	11,983	55,774
Miscellaneous Revenue	-	-	-	-	-	-	94,314
<b>Total Revenues</b>	<b>883,078</b>	<b>3,662,238</b>	<b>845,475</b>	<b>103,413</b>	<b>23,276,656</b>	<b>705,952</b>	<b>6,149,596</b>
<b>Expenditures</b>							
Current:							
Judicial	-	5,043,560	-	-	1,302,736	-	-
Public Safety	-	-	-	96,723	1,650,329	-	-
Public Works	512,274	-	-	-	-	-	-
Human Services	-	-	754,173	-	17,628,513	620,759	6,413,240
Conservation and Development	-	-	-	-	2,696,602	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service	-	11,356	1,164	-	16,417	322	4,539
Principle	-	618	62	-	449	56	448
Interest	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>512,274</b>	<b>5,055,534</b>	<b>755,399</b>	<b>96,723</b>	<b>23,295,046</b>	<b>621,137</b>	<b>6,418,227</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>370,804</b>	<b>(1,393,296)</b>	<b>90,076</b>	<b>6,690</b>	<b>(18,390)</b>	<b>84,815</b>	<b>(268,631)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	-	1,823,322	37,284	9,974	276,351	18,324	-
Transfers Out	-	-	(104,053)	(5,459)	(147,580)	(103,139)	(18,585)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>1,823,322</b>	<b>(66,769)</b>	<b>4,515</b>	<b>128,771</b>	<b>(84,815)</b>	<b>(18,585)</b>
<b>Net Change in Fund Balances</b>	<b>370,804</b>	<b>430,026</b>	<b>23,307</b>	<b>11,205</b>	<b>110,381</b>	<b>-</b>	<b>(287,216)</b>
<b>Fund Balances - Beginning of Year, as restated (Note 29)</b>	<b>5,060,896</b>	<b>713,276</b>	<b>-</b>	<b>109,138</b>	<b>873,444</b>	<b>-</b>	<b>1,054,818</b>
<b>Fund Balances - End of Year</b>	<b>\$ 5,431,700</b>	<b>\$ 1,143,302</b>	<b>\$ 23,307</b>	<b>\$ 120,343</b>	<b>\$ 983,825</b>	<b>\$ -</b>	<b>\$ 767,602</b>



COUNTY OF DAUPHIN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Drug and Alcohol Fund	Drug Act-Forfeited State Fund	Drug Act-Forfeited Federal Fund	Low Income Housing Grant	Hotel Tax Fund	Revolving Loan Fund	Totals
<b>Revenues</b>							
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,815,259	\$ -	\$ 4,815,259
Intergovernmental	3,880,671	-	-	-	-	-	38,030,697
Charges for Services	119,447	-	-	378,443	-	-	1,004,207
Court Costs and Fines and Fees	-	215,812	457,982	-	-	-	1,190,830
Interest and Rent	5,398	2,347	11,091	37,241	24,435	4,866	444,093
Miscellaneous Revenue	-	-	-	-	-	-	94,314
<b>Total Revenues</b>	<b>4,005,516</b>	<b>218,159</b>	<b>469,073</b>	<b>415,684</b>	<b>4,839,694</b>	<b>4,866</b>	<b>45,579,400</b>
<b>Expenditures</b>							
<b>Current:</b>							
Judicial	-	222,170	79,953	-	-	-	6,648,419
Public Safety	-	-	-	-	-	-	1,747,052
Public Works	-	-	-	-	-	-	512,274
Human Services	4,142,343	-	-	-	-	-	29,559,028
Conservation and Development	-	-	-	510,470	-	-	3,207,072
Culture and Recreation	-	-	-	-	4,380,346	-	4,380,346
Debt Service	-	-	-	-	-	-	-
Principle	7,077	-	-	-	365,000	-	405,875
Interest	421	-	-	-	94,348	-	96,402
<b>Total Expenditures</b>	<b>4,149,841</b>	<b>222,170</b>	<b>79,953</b>	<b>510,470</b>	<b>4,839,694</b>	<b>-</b>	<b>46,556,468</b>
Excess of revenues Over (Under) Expenditures	(144,325)	(4,011)	389,120	(94,786)	-	4,866	(977,068)
<b>Other Financing Sources (Uses)</b>							
Transfers In	144,325	-	-	-	-	-	2,309,580
Transfers Out	-	(10,000)	-	(30,000)	-	-	(418,816)
<b>Total Other Financing Sources (Uses)</b>	<b>144,325</b>	<b>(10,000)</b>	<b>-</b>	<b>(30,000)</b>	<b>-</b>	<b>-</b>	<b>1,890,764</b>
Net Change in Fund Balances	-	(14,011)	389,120	(124,786)	-	4,866	913,696
Fund Balances - Beginning of Year, as restated (Note 29)	-	73,298	121,900	831,190	-	147,172	8,985,132
Fund Balances - End of Year	\$ -	\$ 59,287	\$ 511,020	\$ 706,404	\$ -	\$ 152,038	\$ 9,898,828

COUNTY OF DAUPHIN  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 DECEMBER 31, 2006

	Solid Waste Fund	Fort Hunter Operating Fund	Emergency 911 Operating & Act 56 Wireless Fund	Totals
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 979,120	\$ 61,842	\$ 2,101,275	\$ 3,142,237
Accounts Receivables	120,907	-	476,243	597,150
Due From Other Funds	-	-	-	-
Other Assets	844	-	43	887
<b>Total current assets</b>	<b>1,100,871</b>	<b>61,842</b>	<b>2,577,561</b>	<b>3,740,274</b>
<b>Noncurrent Assets:</b>				
Capital Assets, Not Being Depreciated	1,566,115	111,492	-	1,677,607
Capital Assets, Being Depreciated, (Net)	553,523	533,100	1,483,327	2,569,950
<b>Total noncurrent assets</b>	<b>2,119,638</b>	<b>644,592</b>	<b>1,483,327</b>	<b>4,247,557</b>
<b>Total assets</b>	<b>\$ 3,220,509</b>	<b>\$ 706,434</b>	<b>\$ 4,060,888</b>	<b>\$ 7,987,831</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts Payable	\$ 38,810	\$ -	\$ 86,612	\$ 125,422
Accrued Liabilities	16,405	-	117,739	134,144
Due to Other Funds	205	-	-	205
Obligation Under Capital Lease	1,878	-	-	1,878
General Obligation Debt	200,937	-	-	200,937
<b>Total current liabilities</b>	<b>258,235</b>	<b>-</b>	<b>204,351</b>	<b>462,586</b>
<b>Noncurrent liabilities:</b>				
Obligation Under Capital Lease	481	-	-	481
General Obligation Debt	103,564	-	-	103,564
Accrued Compensated Absences	6,621	-	211,630	218,251
<b>Total noncurrent liabilities</b>	<b>110,666</b>	<b>-</b>	<b>211,630</b>	<b>322,296</b>
<b>Total liabilities</b>	<b>368,901</b>	<b>-</b>	<b>415,981</b>	<b>784,882</b>
<b>NET ASSETS</b>				
Invested in Capital Assets				
Net of Related Debt	2,117,279	644,592	1,483,327	4,245,198
Unrestricted	734,329	61,842	2,161,580	2,957,751
<b>Total net assets</b>	<b>\$ 2,851,608</b>	<b>\$ 706,434</b>	<b>\$ 3,644,907</b>	<b>\$ 7,202,949</b>

COUNTY OF DAUPHIN  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Solid Waste Fund	Fort Hunter Operating Fund	Emergency 911 Operating & Act 56 Wireless Fund	Totals
Operating Revenues				
Charges for Services	\$ 702,047	\$ 41,570	\$ 6,652,070	\$ 7,395,687
Total Operating Revenues	702,047	41,570	6,652,070	7,395,687
Operating Expenses				
Personnel Services	314,876	-	3,628,962	3,943,838
Contracted Services	190,808	576	126,306	317,690
Supplies and Materials	7,649	-	20,499	28,148
Repairs and Maintenance	35,242	-	260,067	295,309
Utilities	6,823	11,949	533,589	552,361
Other Services and Charges	116,755	52,285	165,815	334,855
Depreciation and Amortization	105,427	69,563	328,689	503,679
Total Operating Expenses	777,580	134,373	5,063,927	5,975,880
Operating Income (Loss)	(75,533)	(92,803)	1,588,143	1,419,807
Nonoperating Revenues (Expenses)				
Interest Income	54,877	3,171	52,732	110,780
Interest Expense	(18,566)	-	(3,238)	(21,804)
Grants	174,246	-	-	174,246
Total Nonoperating Revenues	210,557	3,171	49,494	263,222
Income (Loss) Before Operating Transfers In (Out)	135,024	(89,632)	1,637,637	1,683,029
Transfers In	-	-	892,958	892,958
Transfers Out	-	(5,400)	(929,450)	(934,850)
Gain on Asset Disposal	-	-	124	124
Total Transfers In (Out)	-	(5,400)	(36,368)	(41,768)
Changes in Net Assets	135,024	(95,032)	1,601,269	1,641,261
Total Net Assets - Beginning of Year	2,716,584	801,466	2,043,638	5,561,688
Total Net Assets - End of Year	\$ 2,851,608	\$ 706,434	\$ 3,644,907	\$ 7,202,949

COUNTY OF DAUPHIN  
 STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Solid Waste Fund	Fort Hunter Operating Fund	Emergency 911 Operating & Act 56 Wireless Fund	Totals
Cash Flows From Operating Activities				
Receipts from Recycling Services	\$ 685,843	\$ -	\$ -	\$ 685,843
Receipts from Emergency Communications Services	-	-	6,686,817	6,686,817
Receipts from Recreational Activities	-	41,570	-	41,570
Payments to Employees	(315,562)	-	(3,581,953)	(3,897,515)
Payments to Suppliers	(400,934)	(64,810)	(1,086,347)	(1,552,091)
Internal Activity - Payments to other funds	(704)	-	86,869	86,165
Net Cash Provided by (Used In) Operating Activities	(31,357)	(23,240)	2,105,386	2,050,789
Cash Flow From Noncapital Financing Activities				
Operating Transfers In (Out)	-	(5,400)	(36,492)	(41,892)
Operating Grants Received	174,246	-	-	174,246
Net Cash Provided by (used in) Noncapital Financing Activities	174,246	(5,400)	(36,492)	132,354
Cash Flows from Capital and Related Financing Activities				
Purchase of Fixed Assets	(153,818)	(30,940)	(7,317)	(192,075)
Disposal of Fixed Assets	-	-	24,805	24,805
Interest Paid	(24,819)	-	(25,568)	(50,387)
Principal Payments on Capital Lease	(1,802)	-	(26,218)	(28,020)
Principal Payments on Bonds	(191,068)	-	-	(191,068)
Net Cash Used in Capital and Related Financing Activities	(371,507)	(30,940)	(34,298)	(436,745)
Cash Flows from Investing Activities				
Interest Income	54,877	3,171	52,732	110,780
Net Cash Provided by Investing Activities	54,877	3,171	52,732	110,780
Net Increase in Cash and Cash Equivalents	(173,741)	(56,409)	2,087,328	1,857,178
Cash and Cash Equivalents, Beginning of Year	1,152,861	118,251	13,947	1,285,059
Cash and Cash Equivalents, End of Year	\$ 979,120	\$ 61,842	\$ 2,101,275	\$ 3,142,237

COUNTY OF DAUPHIN  
STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Solid Waste Fund	Fort Hunter Operating Fund	Emergency 911 Operating & Act 56 Wireless Fund	Totals
Reconciliation of Operating loss to net cash provided (used) by operating activities	\$ (75,533)	\$ (92,803)	\$ 1,588,143	\$ 1,419,807
Operating Loss				
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used In) Operating Activities	105,427	69,563	328,689	503,679
Depreciation and Amortization Expense				
Change in assets and liabilities				
Accounts Receivable	(16,204)	-	34,620	18,416
Other Assets	2,995	-	127	3,122
Accounts Payable	(46,652)	-	19,929	(26,723)
Accrued Expenses	296	-	7,457	7,753
Accrued Vacation and Sick Pay	(982)	-	39,552	38,570
Due To/Due From Other Funds	(704)	-	86,869	86,165
Net Cash Provided by (Used In) Operating Activities	\$ (31,357)	\$ (23,240)	\$ 2,105,386	\$ 2,050,789

COUNTY OF DAUPHIN, PENNSYLVANIA  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 DECEMBER 31, 2006

	Tax Claim Agency Fund	Sheriff Agency Fund	Probation and Parole Agency Fund	Treasurer Agency Fund	Prothonotary Agency Fund	Recorder of Deeds Agency Fund	Clerk of Courts Agency Fund	Prison Agency Fund	Domestic Relations Agency Fund	Register of Wills Agency Fund	Fines and Costs Agency Fund	Children and Youth Agency Fund	Totals
Cash and Cash Equivalents	\$ 3,277,781	\$ 450,972	\$ 755,197	\$ 8,487	\$ 57,386	\$ 1,079,375	\$ 902,028	\$ 1,108,173	\$ 37,602	\$ 50,090	\$ 11,986.00	\$ 92,231	\$ 7,831,308
Total Assets	\$ 3,277,781	\$ 450,972	\$ 755,197	\$ 8,487	\$ 57,386	\$ 1,079,375	\$ 902,028	\$ 1,108,173	\$ 37,602	\$ 50,090	\$ 11,986	\$ 92,231	\$ 7,831,308
Liabilities:													
Accounts Payable	\$ 653,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653,085
Funds Held in Escrow	2,624,686	450,972	765,197	8,487	57,386	1,079,375	902,028	1,108,173	37,602	50,090	11,986	92,231	5,138,243
Due To Other Governments	-	-	-	-	-	-	902,028	-	-	-	-	-	2,039,960
Total Liabilities	\$ 3,277,781	\$ 450,972	\$ 755,197	\$ 8,487	\$ 57,386	\$ 1,079,375	\$ 902,028	\$ 1,108,173	\$ 37,602	\$ 50,090	\$ 11,986	\$ 92,231	\$ 7,831,308

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>General Government</b>				
Commissioners - Governing Body				
Personal Services	\$ 658,743	\$ 595,572	\$ 978,239	\$ (382,667)
Supplies and Services	1,868,692	3,864,211	1,691,535	2,172,676
Capital Outlay	1,632	1,632	-	1,632
	<u>2,529,067</u>	<u>4,461,415</u>	<u>2,669,774</u>	<u>1,791,641</u>
<b>Finance</b>				
Personal Services	251,653	250,554	238,007	12,547
Supplies and Services	39,406	40,297	27,017	13,280
Capital Outlay	-	-	-	-
	<u>291,059</u>	<u>290,851</u>	<u>265,024</u>	<u>25,827</u>
<b>Risk Management</b>				
Personal Services	-	81,837	82,177	(340)
<b>Purchasing</b>				
Personal Services	367,898	368,504	339,095	29,409
Supplies and Services	516,137	516,732	500,312	16,420
Capital Outlay	13,473	13,473	-	13,473
	<u>897,508</u>	<u>898,709</u>	<u>839,407</u>	<u>59,302</u>
<b>Voter's Registration</b>				
Personal Services	365,955	367,772	355,065	12,707
Supplies and Services	281,205	1,209,663	1,100,214	109,449
Capital Outlay	-	29,345	28,396	949
	<u>647,160</u>	<u>1,606,780</u>	<u>1,483,675</u>	<u>123,105</u>
<b>Tax Assessment</b>				
Personal Services	1,288,088	1,288,297	1,277,854	10,443
Supplies and Services	1,109,740	1,602,303	1,068,696	533,607
Capital Outlay	-	-	-	-
	<u>2,397,828</u>	<u>2,890,600</u>	<u>2,346,550</u>	<u>544,050</u>
<b>Treasurer</b>				
Personal Services	276,492	275,548	285,046	(9,498)
Supplies and Services	11,575	12,793	10,014	2,779
Capital Outlay	-	-	-	-
	<u>288,067</u>	<u>288,341</u>	<u>295,060</u>	<u>(6,719)</u>
<b>Tax Collectors</b>				
Personal Services	215,300	215,300	198,324	16,976
Supplies and Services	29,600	42,564	41,024	1,540
Capital Outlay	39,000	39,000	-	39,000
	<u>283,900</u>	<u>296,864</u>	<u>239,348</u>	<u>57,516</u>

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>General Government (Continued)</b>				
Personnel				
Personal Services	727,443	717,844	647,248	70,596
Supplies and Services	30,390	37,675	33,561	4,114
Capital Outlay	-	-	-	-
	<u>757,833</u>	<u>755,519</u>	<u>680,809</u>	<u>74,710</u>
Controller				
Personal Services	754,287	755,980	752,254	3,726
Supplies and Services	160,528	162,332	164,307	(1,975)
Capital Outlay	-	-	-	-
	<u>914,815</u>	<u>918,312</u>	<u>916,561</u>	<u>1,751</u>
Solicitor				
Personal Services	403,735	398,335	383,682	14,653
Supplies and Services	114,913	115,829	82,262	33,567
Capital Outlay	-	-	-	-
	<u>518,648</u>	<u>514,164</u>	<u>465,944</u>	<u>48,220</u>
Public Defender				
Personal Services	2,047,106	2,035,384	2,033,192	2,192
Supplies and Services	188,147	484,211	497,643	(13,432)
Capital Outlay	-	-	-	-
	<u>2,235,253</u>	<u>2,519,595</u>	<u>2,530,835</u>	<u>(11,240)</u>
Recorder of Deeds				
Personal Services	597,917	594,636	499,681	94,955
Supplies and Services	93,647	361,068	326,367	34,701
Capital Outlay	95,000	90,000	198,906	(108,906)
	<u>786,564</u>	<u>1,045,704</u>	<u>1,024,954</u>	<u>20,750</u>
Facilities Management				
Personal Services	2,261,575	2,238,495	2,196,893	41,602
Supplies and Services	2,443,331	2,451,227	2,224,509	226,718
Capital Outlay	21,150	43,693	22,543	21,150
	<u>4,726,056</u>	<u>4,733,415</u>	<u>4,443,945</u>	<u>289,470</u>
Printing				
Personal Services	110,793	110,345	110,587	(242)
Supplies and Services	80,562	80,562	72,736	7,826
Capital Outlay	15,000	15,000	45,132	(30,132)
	<u>206,355</u>	<u>205,907</u>	<u>228,455</u>	<u>(22,548)</u>
Data Processing				
Personal Services	1,753,676	1,768,545	1,683,015	85,530
Supplies and Services	871,631	791,335	625,831	165,504
Capital Outlay	267,226	267,226	484,541	(217,315)
	<u>2,892,533</u>	<u>2,827,106</u>	<u>2,793,387</u>	<u>33,719</u>



COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	<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	72,984	69,987	69,681	306
Supplies and Services	92,685	145,633	135,987	9,646
Capital Outlay	-	-	-	-
	<u>165,669</u>	<u>215,620</u>	<u>205,668</u>	<u>9,952</u>
Gasoline Center				
Supplies and Services	207,605	207,605	212,838	(5,233)
Capital Outlay	5,325	5,325	-	5,325
	<u>212,930</u>	<u>212,930</u>	<u>212,838</u>	<u>92</u>
Pass-through Library Grant	<u>-</u>	<u>240,715</u>	<u>240,715</u>	<u>-</u>
Less: Indirect Cost Reimbursement	<u>(3,100,000)</u>	<u>(9,666,006)</u>	<u>(9,065,009)</u>	<u>(600,997)</u>
Total General Government	<u>\$ 17,651,245</u>	<u>\$ 15,338,378</u>	<u>\$ 12,900,117</u>	<u>\$ 2,438,261</u>

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial				
Courts				
Personal Services	\$ 1,575,246	\$ 1,551,864	\$ 1,457,322	\$ 94,542
Supplies and Services	1,115,864	2,200,658	2,084,183	116,475
Capital Outlay	-	-	-	-
	<u>2,691,110</u>	<u>3,752,522</u>	<u>3,541,505</u>	<u>211,017</u>
Court Reporters				
Personal Services	987,075	997,016	1,003,206	(6,190)
Supplies and Services	126,780	126,319	72,575	53,744
Capital Outlay	-	-	-	-
	<u>1,113,855</u>	<u>1,123,335</u>	<u>1,075,781</u>	<u>47,554</u>
Jury Commissioners				
Personal Services	-	-	-	-
Supplies and Services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District Justices				
Personal Services	3,848,796	3,860,209	3,577,578	282,631
Supplies and Services	1,457,704	1,768,950	1,536,587	232,363
Capital Outlay	653	45,415	-	45,415
	<u>5,307,153</u>	<u>5,674,574</u>	<u>5,114,165</u>	<u>560,409</u>
Law Library				
Personal Services	157,435	156,764	151,739	5,025
Supplies and Services	189,906	271,561	310,685	(39,124)
Capital Outlay	-	-	-	-
	<u>347,341</u>	<u>428,325</u>	<u>462,424</u>	<u>(34,099)</u>
Night Court				
Personal Services	240,363	240,070	212,886	27,184
Supplies and Services	22,671	29,264	25,611	3,653
Capital Outlay	-	-	-	-
	<u>263,034</u>	<u>269,334</u>	<u>238,497</u>	<u>30,837</u>
Clerk of Courts				
Personal Services	1,285,366	1,285,642	1,211,637	74,005
Supplies and Services	115,852	301,649	273,938	27,711
Capital Outlay	-	-	-	-
	<u>1,401,218</u>	<u>1,587,291</u>	<u>1,485,575</u>	<u>101,716</u>

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Judicial (Continued)				
Coroner				
Personal Services	403,885	406,448	420,372	(13,924)
Supplies and Services	347,504	427,641	404,173	23,468
Capital Outlay	-	24,640	34,542	(9,902)
	<u>751,389</u>	<u>858,729</u>	<u>859,087</u>	<u>(358)</u>
District Attorney				
Personal Services	2,705,907	2,710,779	2,492,659	218,120
Supplies and Services	381,368	1,467,805	962,291	505,514
Capital Outlay	-	-	-	-
	<u>3,087,275</u>	<u>4,178,584</u>	<u>3,454,950</u>	<u>723,634</u>
Criminal Investigation				
Personal Services	1,319,312	1,324,825	1,316,290	8,535
Supplies and Services	226,034	451,721	420,609	31,112
Capital Outlay	-	1,000	-	1,000
	<u>1,545,346</u>	<u>1,777,546</u>	<u>1,736,899</u>	<u>40,647</u>
Prothonotary				
Personal Services	863,585	876,373	870,163	6,210
Supplies and Services	118,620	244,146	218,943	25,203
Capital Outlay	-	-	-	-
	<u>982,205</u>	<u>1,120,519</u>	<u>1,089,106</u>	<u>31,413</u>
Registrar of Wills				
Personal Services	422,001	420,814	362,072	58,742
Supplies and Services	31,985	203,071	187,112	15,959
Capital Outlay	-	-	-	-
	<u>453,986</u>	<u>623,885</u>	<u>549,184</u>	<u>74,701</u>
Sheriff				
Personal Services	2,570,194	2,539,331	2,555,801	(16,470)
Supplies and Services	200,856	463,146	439,512	23,634
Capital Outlay	51,008	51,008	44,718	6,290
	<u>2,822,058</u>	<u>3,053,485</u>	<u>3,040,031</u>	<u>13,454</u>
Cost & Fines				
Personal Services	171,273	170,568	186,705	(16,137)
Supplies and Services	7,122	42,419	41,137	1,282
Capital Outlay	-	-	-	-
	<u>178,395</u>	<u>212,987</u>	<u>227,842</u>	<u>(14,855)</u>

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Judicial (Continued)				
Adult Probation				
Personal Services	7,755,860	7,760,579	7,588,045	172,534
Supplies and Services	607,593	1,209,093	1,214,923	(5,830)
Capital Outlay	12,365	12,365	-	12,365
	<u>8,375,818</u>	<u>8,982,037</u>	<u>8,802,968</u>	<u>179,069</u>
Juvenile Probation				
Personal Services	3,961,631	3,961,304	3,590,448	370,856
Supplies and Services	471,924	934,035	683,097	250,938
Capital Outlay	40,340	47,104	19,541	27,563
	<u>4,473,895</u>	<u>4,942,443</u>	<u>4,293,086</u>	<u>649,357</u>
Victim Witness				
Personal Services	45,007	44,783	43,653	1,130
Supplies and Services	478,964	536,393	486,272	50,121
	<u>523,971</u>	<u>581,176</u>	<u>529,925</u>	<u>51,251</u>
Pretrial				
Supplies and Services	225,000	226,456	225,292	1,164
	<u>225,000</u>	<u>226,456</u>	<u>225,292</u>	<u>1,164</u>
RO County Records Improvement				
Supplies and Services	30,000	194,245	145,893	48,352
Capital Outlay	-	146,710	144,027	2,683
	<u>30,000</u>	<u>340,955</u>	<u>289,920</u>	<u>51,035</u>
Total Judicial	<u>\$ 34,573,049</u>	<u>\$ 39,734,183</u>	<u>\$ 37,016,237</u>	<u>\$ 2,717,946</u>

COUNTY OF DAUPHIN  
 SCHEDULE OF DEPARTMENTAL EXPENDITURES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public Safety				
Prison				
Personal Services	\$ 23,530,922	\$ 23,472,366	\$ 23,317,547	\$ 154,819
Supplies and Services	7,703,583	8,866,953	8,387,073	479,880
Capital Outlay	106,864	187,550	40,098	147,452
	<u>31,341,369</u>	<u>32,526,869</u>	<u>31,744,718</u>	<u>782,151</u>
Emergency Services				
Personal Services	563,659	577,301	577,488	(187)
Supplies and Services	266,814	341,185	272,100	69,085
Capital Outlay	-	-	-	-
	<u>830,473</u>	<u>918,486</u>	<u>849,588</u>	<u>68,898</u>
Total Public Safety	<u>\$ 32,171,842</u>	<u>\$ 33,445,355</u>	<u>\$ 32,594,306</u>	<u>\$ 851,049</u>

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Human Services				
Personal Services	\$ 97,823	\$ 108,811	\$ 178,300	\$ (69,489)
Supplies and Services	1,774,231	2,575,709	2,138,973	436,736
Capital Outlay	-	-	-	-
Total Human Services	<u>\$ 1,872,054</u>	<u>\$ 2,684,520</u>	<u>\$ 2,317,273</u>	<u>\$ 367,247</u>
Culture and Recreation				
Parks				
Personal Services	\$ 971,462	\$ 974,453	\$ 983,379	\$ (8,926)
Supplies and Services	355,335	584,556	512,516	72,040
Capital Outlay	-	8,925	8,925	-
Total Culture and Recreation	<u>\$ 1,326,797</u>	<u>\$ 1,567,934</u>	<u>\$ 1,504,820</u>	<u>\$ 63,114</u>
Conservation and Development				
Cooperative Extension				
Personal Services	\$ 214,542	\$ 213,731	\$ 215,490	\$ (1,759)
Supplies and Services	206,015	231,738	232,094	(356)
Capital Outlay	-	-	-	-
Total Cooperative Extension	<u>420,557</u>	<u>445,469</u>	<u>447,584</u>	<u>(2,115)</u>
Conservation Programs				
Personal Services	890,773	908,103	877,410	30,693
Supplies and Services	592,381	636,597	583,295	53,302
Capital Outlay	-	-	-	-
Total Conservation Programs	<u>1,483,154</u>	<u>1,544,700</u>	<u>1,460,705</u>	<u>83,995</u>
Economic Development				
Personal Services	456,708	460,418	413,311	47,107
Supplies and Services	239,034	317,043	134,286	182,757
Capital Outlay	-	-	-	-
Total Economic Development	<u>695,742</u>	<u>777,461</u>	<u>547,597</u>	<u>229,864</u>
Total Conservation and Development	<u>\$ 2,599,453</u>	<u>\$ 2,767,630</u>	<u>\$ 2,455,886</u>	<u>\$ 311,744</u>

COUNTY OF DAUPHIN  
SCHEDULE OF DEPARTMENTAL EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Debt Service				
Principal	\$ 3,763,451	\$ 3,758,855	\$ 3,089,580	\$ 669,275
Interest	3,387,589	3,823,273	3,944,547	(121,274)
Total Debt Service	<u>\$ 7,151,040</u>	<u>\$ 7,582,128</u>	<u>\$ 7,034,127</u>	<u>\$ 548,001</u>
Other Financing Uses				
Interfund Transfers to				
Domestic Relations Fund	\$ -	\$ -	\$ 1,823,322	\$ (1,823,322)
MH/MR Fund	90,000	90,000	846,632	(756,632)
Office of Aging Fund	500,000	500,000	-	500,000
Drug and Alcohol Fund	-	-	144,325	(144,325)
Children, Youth, and Families Fund	-	-	13,351,545	(13,351,545)
Spring Creek	6,082,326	6,082,326	9,184,705	(3,102,379)
State Grant Fund	11,540,553	8,940,100	276,353	8,663,747
Human Services Development Fund	882,700	882,700	18,324	864,376
Hazard Materials Emergency Response Fund	-	-	9,974	(9,974)
Weatherization	207,871	207,871	37,284	170,587
911 - EMA Communications Fund	1,243,766	1,243,766	86,958	1,156,808
Capital Projects Fund	638,000	638,000	17,388,927	(16,750,927)
Human Service Building Fund	-	-	736,482	(736,482)
General Fund	15,000	15,000	107,080	(92,080)
Total Interfund Transfers	<u>\$ 21,200,216</u>	<u>\$ 18,599,763</u>	<u>\$ 44,011,911</u>	<u>\$ (25,412,148)</u>