

**COUNTY OF DAUPHIN
HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

COUNTY OF DAUPHIN, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2007

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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, 2007, 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 unit financial statements for the Dauphin County General Authority, which represents 97.73 percent and 61.82 percent, respectively of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregately discretely presented component units, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Dauphin County General Authority, the Dauphin County Economic Development Corporation and the Dauphin County Industrial Development were not audited in accordance with *Government Auditing Standards*. 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 another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF DAUPHIN as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Commissioners
County of Dauphin
Page 2

As discussed in Note 1 to the financial statements, in 2007 the COUNTY OF DAUPHIN adopted the provisions of Governmental Accounting Standards Board's Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*" and Statement No. 48, "*Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". The COUNTY OF DAUPHIN also adopted certain provisions of Statement No. 50 "*Pension Disclosures*" related to the use of entry age actuarial cost method for the purpose of reporting funding progress information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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 129 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF DAUPHIN's basic financial statements. The combining non-major fund financial statements on pages 131 through 150 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These items have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Zelenkofske Axelrod LLC
ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 31, 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, 2007. 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, 2007.

Financial Highlights

- Dauphin County's property tax rate of 6.876 mills was not raised in 2007.
- Dauphin County's Standard & Poors 'AA' rating with a stable outlook was reaffirmed as part of the second phase of the EMA Radio Project borrowing in September 2007.
- Variable Rate General Obligation Bonds in the amount of \$16,700,000 were issued in September 2007 for the second 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. A Floating-to-Fixed Rate Swap with Deutsche Bank is tied to these bonds.
- In February & March of 2007, the County terminated three swap options that began in April 2004. In 2004, \$2,603,500 was received from RBC for these options. The cost of terminating the swaps, including Swap termination payments, was \$1,046,500 yielding a final net benefit of \$1,557,000.
- In September of 2007 the County entered into three swap options with DEPFA Bank. These options have a total notional value of \$40,055,000. DEPFA Bank paid \$1,001,000 for these options which they can exercise through 11/15/12.
- At December 31, 2007 the General Fund's unreserved/undesignated balance was \$48,632,442. This is up from the \$38,970,329 balance at the end of 2006.
- The County's total net assets increased by \$19,791,397 in 2007. Unrestricted net assets at year-end were \$47,068,484.

Overview of the Financial Statements

The financial section of this report consists of four parts:

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

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

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

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

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

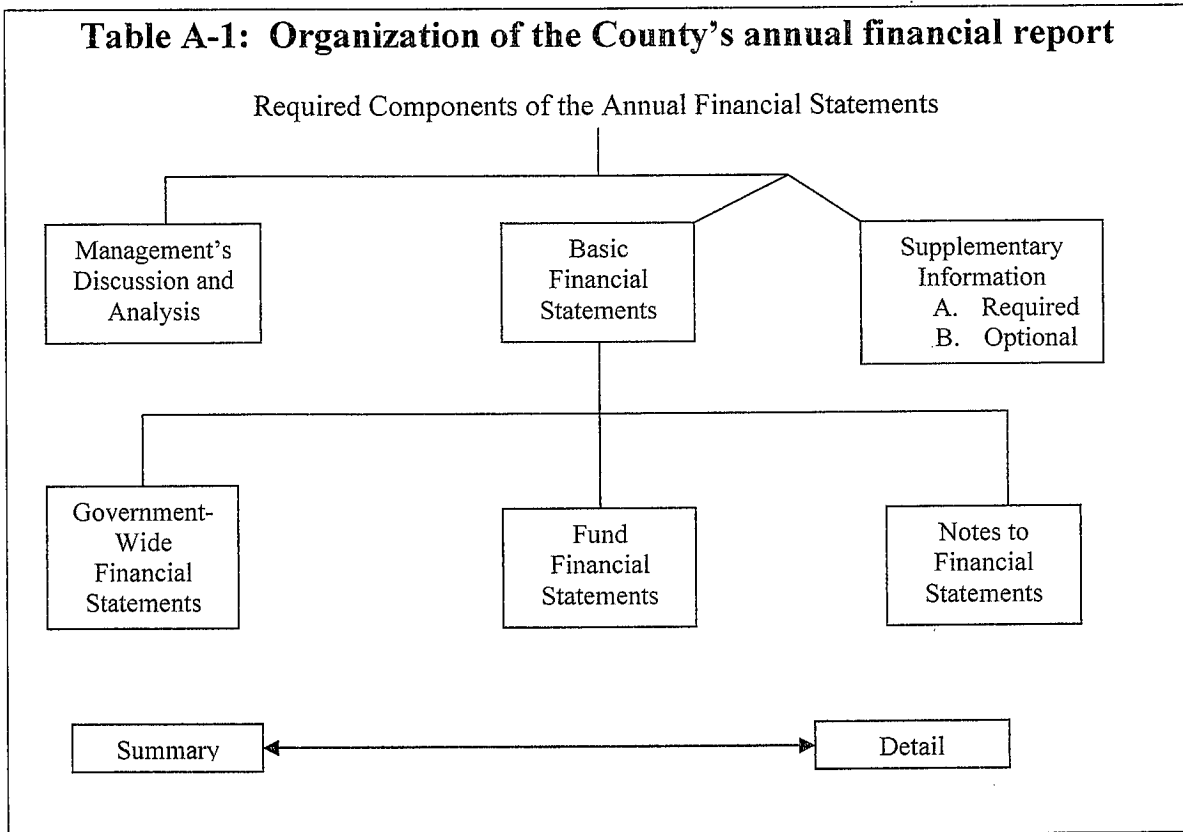


Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the County, such as public safety and courts	The activities of the County, such as the Parking Garage.	Instances in which the County administers resources on behalf of others, such as the employee pension plan
Required Financial Statements	<ul style="list-style-type: none"> - Statement of net assets - Statement of activities 	<ul style="list-style-type: none"> - Balance Sheet - Statement of revenues, expenditures and changes in fund balance 	<ul style="list-style-type: none"> - Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows 	<ul style="list-style-type: none"> - Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

Government-wide Financial Statements

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

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

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

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

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

There are two categories of activities for the primary government.

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

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are 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 \$206,321,416 at December 31, 2007. Of this amount, \$83,349,869 was capital assets and construction in progress.

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

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	
Current & Other Assets	\$ 108,407,662	\$ 114,063,332	\$ 4,290,207	\$ 8,908,215	\$ 112,697,869	\$ 122,971,547	9.1%
Capital Assets	66,748,388	73,723,020	10,493,317	9,626,849	77,241,705	83,349,869	7.9%
Total Assets	175,156,050	187,786,352	14,783,524	18,535,064	189,939,574	206,321,416	8.6%
Long-Term Debt Outstanding	\$ 128,692,797	\$ 127,793,582	\$ 9,322,296	\$ 8,635,760	\$ 138,015,093	\$ 136,429,342	-1.1%
Other Liabilities	36,189,142	34,928,407	1,861,411	1,298,342	38,050,553	36,226,749	-4.8%
Total Liabilities	164,881,939	162,721,989	11,183,707	9,934,102	176,065,646	172,656,091	-1.9%
Net Assets							
Invested in Cap. Assets, Net of Related Debt	(20,458,251)	(24,877,492)	474,161	657,523	(19,984,090)	(24,219,969)	21.2%
Restricted	11,036,898	10,816,810	-	-	11,036,898	10,816,810	-2.0%
Unrestricted	19,695,464	39,125,045	3,125,656	7,943,439	22,821,120	47,068,484	106.2%
Total Net Assets	\$ 10,274,111	\$ 25,064,363	\$ 3,599,817	\$ 8,600,962	\$ 13,873,928	\$ 33,665,325	142.7%

The following statement of activities represents changes in net assets for the year ended December 31, 2007. 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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	
Revenues							
Program Revenues							
Charges for Services	\$ 26,224,117	\$ 26,113,902	\$ 84,269,473	\$ 61,031,809	\$ 110,493,590	\$ 87,145,711	-21.1%
Operating Grants & Contributions	135,519,898	146,296,242	287,293	336,232	135,807,191	146,632,474	8.0%
General Revenues							
Property Taxes	91,583,027	94,779,271	-	-	91,583,027	94,779,271	3.5%
Hotel Taxes	4,815,259	5,364,812	-	-	4,815,259	5,364,812	11.4%
In Lieu of Taxes	1,660,129	1,343,236	-	-	1,660,129	1,343,236	-19.1%
Unrestricted Investment Earnings	3,104,902	3,847,516	75,755	45,303	3,180,657	3,892,819	22.4%
Gain/Loss on Asset Disposal	(66,748)	(258,767)	(8,646,598)	141	(8,713,346)	(258,626)	97.0%
Option Sale Premium Proceeds	-	1,001,000	-	-	-	1,001,000	100.0%
Swap Option Termination Payments	-	(974,000)	-	-	-	(974,000)	-100.0%
Donated Assets	-	-	-	235,000	-	235,000	100.0%
(Depreciation)/Appreciation in							
Fair Market Value of Investments	138,835	(56,672)	-	-	138,835	(56,672)	-140.8%
Transfers From Component Units	502,940	541,328	-	-	502,940	541,328	7.6%
Assumption of Enterprise Fund Debt	(22,798,955)	-	22,798,955	-	-	-	100.0%
Transfers	6,357,108	(619,479)	(6,357,108)	619,479	-	-	0.0%
Total Revenues	247,040,512	277,378,389	92,427,770	62,267,964	339,468,282	339,646,353	0.1%
Program Expenses							
General Government	13,374,345	14,154,910	-	-	13,374,345	14,154,910	5.8%
Judicial	43,434,275	44,143,107	-	-	43,434,275	44,143,107	1.6%
Public Safety	34,942,934	37,171,341	-	4,977,399	34,942,934	42,148,740	20.6%
Public Works	766,555	789,625	1,894,057	1,858,313	2,660,612	2,647,938	-0.5%
Human Services	133,151,444	147,709,735	54,781,723	49,486,845	187,933,167	197,196,580	4.9%
Culture & Recreation	5,973,139	6,508,607	-	-	5,973,139	6,508,607	9.0%
Conservation & Development	5,683,360	6,616,497	-	-	5,683,360	6,616,497	16.4%
Interest on Long Term Debt	4,653,691	5,494,315	-	-	4,653,691	5,494,315	18.1%
Patient Care	-	-	28,550,681	-	28,550,681	-	-100.0%
Other Programs	-	-	5,990,219	944,262	5,990,219	944,262	-84.2%
Total Program Expenses	241,979,743	262,588,137	91,216,680	57,266,819	333,196,423	319,854,956	-4.0%
Change in Net Assets	5,060,769	14,790,252	1,211,090	5,001,145	6,271,859	19,791,397	215.6%
Net Assets - Beginning	5,213,342	10,274,111	2,388,727	3,599,817	7,602,069	13,873,928	-82.5%
Net Assets - Ending	\$ 10,274,111	\$ 25,064,363	\$ 3,599,817	\$ 8,600,962	\$ 13,873,928	\$ 33,665,325	142.7%

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2007, general property taxes brought in \$94,779,271. Table A-5 depicts the net program expenses for the year ended December 31, 2007.

Program	Total Cost of Services	Net Cost of Services
General Government	\$ 14,154,910	\$ 8,833,444
Judicial	44,143,107	26,850,470
Public Safety	42,148,740	23,812,120
Public Works	2,647,938	(126,526)
Human Services	197,196,580	13,505,555
Culture & Recreation	6,508,607	6,331,058
Conservation & Development	6,616,497	1,914,824
Interest on Long Term Debt	5,494,315	5,494,315
Other Programs	944,262	(538,489)
Total	\$ 314,854,956	\$ 86,076,771

The County relied on property taxes and other general revenues to fund 27.3% of its governmental and business-type activities in 2007.

The property tax is based on the assessed value of real property. The County's 2007 millage rate of 6.876 is unchanged from 2006 and is well below the Commonwealth-set cap of 25 mills for operating costs.

Property taxes and other general revenues covered 62.4% of general government spending with the remainder coming from grants and fees for specific services. 61% 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 56% of public safety costs with the remainder coming from grants and fees covering room and board at the county prison.

Public Works expenses required no tax dollars in 2007. This area of the County's operations includes the management of a parking garage and the maintenance and replacement of county bridges.

Program expenditures for Culture & Recreation and Interest on Long Term Debt were almost 100% funded by property taxes and other general revenues, while Human Services expenses required only 6.8% from these sources, with most of the remainder being picked up by state and federal grants.

Capital Assets

The County's investment in capital assets at December 31, 2007, net of accumulated depreciation, was \$83,349,869 which is up over \$6.1 million from 2006. Capital assets consist primarily of land, infrastructure, construction in progress, buildings and equipment. Table A-6 is a summary of capital assets at December 31, 2007.

Table A-6
County of Dauphin's
Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	2006	2007	2006	2007	2006	2007	
Construction in Progress	\$ 25,246,024	\$ 18,178,472	\$ 1,566,115	\$ -	\$ 26,812,139	\$ 18,178,472	-32.2%
Infrastructure -							
Construction in Progress	298,479	298,479	-	-	298,479	298,479	0.0%
Infrastructure	10,118,772	10,581,517	-	-	10,118,772	10,581,517	4.6%
Land	226,212	226,212	111,492	111,492	337,704	337,704	0.0%
Buildings & Improvements	65,460,685	80,245,239	2,035,953	3,609,100	67,496,638	83,854,339	24.2%
Machinery & Equipment	7,154,771	7,342,814	10,393,018	10,628,018	17,547,789	17,970,832	2.4%
Furniture & Fixtures	-	-	65,346	65,346	65,346	65,346	0.0%
Leasehold Assets	9,670,222	10,749,981	15,470,293	15,574,509	25,140,515	26,324,490	4.7%
Accumulated Depreciation	(51,426,777)	(53,899,694)	(19,148,900)	(20,361,616)	(70,575,677)	(74,261,310)	5.2%
Total Capital Assets	\$ 66,748,388	\$ 73,723,020	\$ 10,493,317	\$ 9,626,849	\$ 77,241,705	\$ 83,349,869	7.9%

Construction in Progress declined in 2007 and Building and Improvements increased due to the completion of the Courthouse Renovation Project.

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, 2007, the County had \$128,154,313 of long-term debt outstanding. This was a decrease of \$2,318,237 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	\$ 121,384,501	\$ 16,700,000	\$ (17,675,936)	\$ 120,408,565
Compensated Absences	6,970,104	-	(1,376,813)	5,593,291
Estimated Workers Comp. Claims	2,117,945	34,512	-	2,152,457
Total Long Term Debt	\$ 130,472,550	\$ 16,734,512	\$ (19,052,749)	\$ 128,154,313

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, 2007 was over \$1 billion, and the total debt outstanding was approximately \$128 million, well below the debt limit.

At year-end, the County had \$120,408,565 million in bonds and notes outstanding. This figure is down slightly from the total at December 31, 2006. The \$16,700,000 second phase of the EMA Radio Project borrowing settled in September; however, this was offset by existing principal payments and the \$14,000,000 partial defeasance of the nursing home debt utilizing sale proceeds from the year before. 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 2007 G.O. Bonds issuance. The current combined net non-electoral and net lease rental debt limit is just over \$1.3 billion.

Governmental Funds

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

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

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

Governmental Fund Revenues

Governmental fund revenues by source at December 31, 2007 and December 31, 2006, were as follows. Table A-8 also presents changes from 2006 to 2007.

Source	2007	2006	Changes from 2006 to 2007
Property Taxes	\$ 94,491,811	\$ 90,902,267	\$ 3,589,544
Hotel Taxes	5,364,812	4,815,259	549,553
Intergovernmental	146,669,650	136,164,435	10,505,215
Charges for Services	21,200,745	21,344,153	(143,408)
License and Permits	87,564	64,295	23,269
Court Costs and Fines	4,813,486	4,803,433	10,053
Interest and Rents	4,742,203	3,954,001	788,202
Appreciation Fair Market Value Investments	28,334	138,835	(110,501)
Miscellaneous Revenue	87,248	178,729	(91,481)
Transfers from Component Units	541,328	502,940	38,388
Proceeds from Sale of Fixed Assets	-	18,928	(18,928)
Capital Lease Proceeds	1,720,982	1,429,672	291,310
Bonds/Notes Proceeds	16,700,000	16,450,000	250,000
Option Sale Premium Proceeds	1,001,000	-	1,001,000
Net Premium on Bonds Issued	-	788,724	(788,724)
Operating Transfers In	30,397,663	55,304,778	(24,907,115)
Total Revenues	\$ 327,846,826	\$ 336,860,449	\$ (9,013,623)

Governmental fund revenues totaled \$327,846,826 for the year ended December 31, 2007. This is a decrease of over \$9,000,000 from 2006.

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 overall decrease in total revenues is due to the 2006 accounting entries for the sale of the County's nursing home. The nursing home fund was closed out in 2006 resulting in an unusually large operating transfer back into the General Fund that year. Those transfers did not occur in 2007 causing a large decrease in this revenue category.

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

Governmental Fund Expenditures

Governmental fund expenditures by function at December 31, 2007, and December 31, 2006, were as follows. Table A-9 also presents changes from 2006 to 2007.

Function	2007	2006	Changes from 2006 to 2007
General Government	\$ 13,484,050	\$ 12,900,117	\$ 583,933
Judicial	44,669,178	43,664,656	1,004,522
Public Safety	35,670,175	34,341,358	1,328,817
Public Works	985,899	512,274	473,625
Human Services	148,002,817	132,834,620	15,168,197
Culture & Recreation	6,487,504	5,885,166	602,338
Conservation & Development	6,625,789	5,662,958	962,831
Debt Service Principle	5,157,248	3,610,867	1,546,381
Debt Service Interest	5,194,873	4,114,452	1,080,421
Capital Projects	9,080,930	12,094,775	(3,013,845)
Payment to Refunded Bond Escrow Agent	13,806,358	-	13,806,358
Depreciation Fair Market Value Investments	85,006	-	85,006
Swap Option Termination Payments	974,000	-	974,000
Loss on Asset Disposal	258,767	-	258,767
Operating Transfers Out	31,017,142	48,956,516	(17,939,374)
Total Expenditures	\$ 321,499,736	\$ 304,577,759	\$ 16,921,977

Governmental fund expenditures totaled \$321,499,736 for the year ended December 31, 2007. This represents an increase of \$16,921,977 from what was spent in 2006.

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 large increase in the 'Payment to Refunded Bond Escrow Agent' category is due to the partial defeasance of the nursing home debt utilizing sale proceeds from the year before. Funds were placed in escrow for the defeasance of this debt.

The large decrease in the 'Operating Transfers Out' category is primarily the same as seen in the revenue table A-8. The nursing home fund was closed out in 2006 resulting in an unusually large operating transfer out to the General Fund that year. Those transfers did not occur in 2007 causing a large decrease in this expenditure category.

Governmental Fund Balances

Table A-10 reflects ending balances for governmental funds and net assets for proprietary funds at December 31, 2007.

Table A-10: 2007 Ending Fund Balances, Governmental Funds; Net Assets, Proprietary Funds		
Fund	Governmental Funds	Proprietary Funds
General Fund	\$ 49,550,843	\$ -
Mental Health/Mental Retardation Fund	-	-
Children & Youth Fund	-	-
Capital Projects Fund	18,580,962	-
State Grants Fund	1,089,976	-
Other Governmental Funds	9,444,140	-
Health Choices Fund	-	74,414
Human Services Building Fund	-	(3,264,427)
EMA 911 and Act 56 Funds	-	7,340,608
Other Enterprise Funds	-	4,450,367
Total	\$ 78,665,921	\$ 8,600,962

The County's governmental funds reported a combined fund balance of \$78,665,921 at December 31, 2007. Of the total, \$48,632,442 was unreserved in the General Fund and is available to meet the County's current and future needs. This unreserved portion is up significantly from the \$38.9 million undesignated balance at the end of 2006. The Proprietary Funds are showing a balance of \$8,600,962 at year-end. Most of the balance shown in the Capital Projects Fund will cover the cost of the EMA Radio Project.

A detailed breakdown of ending fund balance for the \$9,444,140 million in 'Other Governmental Funds' can be found on page 131 in the Other Supplementary Information section of the financial statements. A detailed breakdown of ending fund balance for the \$4,450,367 million in 'Other Enterprise Funds' can be found on page 137 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 20, 2006 the Dauphin County Commissioners approved the 2007 General Fund Budget in the amount of \$121,369,444. There was no budgeted draw down of fund balance necessary to meet the initial budgeted expenditures for 2007. Throughout the year, budget amendments in the amount of \$1,095,519 were approved. The budget amendments resulted in a final General Fund budget for 2007 in the amount of \$122,464,965.

Total General Fund revenue came in well over budget for the third consecutive year. Tax revenue exceeded projections once again as properties in Dauphin County continue to hold their

value. Interest income came in over a \$1.5 million above the budgeted amount due to a sound investment policy implemented by the County Commissioners. New grant revenue was strong in 2007 particularly in the law enforcement and economic development areas.

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. Strong performance in the County's pension fund resulted in a lower than expected annual required contribution or ARC payment. Budgeted interfund operating transfers were down significantly in 2007 as this was the first year with no subsidy requirements to the nursing home that was sold in 2006.

Economic Factors and Next Year's Budget

Economic Conditions

Unemployment in Dauphin County now stands at 3.8%, which is one of the lowest of Pennsylvania's 67 counties. This rate is less than Pennsylvania's average rate of 5.3 % and the national rate of 6.1%.

Homeownership in Dauphin County is at 66% with the median home value being \$136,200.00. There is currently an estimated 253,995 residents within Dauphin County. The estimated average household income is \$50,974.00.

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

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

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

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

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

Next Year's Budget

In December 2007, the Board of Commissioners passed a \$135,375,652 General Fund Budget for 2008 maintaining the 6.876 millage rate.

In March 2008, the County refinanced its 2007 variable rate G.O. Bonds. This action was necessary when the credit rating of the insurer of these bonds was significantly downgraded which caused the interest rate to rise dramatically. The 2008 Variable Rate G.O. Bonds were issued in the amount of \$16,865,000 using only the County's AA rating. No insurance was used.

Also in March 2008, a new floating-to-fixed rate swap was entered into with Deutsche Bank (DB). This swap, tied to the 2008 variable rate bonds, took the place of the one on the 2007 bonds that were refinanced. The terms of this swap have Dauphin County paying a fixed 3.979% to DB on May 15th and November 15th of each year. DB in turn pays 67% of 1-month LIBOR on the 15th of each month.

The County has 7 labor contracts with four separate unions that represent approximately 58% of all employees. Only 1 contract (AFSCME –Court Appointed Non-Professionals) is in the process of being negotiated; it will expire on 12-31-2008. All other contracts have been settled. The Teamsters contracts covering the Court Appointed Professionals and the Court Related Non-Professionals have been settled through interest arbitration during this year. Salary increases for the recently settled contracts and the remaining non-union employees have been resolved with salary increases in the area of 4%.

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, 2007

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	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 77,921,695	\$ 8,120,987	\$ 86,042,682	\$ 3,705,299
Investments	6,035,548	-	6,035,548	3,089,282
Inventory	-	-	-	99,669
Receivables:				
Accounts	2,332,074	727,010	3,059,084	911,836
Taxes	8,069,879	-	8,069,879	-
Interest and Dividends	64,986	-	64,986	18,409
Program Loans	95,245	-	95,245	59,393
Deferred Loans	2,361,243	-	2,361,243	-
Other, Net of Allowance	-	-	-	437,437
Internal Balances	286	(286)	-	-
Due From Other Governments	10,401,635	-	10,401,635	886,723
Due From Component Units	147,815	-	147,815	-
Investment in Direct Financing Leases, Current	-	-	-	1,394,643
Notes Receivable, Current	-	-	-	8,935,000
Prepaid Expenses	-	-	-	308,410
Other Assets	1,558,167	6,669	1,564,836	2,405,727
Due From Related Party	-	-	-	170,491
Deferred Issuance Costs on Bonds, Net	-	3,855	3,855	3,023,926
Deferred Loss on Bonds	-	49,980	49,980	-
Deferred Interest from Refunding	2,633,195	-	2,633,195	-
Restricted Cash	2,441,299	-	2,441,299	3,242,522
Restricted Investments	-	-	-	74,704,210
Restricted Accrued Interest Income	265	-	265	1,088,637
Loans Receivable, Net of Current Portion	-	-	-	139,388
Notes Receivable, Net of Current Portion	-	-	-	333,950,000
Investment in Direct Financing Leases, Net of Current Portion	-	-	-	10,611,021
Capital Assets, Not Being Depreciated	18,703,163	111,492	18,814,655	3,247,865
Capital Assets Being Depreciated, Net	55,019,857	9,515,357	64,535,214	75,725,092
Total Assets	\$ 187,786,352	\$ 18,535,064	\$ 206,321,416	\$ 528,154,980
<u>Liabilities</u>				
Accounts Payable	\$ 10,968,161	\$ 339,071	\$ 11,307,232	\$ 1,969,909
Accrued Liabilities	3,970,508	224,920	4,195,428	11,839,804
Unearned Revenues	8,993,621	-	8,993,621	775,015
Due to Other Governments	-	-	-	3,245
Due to Primary Government	-	-	-	147,815
Funds Held in Escrow	1,437,163	-	1,437,163	-
Funds Held in Fiduciary Capacity	721,707	-	721,707	-
Bond Premium	-	23,161	23,161	-
Security Deposits	-	-	-	7,841
Obligation to Construct	-	-	-	47,826
Other Liabilities	3,367,909	-	3,367,909	-
Long-term liabilities				
Portion Due or payable within one year:				
Obligation Under Capital Lease	874,338	572,625	1,446,963	-
General Obligation Debt	4,595,000	138,565	4,733,565	7,408,506
Bonds Called but not Presented	-	-	-	155,000
Accrued Compensated Absences	-	-	-	44,145
Portion Due or payable after one year:				
Obligation Under Capital Lease	5,494,299	6,884,832	12,379,131	-
General Obligation Debt	114,090,000	1,585,000	115,675,000	519,523,587
Deferred Charge on Debt Refunding, Net	-	-	-	(974,430)
Accrued Compensated Absences	5,427,363	165,928	5,593,291	-
Estimated Workers' Compensation				
Claims	2,152,457	-	2,152,457	-
Unfunded Other Postemployment Benefits	629,463	-	629,463	-
Total Liabilities	162,721,989	9,934,102	172,656,091	540,948,263
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	(24,877,492)	657,523	(24,219,969)	(21,356,309)
Restricted for:				
Debt Service	-	-	-	440,673
Workers Compensation	282,694	-	282,694	-
Program Purposes	9,125,285	-	9,125,285	7,246,963
Restricted Contributions/Fees	557,283	-	557,283	-
Permanent Fund	851,548	-	851,548	-
Unrestricted	39,125,045	7,943,439	47,068,484	875,390
Total Net Assets (Deficit)	\$ 25,064,363	\$ 8,600,962	\$ 33,665,325	\$ (12,793,283)

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

COUNTY OF DAUPHIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:									
Governmental activities:									
General Government	\$ 21,074,689	\$ (6,919,779)	\$ 5,179,546	\$ 141,920	\$ -	\$ (8,033,444)	\$ -	\$ (8,833,444)	
Judicial	40,251,484	3,891,623	9,421,384	7,871,253	-	(6,850,470)	-	(6,850,470)	
Public Safety	35,967,075	1,204,266	8,068,402	1,595,118	-	(27,507,821)	-	(27,507,821)	
Public Works	786,093	3,332	-	1,153,640	-	364,015	-	364,015	
Human Services	146,862,147	847,588	2,505,882	131,593,777	-	(13,610,076)	-	(13,610,076)	
Culture and Recreation	6,255,040	253,567	121,613	55,936	-	(6,331,058)	-	(6,331,058)	
Conservation and Development	6,461,033	155,464	817,075	3,884,598	-	(1,914,824)	-	(1,914,824)	
Interest and Fiscal Charges on Long Term Debt	5,494,315	-	-	-	-	(5,494,315)	-	(5,494,315)	
Total government activities	263,151,876	(563,739)	26,113,902	146,296,242	-	(90,177,993)	-	(90,177,993)	
Business-type activities:									
Human Services - Health Choices Fund	49,480,244	6,601	49,539,901	51,465	-	-	104,521	104,521	
Public Works - Human Service Building	1,439,286	419,027	1,620,824	-	-	-	(237,489)	(237,489)	
Public Safety - Emergency 911	4,881,566	95,833	8,416,772	256,328	-	-	3,695,701	3,695,701	
Other programs:									
Public Works - Solid Waste Fund	783,616	42,278	1,417,767	28,439	-	-	620,282	620,282	
Culture and Recreation - Fort Hunter	118,338	-	36,545	-	-	-	(81,793)	(81,793)	
Total Other Programs	901,984	42,278	1,454,312	28,439	-	-	538,489	538,489	
Total business-like activities	56,703,080	563,739	61,031,809	336,222	-	-	4,101,222	4,101,222	
Total Primary government	\$ 319,854,956	\$ -	\$ 87,145,711	\$ 146,632,474	\$ -	\$ (90,177,993)	\$ 4,101,222	\$ (86,076,771)	
Component Units:									
Conservation District	\$ 584,702	-	\$ 704,539	\$ 544,132	\$ -	-	-	\$ 663,969	
General Authority	48,563,189	-	30,122,771	-	-	-	-	(18,440,418)	
Mental Health/Mental Retardation									
Case Management Unit	7,860,376	-	104,903	7,943,850	-	-	-	188,477	
Dauphin County Executive Commission on Drugs and Alcohol	4,829,196	-	104,925	4,658,451	-	-	-	(65,820)	
Industrial Development Authority	1,925,601	-	357,231	1,639,590	-	-	-	71,220	
Dauphin County Economic Development Corporation	2,463,147	-	336,434	2,211,378	-	-	-	84,665	
Total Component Units	\$ 66,226,211	\$ -	\$ 31,730,803	\$ 16,997,501	\$ -	\$ -	\$ -	\$ (17,497,907)	
General revenues:									
Taxes:									
Property taxes, levied for general purposes						94,779,271		94,779,271	
Hotel taxes						5,364,812		5,364,812	
In-lieu of taxes						1,343,236		1,343,236	
Unrestricted investment earnings						3,847,516	45,303	3,892,819	17,689,677
Donated Assets						(258,767)	235,000	235,000	
Gain / loss from asset disposal						(36,672)	141	(258,626)	
Appreciation in Fair Market Value of Investments						1,001,000	-	1,001,000	
Option Sale Premium Proceeds						(974,000)	-	(974,000)	
Swap Option Termination Payments						541,328	-	541,328	
Transfers from Component Unit						-	-	-	
Transfers from/(to) Primary Government						(619,479)	619,479	-	(541,328)
Transfers						-	-	-	
Total general revenues, special items, and transfers						104,960,245	899,923	105,860,168	17,148,349
Change in net assets						14,790,232	5,001,145	19,791,377	(349,598)
Net assets (deficit) - beginning, as restated (Note 30)						10,274,111	3,594,817	13,873,928	(12,443,725)
Net assets (deficit) - ending						\$ 25,064,363	\$ 8,600,962	\$ 33,665,325	\$ (12,793,283)

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

COUNTY OF DAUPHIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

Assets	General	Mental/Health Mental Retardation	Children and Youth	Capital Projects	State Grants	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 50,423,328	\$ 3,521,302	\$ 17,152	\$ 13,632,171	\$ 1,595,137	\$ 8,732,605	\$ 77,921,695
Investments	-	-	-	5,184,000	-	851,548	6,035,548
Receivables							
Accounts, net	1,660,472	351,607	100,773	-	38,518	180,704	2,332,074
Taxes, net	8,069,879	-	-	-	-	-	8,069,879
Program Loans	-	-	-	-	-	95,245	95,245
Deferred Loans	-	-	-	-	-	2,361,243	2,361,243
Interest and Dividends	48,839	3,590	-	1,686	-	9,217	64,986
Due From Other Funds	2,937,341	30,371	2,959,869	-	142,190	114,471	6,184,242
Due From Other Governments	959,927	1,514,499	6,021,494	-	497,726	1,407,989	10,401,635
Due From Component Units	147,815	-	-	-	-	-	147,815
Other Assets	137,002	-	-	-	-	44,147	181,149
Restricted Assets							
Cash	2,441,299	-	-	-	-	-	2,441,299
Interest Receivable	265	-	-	-	-	-	265
Total Assets	\$ 66,826,167	\$ 5,421,369	\$ 9,099,288	\$ 18,817,857	\$ 2,275,225	\$ 13,797,169	\$ 116,237,075

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

COUNTY OF DAUPHIN
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2007

Liabilities and Fund Balances	General	Mental/Health Mental Retardation	Children and Youth	Capital Projects	State Grants	Other Governmental Funds	Total Governmental Funds
Liabilities							
Accounts Payable	\$ 3,125,663	\$ 2,530,232	\$ 3,181,020	\$ 236,895	\$ 493,534	\$ 1,400,817	\$ 10,968,161
Accrued Liabilities	2,306,315	86,518	208,244	-	32,122	258,288	2,891,487
Unearned Revenues	5,054,320	2,775,763	3,147,958	-	543,971	2,490,837	14,012,849
Due to Other Funds	3,274,325	28,856	2,562,066	-	115,622	203,087	6,183,956
Funds Held in Escrow	1,437,163	-	-	-	-	-	1,437,163
Funds Held in Fiduciary Capacity	721,707	-	-	-	-	-	721,707
Other Liabilities	1,355,831	-	-	-	-	-	1,355,831
Total Liabilities	17,275,324	5,421,369	9,099,288	236,895	1,185,249	4,353,029	37,571,154
Fund Balances:							
Reserved For:							
Program Purposes	-	-	-	-	1,089,976	8,035,309	9,125,285
Restricted Contributions/Fees	-	-	-	-	-	557,283	557,283
Permanent Fund	-	-	-	-	-	851,548	851,548
Workers Compensation	282,694	-	-	-	-	-	282,694
Capital Projects	-	-	-	18,580,962	-	-	18,580,962
Accounts Receivable	635,707	-	-	-	-	-	635,707
Unreserved:							
Undesignated, reported in:							
General Fund	48,632,442	-	-	-	-	-	48,632,442
Total Fund Balances	49,550,843	-	-	18,580,962	1,089,976	9,444,140	78,665,921
Total Liabilities and Fund Balances	\$ 66,826,167	\$ 5,421,369	\$ 9,099,288	\$ 18,817,857	\$ 2,275,225	\$ 13,797,169	\$ 116,237,075

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, 2007

Total fund balances for governmental funds \$ 78,665,921

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	18,178,472
Infrastructure, net of \$4,964,677 accumulated depreciation	5,616,840
Buildings and improvements, net of \$37,157,384 accumulated depreciation	43,087,855
Machinery and Tools, net of \$5,999,404 accumulated depreciation	1,343,410
Leasehold assets, net of \$5,778,229 accumulated amortization	<u>4,971,752</u>

Total capital assets 73,723,020

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: (2,152,457)

Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 5,019,228

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year the County issued additional debt. The amount borrowed is received in the governmental funds and increases fund balance. The County incurred costs of \$223,118. The bond issuance costs will be amortized as an adjustment of interest expense over the remaining life of the new debt.

Balances at December 31, 2007 are:

Accrued interest on bonds	(1,079,022)
General obligation Debt	(118,685,000)
Less Deferred interest from refunding	2,633,195
Capital leases payable	(6,368,637)
Compensated absences	(5,427,363)
Deferred amount on bond issuance costs	1,377,017
Unamortized premiums/discounts	(2,012,076)
Unfunded Other Postemployment Benefits	(629,463)

(130,191,349)

Total net assets of governmental activities \$ 25,064,363

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, 2007

	General	Mental/Health Mental Retardation	Children and Youth	Capital Projects	State Grants	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$ 94,491,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,491,811
Hotel Taxes	-	-	-	-	-	-	5,364,812
Intergovernmental	7,962,682	63,066,362	31,345,697	-	27,978,873	16,316,036	146,669,650
Charges for Services	18,025,140	858,280	1,173,212	-	-	1,144,113	21,200,745
License and Permits	87,564	-	-	-	-	-	87,564
Court Costs and Fines	3,893,063	-	-	-	460,196	460,227	4,813,486
Interest and Rents	3,411,178	256,004	2,203	572,189	4,970	495,659	4,742,203
Appreciation in Fair Market Value of Investments	-	-	-	-	-	28,334	28,334
Miscellaneous Revenue	-	-	-	-	-	87,248	87,248
Total Revenues	127,871,438	64,180,646	32,521,112	572,189	28,444,039	23,896,429	277,485,853
Expenditures							
Current:							
General Government	13,484,050	-	-	-	-	-	13,484,050
Judicial	37,676,898	-	-	-	1,414,911	5,577,369	44,669,178
Public Safety	34,354,469	-	-	-	1,215,832	99,874	35,670,175
Public Works	-	-	-	-	-	985,899	985,899
Human Services	6,208,696	64,951,632	41,431,855	-	23,090,423	12,320,211	148,002,817
Culture and Recreation	1,556,222	-	-	-	-	4,931,282	6,487,504
Conservation and Development	3,277,916	-	-	-	2,602,271	745,602	6,625,789
Debt Service	4,659,069	113,931	-	-	3,029	381,219	5,157,248
Principle	5,040,745	69,011	-	-	32	85,085	5,194,873
Interest	-	-	-	9,080,930	-	-	9,080,930
Capital Projects	-	-	-	-	-	-	-
Total Expenditures	106,258,065	65,134,574	41,431,855	9,080,930	28,326,498	25,126,541	275,358,463
Excess of Revenues Over (Under)	21,613,373	(953,928)	(8,910,743)	(8,508,741)	117,541	(1,230,112)	2,127,390
Other Financing Sources (Uses)							
Transfer In	441,275	953,928	8,910,743	18,076,882	160,883	1,853,952	30,397,663
Transfer Out	(29,880,560)	-	-	-	(172,273)	(964,309)	(31,017,142)
Transfers from Component Units	541,328	-	-	-	-	-	541,328
Proceeds (Loss) from Asset Disposal	(258,767)	-	-	-	-	-	(258,767)
Option Sale Premium Proceeds	1,001,000	-	-	-	-	-	1,001,000
Swap Option Termination Payments	(974,000)	-	-	-	-	-	(974,000)
Depreciation in Fair Value of Investments	-	-	-	(85,006)	-	-	(85,006)
Capital Lease Proceeds	1,079,759	-	-	641,223	-	-	1,720,982
Proceeds of General Obligation Debt	16,700,000	-	-	-	-	-	16,700,000
Payment to Refunded Bond Escrow Agent	(13,806,358)	-	-	-	-	-	(13,806,358)
Total Other Financing Sources(Uses)	(25,156,323)	953,928	8,910,743	18,633,099	(11,390)	889,643	4,219,700
Net change in fund balances	(3,542,950)	-	-	10,124,358	106,151	(340,469)	6,347,090
Fund Balances - Beginning of Year	53,093,793	-	-	8,456,604	983,825	9,784,609	72,338,831
Fund Balances - End of Year	\$ 49,550,843	\$ -	\$ -	\$ 18,580,962	\$ 1,089,976	\$ 9,444,140	\$ 78,665,921

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, 2007

Net change in fund balances - total governmental funds \$ 6,347,090

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 (\$9,659,883) exceeded depreciation (\$2,595,251) in the current period. 6,974,632

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	(16,700,000)		
Bond issuance costs on new debt issues	223,118		
Capital Leases	(1,720,982)		
Repayments:			
General Obligation Debt	4,385,000		
Payment to Refunded Bond Escrow Agent	13,806,358		
Capital Leases	<u>826,503</u>		
Net adjustment			819,997

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

Compensated absences expense	1,324,490	
Other postemployment benefits expense	(629,463)	
Amortization of debt premium/discount	147,439	
Amortization of bond issuance costs	(139,790)	
Amortization of deferred interest from refunding	(199,656)	
Accrued interest on long-term debt	<u>(107,435)</u>	
Combined adjustment		395,585

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 12/31/06 to 12/31/07. 287,460

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. (34,512)

Change in net assets of governmental activities \$ 14,790,252

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

COUNTY OF DAUPHIN
STATEMENT OF NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Health Choices Fund	Human Service Building	Emergency 911 Operating & Act 56 Wireless Fund	Other Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 208,490	\$ 210,608	\$ 6,076,043	\$ 1,625,846	\$ 8,120,987
Accounts Receivables	-	7,000	494,233	225,777	727,010
Due From Other Funds	-	27,255	169	-	27,424
Other Assets	68	22	6,061	518	6,669
Total current assets	208,558	244,885	6,576,506	1,852,141	8,882,090
Noncurrent Assets					
Capital Assets, Not Being Depreciated	-	-	-	111,492	111,492
Capital Assets, Being Depreciated (Net)	-	5,576,194	1,250,060	2,689,103	9,515,357
Deferred Issuance Costs on Bonds, Net	-	3,855	-	-	3,855
Deferred Loss on Bonds, Net	-	49,980	-	-	49,980
Total noncurrent assets	-	5,630,029	1,250,060	2,800,595	9,680,684
Total assets	\$ 208,558	\$ 5,874,914	\$ 7,826,566	\$ 4,652,736	\$ 18,562,774
LIABILITIES					
Current liabilities:					
Accounts Payable	\$ 131,504	\$ 21,480	\$ 103,141	\$ 82,946	\$ 339,071
Accrued Liabilities	-	77,896	135,263	11,761	224,920
Due to Other Funds	2,640	16,804	6,026	2,240	27,710
Bond Premium	-	23,161	-	-	23,161
Obligation Under Capital Lease	-	535,000	37,625	-	572,625
General Obligation Debt	-	35,000	-	103,565	138,565
Total current liabilities	134,144	709,341	282,055	200,512	1,326,052
Noncurrent liabilities:					
Obligation Under Capital Lease	-	6,845,000	39,832	-	6,884,832
General Obligation Debt	-	1,585,000	-	-	1,585,000
Accrued Compensated Absences	-	-	164,071	1,857	165,928
Total noncurrent liabilities	-	8,430,000	203,903	1,857	8,635,760
Total liabilities	134,144	9,139,341	485,958	202,369	9,961,812
NET ASSETS (DEFICIT)					
Invested in Capital Assets	-	(3,393,132)	1,250,060	2,800,595	657,523
Net of Related Debt	74,414	128,705	6,090,548	1,649,772	7,943,439
Unrestricted	-	-	-	-	-
Total net assets (deficit)	\$ 74,414	\$ (3,264,427)	\$ 7,340,608	\$ 4,450,367	\$ 8,600,962

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, 2007

	Health Choice Fund	Human Service Building	Emergency 911 Operating & Act 56 Wireless Fund	Other Enterprise Funds	Total
Operating Revenues					
Charges for Services	\$ 49,539,901	\$ 1,620,824	\$ 8,416,772	\$ 1,454,312	\$ 61,031,809
Total Operating Revenues	\$ 49,539,901	\$ 1,620,824	\$ 8,416,772	\$ 1,454,312	\$ 61,031,809
Operating Expenses					
Personnel Services	100,045	-	3,587,983	311,860	3,999,888
Contracted Services	52,525	109,095	9,865	175,596	347,081
Supplies and Materials	335	3,652	17,876	7,911	29,774
Repairs and Maintenance	-	97,144	287,631	45,555	430,330
Utilities	438	222,735	471,200	15,940	710,313
Other Services and Charges	21,481	419,029	250,848	174,362	865,720
Claims Expense	49,312,021	-	-	-	49,312,021
Depreciation and Amortization	-	694,533	346,265	204,716	1,245,514
Total Operating Expenses	\$ 49,486,845	\$ 1,546,188	\$ 4,971,668	\$ 935,940	\$ 56,940,641
Operating Income	\$ 53,056	\$ 74,636	\$ 3,445,104	\$ 518,372	\$ 4,091,168
Nonoperating Revenues (Expenses)					
Interest Income	51,465	2,608	256,328	42,695	353,096
Interest Expense	-	(312,125)	(5,731)	(8,322)	(326,178)
Donated Assets	-	-	-	235,000	235,000
Gain (Loss) on Asset Disposal	-	-	-	141	141
Grants	-	-	-	28,439	28,439
Total Nonoperating Revenues (Expenses)	\$ 51,465	\$ (309,517)	\$ 250,597	\$ 297,953	\$ 290,498
Income Before Operating Transfers In (Out)	\$ 104,521	\$ (234,881)	\$ 3,695,701	\$ 816,325	\$ 4,381,666
Transfers In	-	614,584	1,465,704	76,000	2,156,288
Transfers Out	(71,105)	-	(1,465,704)	-	(1,536,809)
Total Transfers In (Out)	\$ (71,105)	\$ 614,584	\$ -	\$ 76,000	\$ 619,479
Change In Net Assets	\$ 33,416	\$ 379,703	\$ 3,695,701	\$ 892,325	\$ 5,001,145
Total Net Assets (Deficit) - Beginning of Year	\$ 40,998	\$ (3,644,130)	\$ 3,644,907	\$ 3,558,042	\$ 3,599,817
Total Net Assets (Deficit) - End of Year	\$ 74,414	\$ (3,264,427)	\$ 7,340,608	\$ 4,450,367	\$ 8,600,962

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

COUNTY OF DALUPHIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Health Choice Fund	Human Service Building	Emergency 911 Operating & Act 56 Wireless Fund	Other Enterprise Funds	Totals
Cash Flows From Operating Activities					
Receipts from Health Choices Services	\$ 49,539,901	\$ -	\$ -	\$ -	\$ 49,539,901
Receipts from Recycling Services	-	-	-	1,312,897	1,312,897
Receipts from Emergency Communications Services	-	-	8,392,595	-	8,392,595
Receipts from Recreational Activities	-	-	-	36,545	36,545
Receipts from Space and Parking Rentals	-	1,614,532	-	-	1,614,532
Payments to Employees	(100,045)	-	(3,635,542)	(321,268)	(4,056,855)
Payments to Suppliers	(171,252)	(856,592)	(1,003,367)	(375,706)	(2,406,917)
Payments for Claims	(49,312,021)	-	-	-	(49,312,021)
Internal Activity - Payments (from) to other funds	-	-	6,026	2,035	8,061
Net Cash Provided by (Used In) Operating Activities	(43,417)	757,940	3,759,712	654,503	5,128,738
Cash Flow From Noncapital Financing Activities					
Operating Transfers In (Out)	(71,105)	614,584	-	76,000	619,479
Operating Grants Received	-	-	-	28,439	28,439
Net Cash Provided by (Used In) Noncapital Financing Activities	(71,105)	614,584	-	104,439	647,918
Cash Flows from Capital and Related Financing Activities					
Purchase of Fixed Assets	-	-	(112,998)	(235,000)	(347,998)
Disposal of Fixed Assets	-	-	-	(5,277)	(5,277)
Interest Paid	-	(319,563)	(5,731)	(8,322)	(333,616)
Increase in Capital Leases	-	-	71,457	235,000	312,457
Gain on Disposal of Fixed Assets	-	-	-	141	141
Principal Payments on Capital Lease	-	(1,030,000)	-	(2,359)	(1,032,359)
Principal Payments on Bonds	-	(35,000)	-	(200,936)	(235,936)
Net Cash Used in Capital and Related Financing Activities	-	(1,384,563)	(41,272)	(216,753)	(1,642,588)
Cash Flows from Investing Activities					
Interest Income	51,465	2,608	256,328	42,695	353,096
Net Cash Provided by Investing Activities	51,465	2,608	256,328	42,695	353,096
Net Increase (Decrease) in Cash and Cash Equivalents	(63,057)	(9,431)	3,974,768	584,884	4,487,164
Cash and Cash Equivalents, Beginning of Year	271,547	220,039	2,101,275	1,040,962	3,633,823
Cash and Cash Equivalents, End of Year	\$ 208,490	\$ 210,608	\$ 6,076,043	\$ 1,625,846	\$ 8,120,967
Noncash Financing Activities					
Donated Assets	\$ -	\$ -	\$ -	\$ 235,000	\$ 235,000

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, 2007

	Health Choice Fund	Human Service Building	Emergency 911 Operating & Act 56 Wireless Fund	Other Enterprise Funds	Totals
Reconciliation of Operating income to net cash provided by (used in) operating activities					
Operating Income (Loss)	\$ 53,056	\$ 74,636	\$ 3,445,104	\$ 518,372	\$ 4,091,168
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities					
Change in assets and liabilities					
Depreciation and Amortization Expense	-	694,533	346,265	204,716	1,245,514
Accounts Receivable	-	(6,737)	(17,990)	(104,870)	(129,597)
Other Assets	(68)	(13)	(6,018)	(478)	(6,577)
Due From Other Funds	(45,026)	458	(169)	-	(44,737)
Inventory	-	-	-	-	-
Accounts Payable	(51,379)	(10,457)	16,529	44,136	(1,171)
Accrued Expenses	-	(10,712)	17,524	(4,644)	2,168
Estimated Workers' Compensation Claims	-	-	-	-	-
Accrued Vacation and Sick Pay	-	16,232	(47,559)	(4,764)	(36,091)
Due To/Due From Other Funds	-	-	6,026	2,035	8,061
Net Cash Provided by (Used In) Operating Activities	\$ (43,417)	\$ 757,940	\$ 3,759,712	\$ 654,503	\$ 5,128,738

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

COUNTY OF DAUPHIN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	<u>Retirement Trust Fund</u>	<u>Agency Funds</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,705,758	\$ 8,584,840	\$ 12,290,598
Investments	188,427,420	-	188,427,420
Interest and Dividends Receivable	853,595	-	853,595
Employee Contributions Receivable	4,471	-	4,471
	<u>\$ 192,991,244</u>	<u>\$ 8,584,840</u>	<u>\$ 201,576,084</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 779,412	\$ 779,412
Benefits Payable	363,694	-	363,694
Funds Held in Escrow	-	5,861,998	5,861,998
Due To Other Governments	-	1,943,430	1,943,430
	<u>363,694</u>	<u>8,584,840</u>	<u>8,948,534</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 192,627,550</u>	<u>\$ -</u>	<u>\$ 192,627,550</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, 2007

	Retirement Trust Fund
Addition:	
Contributions:	
Employee	\$ 3,499,987
Employer	4,363,971
	7,863,958
Total Contributions	7,863,958
Investment Income:	
Net Appreciation in Fair Value of Investments	6,805,346
Interest	3,029,638
Dividends	2,401,019
Miscellaneous Revenue	72,584
	12,308,587
Less: Investment Expense	595,960
	11,712,627
Net Investment Gain	11,712,627
Total Additions	19,576,585
Deductions:	
Benefits	9,820,321
Refunds of Contributions	900,151
Administrative Expenses	129,562
	10,850,034
Total Deductions	10,850,034
Net Increase	8,726,551
Net Assets - Beginning of Year	183,900,999
Net Assets End of Year	\$ 192,627,550

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

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF NET ASSETS (DEFICITS)
 COMPONENT UNITS
 DECEMBER 31, 2007

Assets	Conservation District	General Authority	Case Management Unit	Dauphin County Executive Commission on Drugs and Alcohol	Industrial Development Authority	Dauphin County Economic Development Corporation	Total
Cash and Cash Equivalents	\$ 1,035,994	\$ 1,410,913	\$ 33,995	\$ 543,187	\$ 626,045	\$ 55,165	\$ 3,705,298
Investments	-	3,089,282	-	-	-	-	3,089,282
Inventory	-	99,669	-	-	-	-	99,669
Receivables:							
Accounts	78,000	733,083	-	82,753	-	18,000	911,836
Interest and Dividends	-	18,409	-	-	-	-	18,409
Loans	-	-	-	-	59,393	-	59,393
Other, net of allowances	-	-	437,437	-	-	-	437,437
Due from Other Governments	165,093	-	-	721,630	-	-	886,723
Investment in Direct Financing Leases, Current	-	1,306,234	-	-	88,409	-	1,394,643
Notes Receivable, Current	-	8,935,000	-	-	-	-	8,935,000
Prepaid Expenses	-	206,425	-	-	-	-	206,425
Other Assets	-	2,405,727	101,985	-	-	-	2,507,712
Due from Related Party	-	-	-	-	-	170,491	170,491
Deferring financing costs (net of accumulated amortization)	-	2,985,808	-	-	2,591	-	3,023,926
Restricted Cash	-	1,661,152	-	43,100	7,841	1,530,429	3,242,522
Restricted Investments	-	74,704,210	-	-	-	-	74,704,210
Restricted Accrued Interest Income	-	1,088,637	-	-	-	-	1,088,637
Loans Receivable, Net of Current Portion	-	333,950,000	-	-	139,388	-	333,950,000
Notes Receivable, Net of Current Portion	-	9,063,302	-	-	1,547,719	-	10,611,021
Investment in Direct Financing Leases, net of Current Portion	-	3,196,965	-	-	50,900	-	3,247,865
Capital Assets, Not Being Depreciated	-	71,334,899	655,358	-	940,454	1,960,345	75,725,052
Capital Assets, Being Depreciated, Net	834,036	-	-	-	-	-	834,036
Total Assets	\$ 2,113,123	\$ 516,189,715	\$ 1,228,775	\$ 1,380,670	\$ 3,462,740	\$ 3,769,957	\$ 528,154,980
Liabilities							
Accounts Payable	\$ 18,759	\$ 1,224,131	\$ 74,473	\$ 591,591	\$ -	\$ 60,955	\$ 1,969,909
Accrued Liabilities	-	11,274,262	537,795	27,747	-	-	11,839,804
Unearned Revenues	-	734,468	-	23,128	-	17,389	775,015
Due to Other Governments	-	-	-	3,245	-	-	3,245
Due to Primary Government	147,815	-	-	-	-	-	147,815
Security Deposits	-	-	-	-	7,841	-	7,841
Obligation to Construct	-	47,826	-	-	-	-	47,826
Long-term liabilities							
Portion Due or payable within one year:							
General Obligation Debt	-	7,243,190	-	-	120,316	45,000	7,408,506
Bonds Called but not Presented	-	155,000	-	-	-	-	155,000
Accrued Compensated Absences	-	-	-	44,145	-	-	44,145
Portion Due or payable after one year:							
General Obligation Debt	-	514,925,501	-	-	2,578,066	2,020,000	519,523,567
Deferred Charge on Debt Refunding, Net	-	(974,430)	-	-	-	-	(974,430)
Accrued Compensated Absences	-	-	-	-	-	-	-
Total Liabilities	166,574	534,629,968	612,268	689,856	2,706,243	2,143,354	540,948,263
Net Assets (Deficits)	834,036	(22,968,210)	655,358	-	122,507	-	(21,356,309)
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-
Restricted for:							
Program Purposes	-	4,875,772	(38,851)	726,343	-	1,683,689	7,246,963
Debt Service	-	440,673	-	-	-	-	440,673
Unrestricted	1,112,513	(788,488)	-	(25,529)	633,990	(57,086)	875,390
Total Net Assets (Deficits)	\$ 1,946,549	\$ (18,440,253)	\$ 616,507	\$ 700,814	\$ 756,497	\$ 1,626,603	\$ (12,793,283)

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

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNIT
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Conservation District	General Authority	Case Management Unit	Dauphin County Executive Commission on Drugs and Alcohol	Industrial Development Authority	Dauphin County Economic Development Corporation	Total
Conservation District Conservation and Development	\$ 584,702	\$ 704,539	\$ 544,132	\$ -	\$ 663,969					\$	663,969
General Authority General Authority Operations	48,563,189	30,122,771	-	-		(18,440,418)					(18,440,418)
Case Management Unit Human Services	7,860,376	104,903	7,943,950	-		188,477					188,477
Dauphin County Executive Commission on Drugs and Alcohol Human Services	4,829,196	104,925	4,658,451	-			(65,820)				(65,820)
Industrial Development Authority Conservation and Development	1,925,601	357,231	1,639,590	-				71,220			71,220
Dauphin County Economic Development Corporation Tourism and Economic Development	2,463,147	336,434	2,211,378	-					84,665		84,665
Total Component Units	\$ 66,228,211	\$ 31,730,803	\$ 16,997,501	\$ -	\$ 663,969	\$ (18,440,418)	\$ 188,477	\$ (65,820)	\$ 71,220	\$ 84,665	\$ (17,497,907)
General revenues:											
Unrestricted investment earnings					40,425	17,444,155		29,643	86,077	89,377	17,689,677
Transfer from / (to) primary government					(541,328)						(541,328)
Total general revenue, special items, transfers					(500,903)	17,444,155		29,643	86,077	89,377	17,148,349
Change in net assets					163,066	(986,263)	188,477	(36,177)	157,297	174,042	(349,558)
Net assets-beginning, as restated (Note 30)					1,783,483	(17,443,990)	428,030	736,981	599,200	1,452,561	(12,443,729)
Net assets (Deficit) -ending					\$ 1,946,549	\$ (18,440,253)	\$ 616,507	\$ 700,814	\$ 756,497	\$ 1,626,603	\$ (12,793,283)

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

COUNTY OF DAUPHIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

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

The General Authority reports on a calendar year basis.

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

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

Dauphin County Industrial Development Authority ("IDA"): The IDA was organized in 1967 as a standing 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, 2007

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. On January 1, 2008 the Dauphin County Executive Commission On Drug and Alcohol, a non-profit corporation under the laws of the Commonwealth of Pennsylvania, ceased operations and was taken over by the County of Dauphin.

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, 2007

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, 2007	December 31, 2007
Current Assets	\$3,788,616	\$645,477
Total Assets	30,572,351	657,470
Net Assets/Fund Balance	27,432,474	366,144
Operating Revenues	6,066,595	2,151,707
Operating Revenue (Loss)	(12,528,712)	119,018
Net Income	6,035,297	131,269
Dauphin County Contribution to Operations	349,672	-
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, 2007

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 revenues, 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, 2007

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, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial revenues of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund including operation of general County government, boards, commissions, the court systems, and health and welfare services.
- The Mental Health/Mental Retardation Fund is used to account for specific revenue sources related to the provisions of Mental Health/Mental Retardation services that are restricted to expenditures for those specified purposes.
- The Children and Youth Families Fund is used to account for specific revenue sources related to the provisions of Children and Youth that are restricted to expenditures for those specified purposes.
- The State Grant Fund is used to account for specific revenue sources related to various grant programs that are restricted to expenditures for those specified purposes.
- The 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, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The County reports the following major proprietary funds:

- Health Choices Fund accounts for the fiscal activities of the County Behavioral Health Program that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.
- Human Services Building Fund accounts for the fiscal activities of the County's Human Services Building that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.
- The Emergency 911 Operating and Act 56 Wireless Fund is used to account for the emergency response communications network of the County.

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, 2007

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, 2007

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, 2007

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, 2007

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. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*". The adoption of this statement resulted in recording a liability and expense for the increase in the net OPEB obligation in the governmental activities statement of net assets and statement of activities and additional footnote disclosure related to postemployment health care benefits (See Note 22).

The County adopted the provisions of GASB Statement No. 48 "*Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 50, "*Pension Disclosures*" related to the use of entry age actuarial cost method for the purpose of reporting funding progress information for plans that use the aggregate actuarial cost method.

H. Pending Changes in Accounting Principles

In November 2006, the GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation*". The County is required to adopt Statement No. 49 for its calendar year 2008 financial statements.

In May 2007 the GASB issued Statement No. 50, "*Pension Disclosures*". The County is required to adopt the remaining requirements of Statement No. 50 for its calendar year 2008 financial statements.

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

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies

Dauphin County Conservation District

Basis of Accounting

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

Capital Assets

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

Dauphin County General Authority

Basis of Accounting

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

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

Conduit Debt Issues

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

Direct Financing Lease Transactions

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

Notes Receivable Transactions

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

Capital Assets

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

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.

Restricted Assets

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

Net Assets

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County General Authority (Continued)

Operating Revenues and Expenses

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

Case Management Unit

Basis of Presentation

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

Revenue Recognition

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

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

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Case Management Unit (Continued)

Capital Assets

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

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

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

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

Income Taxes

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

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, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Dauphin County Industrial Development Authority ("IDA") (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, 2007 consist of cash held in bank accounts.

Capital Assets

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions in the IDA's financial statements 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, 2007

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, 2007.

Direct Financing Lease Transactions

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

Debt Related Costs

Debt related costs include bond issuance costs that have been capitalized and are amortized to interest expense using the straight-line method over the term of the associated debt. Amortization expense for the year ended September 31, 2007 amounted to \$147.

Adoption of Governmental Accounting Standards Board Statements

The IDA adopted the provisions of the GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*. The adoption of this statement had no effect on the financial statements of the IDA.

Dauphin County Economic Development Corporation ("DCEDC")

Basis of Accounting

The financial statements for the year ended December 31, 2007 have been prepared on the accrual basis of accounting under which revenue is recognized when earned and expenses are recognized when incurred.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

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

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.

Cash and Cash Equivalents

DCEDC considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at December 31, 2007 consist of cash held in bank checking accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and 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, 2007 was \$56,918.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

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

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, 2007 were insured by the Federal Deposit Insurance Corporation or were collateralized in accordance with Act 72. Uninsured balances at December 31, 2007 totaled \$1,325,706.

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, 2007.

Restricted Assets

Restricted assets represent cash balances from hotel tax distributions received from Dauphin County. These distributions are restricted for the purpose of promoting tourism and regional development. At December 31, 2007 the restricted cash balance was \$1,530,429.

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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.
(Continued)

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, 2007

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 2: BUDGETARY DATA (CONTINUED)

Legal Requirements

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

Level of Control

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

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2007 were as follows:

	Cost	Market
Governmental Funds		
Capital Projects Fund	\$ 5,184,000	\$ 5,184,000
Certificate of Deposit	5,184,000	5,184,000
Fort Hunter Permanent Fund		
Fixed Income Mutual Funds - Bonds	425,175	429,670
Fixed Income Mutual Funds - Stocks	310,881	421,878
Total Permanent Fund	736,056	851,548
Total Governmental Funds	5,920,056	6,035,548
Fiduciary Funds		
Retirement Fund		
U.S. Government Securities	36,297,807	36,934,477
Savings, CD's & Time Deposits	240,659	241,559
Corporate Bonds	19,342,430	19,412,245
Common Stocks	57,211,555	65,458,414
Equity Funds	61,727,431	66,380,725
Total Retirement Fund	174,819,882	188,427,420
Total Fiduciary Funds	174,819,882	188,427,420
Total Investments	\$ 180,739,938	\$ 194,462,968

As of December 31, 2007, the County had the following debt investments and maturities within its excess operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund - Bonds	429,670	429,670	-	-	-
Total	\$ 429,670	\$ 429,670	\$ -	\$ -	\$ -

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2007, 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	\$ 15,607,560	\$ -	\$ 12,208,817	\$ 3,398,743	\$ -
U.S. Government Agencies	21,326,917	2,181,284	5,818,790	6,498,168	6,828,675
Corporate Bonds	19,412,245	2,595,506	9,221,572	5,435,598	2,159,569
Total	\$ 56,346,722	\$ 4,776,790	\$ 27,249,179	\$ 15,332,509	\$ 8,988,244

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").

As of December 31, 2007, the County's operating investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Fixed Income Mutual Funds	Aaa	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".

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2007, the County's retirement investments had a credit rating as follows:

Investment Type	Rating	Investment Type
U.S. Government Agencies	AAA	100%
Corporate Bonds	AAA	14%
Corporate Bonds	AA1	3%
Corporate Bonds	AA2	6%
Corporate Bonds	AA3	16%
Corporate Bonds	A1	13%
Corporate Bonds	A2	13%
Corporate Bonds	A3	3%
Corporate Bonds	BAA1	4%
Corporate Bonds	BAA2	11%
Corporate Bonds	BAA3	1%
Corporate Bonds	Not Rated	16%

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, 2007, \$98,750,605 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, 2007.

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, 2007, the County is not subject to concentration of credit risk.

Component Units – Deposit and Investment Risk

Dauphin County Conservation District

Deposits

At times during the year ended December 31, 2007, 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)

Dauphin County Conservation District (Continued)

Cash and cash equivalents include the following as of December 31, 2007:

	<u>Carrying Amount</u>	<u>Market Value</u>
Pennsylvania INVEST Program	\$ 1,035,994	\$ 1,035,994
	<u>\$ 1,035,994</u>	<u>\$ 1,035,994</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, 2007, 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.

Deposits

Custodial credit risk. At December 31, 2007, the carrying amount of the Authority's unrestricted deposits was \$1,410,913 and the bank balance was \$1,615,147. Of the unrestricted bank balance, \$205,660 was covered by federal depository insurance and the remaining unrestricted bank balance of \$1,409,487 was collateralized under Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors. At December 31, 2007, the book balance of Authority's restricted deposits was \$1,661,152 and the bank balance was \$1,635,034. Of the restricted bank balance, \$100,000 was covered by federal depository insurance, and the remaining restricted bank balance, \$1,535,034, was collateralized under Act 72.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

Total General Authority investments reported on the balance sheet at December 31, 2007 are as follows:

	<u>Fair Value</u>
Unrestricted	
Money market funds	\$ 1,645,441
U.S. government obligations	3,378
U.S. government agencies obligations	<u>1,440,463</u>
	<u>\$ 3,089,282</u>
Restricted	
Money market funds	\$ 51,828,952
U.S. government agencies obligations	989,800
Guaranteed investment contracts	<u>21,885,458</u>
	<u>\$ 74,704,210</u>

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

	<u>Fair Value</u>	<u>Percent of Investment</u>
Guaranteed Investment Contracts		
FSA Capital Management	\$10,000,000	12.85%
AMBAC Capital Funding	\$7,145,000	9.18%

Credit Risk. The Authority does not have a formal policy that would limit investment choices with regard to credit risk. The Authority's money market funds and fixed income investments had the following level of exposure to credit risk as of December 31, 2007:

	<u>Fair Value</u>	<u>Rating</u>
Unrestricted		
Money market funds	\$ 1,645,441	AAA
U.S. government agencies	1,440,463	AAA
Restricted		
Money market funds	51,828,952	AAA
U.S. government agencies obligations	989,800	AAA
Guaranteed investment contracts	21,885,458	Unrated

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
Unrestricted					
Money market funds	\$ 1,645,441	\$ 1,645,441	\$ -	\$ -	\$ -
U.S. government agencies obligations	1,440,463	1,440,463	-	-	-
	<u>\$ 3,085,904</u>	<u>\$ 3,085,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted					
Money market funds	\$ 51,828,952	\$ 51,828,952	\$ -	\$ -	\$ -
U.S. government agencies obligations	989,800	989,800	-	-	-
Guaranteed investment contracts	21,885,458	-	11,776,158	-	10,109,300
	<u>\$ 74,704,210</u>	<u>\$ 52,818,752</u>	<u>\$ 11,776,158</u>	<u>\$ -</u>	<u>\$ 10,109,300</u>

Case Management UnitCash Concentrations

The Case Management Unit had deposits with local banks of \$33,995, which were covered by FDIC insurance.

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, 2007 none of the IDA's \$636,908 was exposed to custodial credit risk. As of September 30, 2007, cash and cash equivalent balances were entirely covered by FDIC or by pledged collateral held by the financial institutions' trust department or custodial agents for the benefit of the IDA. Collateralized balances with securities are held by the pledging financial institution's trust department or agent in the IDA's name.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units – Deposit and Investment Risk (Continued)

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, 2007, \$100,000 of the cash balance of \$586,287 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, 2007, the General Authority has completed financing agreements with the following entities for which it received general obligation notes:

General Obligation Notes

Altoona School District	\$ 47,750,000
South Eastern School District	9,000,000
Ridley School District	3,060,000
Cornwall Lebanon School District	1,000,000
Philadelphia School District	208,965,000
Derry Township	1,390,000
N.E. Bradford School District	3,810,000
Penncrest School District	4,210,000
Great Valley School District	12,100,000
Susquehanna Township School District	5,600,000
Lancaster General Hospital	40,360,000
Lancaster General Medical Group	3,900,000
Central Pennsylvania Nursing Alliance	1,740,000
	<hr/>
Total general obligation notes	\$342,885,000
	<hr/>
Current portion	\$ 8,935,000
Noncurrent portion	333,950,000
	<hr/>
	\$342,885,000
	<hr/>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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 and Accrued Interest</u>
Governmental Funds	
General Fund	
Amounts held in escrow for purposes including tax protest ordered liabilities	\$1,437,163
Amounts held in fiduciary capacity District Attorney's Office	721,707
Amounts Reserved for Workers' Compensation Liabilities	<u>282,694</u>
Total General Fund	<u>2,441,564</u>
Total Governmental Funds	<u>\$2,441,564</u>

Component Units-Restricted AssetsDauphin County-Executive Commission on Drug and Alcohol, Inc.

Restricted cash in the amount of \$43,100 represents the cash remaining that was transferred from the County for the Commission's pension plan as described in Note 21.

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, 2007, was \$282,429 and is included in the restricted cash amount in the General Fund. The County was required to fund the amount in 2007, 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, 2007

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, 2007, are summarized as follows:

Governmental
Activities

\$2,152,457

The following summary provides aggregate information on self-insurance liabilities, incurred claims, and payments during the years ended December 31, 2007 and 2006.

2007

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

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>

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 226,212	\$ -	\$ -	\$ 226,212
Construction in Progress - Infrastructure	298,479	-	-	298,479
Construction in Progress	25,246,024	8,580,897	(15,648,449)	18,178,472
Total Capital Assets, Not Being Depreciated	25,770,715	8,580,897	(15,648,449)	18,703,163
Capital Assets, Being Depreciated				
Infrastructure	10,118,772	462,745	-	10,581,517
Buildings and Improvements	65,460,685	14,784,554	-	80,245,239
Machinery and Tools	7,154,771	310,377	(122,334)	7,342,814
Leasehold Assets	9,670,222	1,079,759	-	10,749,981
Total Capital Assets, Being Depreciated	92,404,450	16,637,435	(122,334)	108,919,551
Less Accumulated Depreciation and Amortization For:				
Infrastructure	(4,700,139)	(264,538)	-	(4,964,677)
Buildings and Improvements	(36,044,958)	(1,112,426)	-	(37,157,384)
Machinery and Tools	(5,573,260)	(548,478)	122,334	(5,999,404)
Leasehold Assets	(5,108,420)	(669,809)	-	(5,778,229)
Total Accumulated Depreciation and Amortization	(51,426,777)	(2,595,251)	122,334	(53,899,694)
Total Capital Assets, Being Depreciated, Net	40,977,673	14,042,184	-	55,019,857
Governmental Activities Capital Assets, Net	\$ 66,748,388	\$ 22,623,081	\$ (15,648,449)	\$ 73,723,020
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 111,492	\$ -	\$ -	\$ 111,492
Construction in Progress	1,566,115	-	(1,566,115)	-
Total Capital Assets, Not Being Depreciated	1,677,607	-	(1,566,115)	111,492
Capital Assets, Being Depreciated				
Buildings and Improvements	2,035,953	1,573,147	-	3,609,100
Machinery and Equipment	10,393,018	235,000	-	10,628,018
Furniture and Fixtures	65,346	-	-	65,346
Leasehold Assets	15,470,293	112,998	(8,782)	15,574,509
Total Capital Assets, Being Depreciated	27,964,610	1,921,145	(8,782)	29,876,973
Less Accumulated Depreciation and Amortization For:				
Buildings and Improvements	(1,503,212)	(89,410)	-	(1,592,622)
Machinery and Equipment	(8,365,339)	(414,247)	-	(8,779,586)
Furniture and Fixtures	(58,010)	(3,140)	-	(61,150)
Leasehold Assets	(9,222,339)	(712,945)	7,026	(9,928,258)
Total Accumulated Depreciation and Amortization	(19,148,900)	(1,219,742)	7,026	(20,361,616)
Total Capital Assets, Being Depreciated, Net	8,815,710	701,403	(1,756)	9,515,357
Business-Type Activities Capital Assets, Net	\$ 10,493,317	\$ 701,403	\$ (1,567,871)	\$ 9,626,849

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 7: CAPITAL ASSETS (CONTINUED)

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

<u>Governmental Activities:</u>	
General Government	\$ 874,766
Judiciary	466,879
Conservation and Development	17,128
Human Services	403,415
Culture and Recreation	83,333
Public Safety	483,260
Public Works	<u>266,470</u>
Total Depreciation Expense – Governmental Activities	<u>\$2,595,251</u>
<u>Business-Type Activities:</u>	
Public Works	669,566
Public Safety	346,265
Other Programs	<u>203,911</u>
Total Depreciation Expense – Business-Type Activities	<u>\$1,219,742</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	126,843	5-6 years
Software in Progress	20,618	N/A
Leasehold Assets	<u>15,241</u>	5 years
	<u>1,379,602</u>	
Less: Accumulated Amortization and Depreciation	<u>(545,566)</u>	
	<u>\$ 834,036</u>	

Depreciation expense for the year ended December 31, 2007 was \$38,287.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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, 2007, consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,028,786	\$ -	\$ -	\$ 2,028,786
Construction in progress	-	1,168,179	-	1,168,179
Total capital assets, not being depreciated	2,028,786	1,168,179	-	3,196,965
Capital assets, being depreciated				
Land improvements	5,743,097	-	-	5,743,097
Buildings	93,339,509	-	-	93,339,509
Building improvements	328,978	37,005	-	365,983
Golf course equipment	923,186	39,868	(73,220)	889,834
Other equipment	784,327	110,504	(6,236)	888,595
Total capital assets, being depreciated	101,119,097	187,377	(79,456)	101,227,018
Less accumulated depreciation for:				
Land improvements	(2,145,137)	(191,437)	-	(2,336,574)
Buildings	(23,126,024)	(3,111,924)	-	(26,237,948)
Building improvements	(179,354)	(23,089)	-	(202,443)
Golf course equipment	(732,406)	(48,811)	72,475	(708,742)
Other equipment	(340,158)	(72,490)	6,236	(406,412)
Total accumulated depreciation and amortization	(26,523,079)	(3,447,751)	78,711	(29,892,119)
Capital assets, being depreciated, net	74,596,018	(3,260,374)	(745)	71,334,899
Capital assets, net	\$76,624,804	\$(2,092,195)	\$ (745)	\$74,531,864

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, 2007

NOTE 7: CAPITAL ASSETS (CONTINUED)

Component Units-Capital Assets (Continued)Case Management Unit

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being depreciated:				
Furniture and Equipment	\$1,023,763	\$ 198,949	\$ -	\$1,222,712
Leasehold Improvements	99,750	-	-	99,750
Total Capital Assets being Depreciated	1,123,513	198,949	-	1,322,462
Less Accumulated Depreciation for:				
Furniture and Equipment	490,575	140,354	-	630,929
Leasehold Improvements	26,200	9,975	-	36,175
Total Accumulated Depreciation	516,775	150,329	-	667,104
Total Capital Assets, net	<u>\$606,738</u>	<u>\$48,620</u>	<u>\$ -</u>	<u>\$655,358</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, 2007:

	Balance October 1, 2006	Restatement (Note 30)	Additions	Deletions	Balance September 30, 2007
Capital assets, not being depreciated:					
Land	\$ 161,000	\$ (110,100)	\$ -	\$ -	\$ 50,900
Total capital assets, not depreciated	161,000	(110,100)	-	-	50,900
Capital assets, being depreciated:					
Buildings	1,256,720	(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	2,287,147	(1,256,720)	-	-	1,030,427
Less accumulated depreciation for:					
Buildings	(26,126)	26,126	-	-	-
Buildings held for lease	(17,789)	-	(11,858)	-	(29,647)
Building improvements	(18,361)	-	(36,722)	-	(55,083)
Office furniture and equipment	(5,154)	-	(89)	-	(5,243)
Total accumulated depreciation	(67,430)	26,126	(48,669)	-	(89,973)
Total capital assets, being depreciated, net	2,219,717	(1,230,594)	(48,669)	-	940,454
Total capital assets, net	<u>\$2,380,717</u>	<u>\$(1,340,694)</u>	<u>\$ (48,669)</u>	<u>\$ -</u>	<u>\$ 991,354</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 8: CONDUIT DEBT ISSUES

Component Unit - Conduit Debt IssuesDauphin County General Authority

The following Conduit debt issues were outstanding at December 31, 2007:

Pennsylvania Higher Education Assistance	\$ 360,000
Reading Hospital and Medical Center	8,605,000
Dauphin County Library System	1,169,133
Pinnacle Health Systems	54,210,000
Pinnacle Health Systems	64,625,000
	<u>\$128,969,133</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	\$119,425,000	\$16,700,000	\$(17,440,000)	\$118,685,000	\$ 4,595,000
Total bonds and notes payable	<u>\$119,425,000</u>	<u>\$16,700,000</u>	<u>\$(17,440,000)</u>	<u>\$118,685,000</u>	<u>\$ 4,595,000</u>
Other Liabilities:					
Compensated absences	6,751,853	-	(1,324,490)	5,427,363	-
Estimated workers compensation claims	2,117,945	34,512	-	2,152,457	-
Total Other Liabilities	<u>\$ 8,869,798</u>	<u>\$ 34,512</u>	<u>\$(1,324,490)</u>	<u>\$ 7,579,820</u>	<u>\$ -</u>
Governmental Activities Long-Term Liabilities	<u>\$128,294,798</u>	<u>\$16,734,512</u>	<u>\$(18,764,490)</u>	<u>\$126,264,820</u>	<u>\$ 4,595,000</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
General obligation debt	\$ 1,959,501	-	\$(235,936)	\$ 1,723,565	\$138,565
Total bonds and notes payable	<u>\$ 1,959,501</u>	<u>\$ -</u>	<u>\$(235,936)</u>	<u>\$ 1,723,565</u>	<u>\$138,565</u>
Other Liabilities:					
Compensated absences	\$ 218,251	\$ -	\$ (52,323)	\$ 165,928	-
Total Other Liabilities	<u>\$ 218,251</u>	<u>\$ -</u>	<u>\$(52,323)</u>	<u>\$ 165,928</u>	<u>\$ -</u>
Business-Type Activities Long-Term Liabilities	<u>\$2,177,752</u>	<u>\$ -</u>	<u>\$(288,259)</u>	<u>\$1,889,493</u>	<u>\$ 138,565</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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), assuming current interest rates remain the same:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2008	\$ 4,733,565	\$ 4,708,850	\$ 9,442,415
2009	4,850,000	4,505,263	9,355,263
2010	5,865,000	4,280,279	10,145,279
2011	7,160,000	4,015,939	11,175,939
2012	7,170,000	3,830,230	11,000,230
2013-2017	34,915,000	15,295,413	50,210,413
2018-2022	41,230,000	8,085,009	49,315,009
2023-2027	14,485,000	862,837	15,347,837
	\$120,408,565	\$45,583,820	\$165,992,385

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, 2007</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).	\$ 103,565
2002	\$ 3,500,000	Provide funds to construct road and transportation improvements (final maturity in 2012).	\$ 2,055,000
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).	\$ 16,480,000
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).	\$ 3,045,000
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).	\$6,760,000
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).	\$25,825,000

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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, 2007</u>
2005	\$33,990,000	General Obligation Bonds, Series of A, B and C of 2005 issued to currently refund General Obligation Bonds, Series A of 2000; to advance refund General Obligation Bonds, Second Series of 2001; and to advance refund General Obligation Bonds, Series of 2002 (Final Maturity in 2024)	\$27,685,000
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)	\$5,310,000
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)	\$16,445,000
2007	\$16,700,000	General Obligation Bonds, Series of 2007 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)	\$16,700,000
			<u>\$120,408,565</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, 2007 is \$49,980.

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, 2007 is \$23,161.

In September 2007, the County issued \$16,700,000 of General Obligation Bonds. The Series 2007 Bonds mature on November 15, 2023 and carry a variable interest rate not to exceed 25%. The proceeds of the Series 2007 Bonds were used to pay bond issuance costs of \$223,118 and to fund the County's Emergency Communications Project.

In addition, in March, 2007, the County used the proceeds received from the 2006 sale of the Spring Creek Nursing Home to partially defease the 2004 Series C Notes and the 2005 Series B Bonds. The County paid \$13,806,358 to a refunding Bond Escrow Agent to defease \$6,760,000 of the 2004 Series C Notes and \$6,295,000 of the 2005 Series B Bonds and to pay related interest costs.

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, 2007, the principal amount outstanding relative to defeased debt was \$48,915,000.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Unit – Long Term DebtDauphin County General Authority

Long-term debt outstanding at December 31, 2007, 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	46,000,000
Office and Parking Revenue Bonds (Riverfront Office Center) Series A of 1998	33,085,000
Series C of 1998 Capital Appreciation Bonds	10,067,199
Hotel and Conference Center Bonds (Hyatt Hotel Project) Series of 1998	61,805,000
Dauphin County Guaranteed Lease Revenue Bonds - Series of 2001 (Building Bonds)	4,730,000
Dauphin County Guaranteed Lease Revenue Bonds - Series of 1992 (Building Bonds) Capital Appreciation Bonds	2,466,492
Lease Revenue Bonds (100 Chestnut Street) Series A of 2003	2,490,000
Series B of 2003	650,000
Dauphin County Guaranteed Revenue Bonds – Series A and B of 2005 (Dauphin Highlands)	10,875,000
	<u>\$522,168,691</u>

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

Current portion of long-term debt	\$ 7,243,190
Long-term debt, net of current portion	<u>514,925,501</u>
	<u>\$522,168,691</u>

Long-term liability activity for the General Authority for the year ended December 31, 2007, 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	\$528,125,167	\$ 818,524	\$(6,775,000)	\$522,168,691	\$ 7,243,190
Deferred charge	(1,050,267)	-	75,837	(974,430)	-
	<u>\$527,074,900</u>	<u>\$ 818,524</u>	<u>\$(6,699,163)</u>	<u>\$521,194,261</u>	<u>\$ 7,243,190</u>

Each of the General Authority's financing programs is described below. The General Authority has complied with the covenants contained in its debt agreements for the year ended December 31, 2007 except as described in Note 26.

School District Pooled Financing Program I

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

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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, 2007, ranged from 2.82% to 4.95%. 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, 2007, mature from 2008 through 2026. Total principal subject to mandatory tender on June 2, 2008 is \$4,560,000. At December 31, 2007, all of the available bond proceeds had not been loaned to participants. Unloaned funds at December 31, 2007, were \$970,000. The General Authority expects to enter into additional note agreements during 2008 for the unloaned funds.

Based on a weighted-average interest calculation of 3.45%, debt service to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 7,046,980	\$ 7,046,980
2009	-	7,046,980	7,046,980
2010	-	7,046,980	7,046,980
2011	-	7,046,980	7,046,980
2012	-	7,046,980	7,046,980
2013 to 2017	-	35,234,898	35,234,898
2018 to 2022	-	35,234,898	35,234,898
2023 to 2026	200,000,000	24,077,415	224,077,415
	<u>\$200,000,000</u>	<u>\$129,782,111</u>	<u>\$329,782,111</u>

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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

During 2002, \$100,000,000 in revenue bonds were called to effectuate a reduction in the program. At December 31, 2007, 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, 2007, was 3.47%. 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, 2007, mature from 2008 through 2028. Total principal subject to mandatory tender in 2008, is \$1,410,000. At December 31, 2007, all of the available bond proceeds had not been loaned to participants. Unloaned funds at December 31, 2007 were \$1,145,000. The General Authority expects to enter into additional note agreements during 2008 for the unloaned funds.

Based on a weighted-average interest calculation of 3.47%, debt service to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 5,205,000	\$ 5,205,000
2009	-	5,205,000	5,205,000
2010	-	5,205,000	5,205,000
2011	-	5,205,000	5,205,000
2012	-	5,205,000	5,205,000
2013 to 2017	-	26,025,000	26,025,000
2018 to 2022	-	26,025,000	26,025,000
2023 to 2027	-	26,025,000	26,025,000
2028 to 2032	150,000,000	24,290,000	174,290,000
	<u>\$150,000,000</u>	<u>\$128,390,000</u>	<u>\$278,390,000</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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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, 2007, all of the available bond proceeds were loaned to participants.

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, 2007 of 3.47%, debt service to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,030,000	\$ 1,596,200	\$ 5,626,200
2009	4,260,000	1,456,359	5,716,359
2010	4,500,000	1,308,537	5,808,537
2011	4,750,000	1,152,387	5,902,387
2012	5,020,000	987,562	6,007,562
2013 to 2017	23,440,000	2,434,032	25,874,032
	<u>\$ 46,000,000</u>	<u>\$ 8,935,077</u>	<u>\$ 54,935,077</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, 2007, 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, 2007

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>
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	4.25%	315,000	212,888	527,888
2013 to 2017	4.38%-5.00%	1,800,000	839,289	2,639,289
2017 to 2022	5.00%	2,285,000	353,500	2,638,500
		<u>\$ 4,730,000</u>	<u>\$ 2,308,224</u>	<u>\$ 7,038,224</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, 2007, is \$2,650,000. 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, 2007, 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	\$ 5,395	\$ 524,605
September 1, 2008	195,846	530,000	21,415	508,585
March 1, 2009	188,346	530,000	37,225	492,775
September 1, 2009	182,553	530,000	52,388	477,612
March 1, 2010	176,935	530,000	67,085	462,915
	<u>\$ 945,695</u>	<u>\$ 2,650,000</u>	<u>\$ 183,508</u>	<u>\$2,466,492</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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>
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	6.00%	1,230,000	1,730,400	2,960,400
2013 to 2017	6.00%	7,360,000	7,451,400	14,811,400
2018 to 2022	6.00%	9,845,000	4,962,600	14,807,600
2023 to 2025	6.00%	10,405,000	1,443,300	11,848,300
		<u>\$33,085,000</u>	<u>\$23,148,126</u>	<u>\$56,233,126</u>

Series B

There was no balance remaining on the Series B bonds at December 31, 2007.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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	\$1,235,161	\$ 584,839
January 1, 2025	293,857	1,820,000	1,254,945	565,055
July 1, 2025	283,920	1,820,000	1,274,055	545,945
January 1, 2026	274,310	1,820,000	1,292,509	527,491
July 1, 2026	265,047	1,820,000	1,310,345	509,655
January 1, 2027	256,074	1,820,000	1,327,581	492,419
July 1, 2027	247,411	1,820,000	1,344,234	475,766
January 1, 2028	3,310,677	25,205,000	18,838,971	6,366,029
	<u>\$5,235,436</u>	<u>\$37,945,000</u>	<u>\$27,877,801</u>	<u>\$10,067,199</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>
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	3.80%	275,000	90,706	365,706
2013 to 2017	4.00%-4.40%	1,530,000	280,812	1,810,812
2018	4.60%	345,000	15,870	360,870
		<u>\$2,490,000</u>	<u>\$ 796,547</u>	<u>\$3,286,547</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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>
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
		\$ 650,000	\$ 57,317	\$ 707,317

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, 2007 is \$3,035,000. 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, 2007

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>
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	6.20%	1,675,000	3,458,515	5,133,515
2013 to 2017	6.20%	10,035,000	15,552,545	25,587,545
2018 to 2022	6.20%	13,375,000	11,939,495	25,314,495
2023 to 2027	6.20%	17,955,000	7,126,125	25,081,125
2028 to 2029	6.20%	13,580,000	997,270	14,577,270
		\$61,805,000	\$53,810,620	\$115,615,620

As required by a mandatory sinking fund provision, the trustee deposited \$5,189,000 of bond proceeds to the Debt Service Reserve Account.

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, 2007, the maturity value and accreted value of the bonds outstanding on the 1993 Series Capital Appreciation Bonds are \$14,005,000 and \$8,292,849 respectively. The balance outstanding on the County Guaranteed Revenue Bonds, Series of 2003 at December 31, 2007, is \$685,000.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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>
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	3.50%	5,000	392,166	397,166
2013 to 2017	3.60% - 4.00%	25,000	1,960,130	1,985,130
2018 to 2022	4.00% - 4.20%	580,000	1,946,750	2,526,750
2023 to 2027	4.50% - 4.63%	2,595,000	1,619,376	4,214,376
2028 to 2032	4.63% - 4.70%	3,620,000	927,942	4,547,942
2033 to 2034	4.70%	1,710,000	121,536	1,831,536
		<u>\$ 8,555,000</u>	<u>\$ 8,538,136</u>	<u>\$ 17,093,136</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>
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	4.65%	115,000	109,980	224,980
2013 to 2017	5.15%	905,000	442,306	1,347,306
2018 to 2021	5.50%	1,055,000	141,076	1,196,076
		<u>\$ 2,320,000</u>	<u>\$ 1,165,970</u>	<u>\$ 3,485,970</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.)

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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)

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

The IDA assigned all of its rights under the Agreement to the Trustee. Under the bond indenture and the Agreement, the Borrower is obligated to make 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 made against the IDA for payment of principal or interest on the Bonds.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (Continued)

Dauphin County Industrial Development Authority (Continued)

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

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

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

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

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

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

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

The bond issues are limited obligations of the IDA, payable from the payments required to be made by the projects or tenant. No recourse can be made against the IDA for payment of principal or interest. The mortgages are arranged between private contractors and the banks by the IDA, but are not obligations of the IDA. The installment sales agreements provide for a purchase price equal to the indebtedness of the IDA. Industrial development bond and mortgage balances outstanding as of September 30, 2007 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.

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

Principal	Interest	Interest Rate	Maturity Date
\$ 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
52,820	5,445	3.63%	2012
121,228	5,013	3.63%	2013 – 2015
<u>\$ 367,183</u>	<u>\$ 50,382</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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, due in monthly installments of interest only through June 1, 2006 and in monthly installments of \$6,319 through June 1, 2026. Interest is at 5.75%.

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

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

Principal	Interest	Interest Rate	Maturity Date
\$ 26,557	\$ 49,268	5.75%	2008
28,125	47,700	5.75%	2009
29,786	46,039	5.75%	2010
31,544	44,281	5.75%	2011
33,407	42,418	5.75%	2012
199,054	180,071	5.75%	2013 – 2017
265,174	113,951	5.75%	2018 – 2022
255,200	29,113	5.75%	2023 – 2026
<u>\$ 868,847</u>	<u>\$ 552,841</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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.

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>
\$ 30,303	\$ 37,818	4.40%	2008
31,789	36,332	4.40%	2009
33,236	34,895	4.40%	2010
34,749	33,372	4.40%	2011
36,242	31,879	4.40%	2012
207,939	132,666	4.40%	2013 to 2017
259,815	80,790	4.40%	2018 to 2022
225,201	18,896	4.40%	2023 to 2026
<u>\$ 859,274</u>	<u>\$ 406,648</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, 2007

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>
\$ 5,350	\$ 13,406	7.00%	2008
5,775	12,981	Var.	2009
6,192	12,564	Var.	2010
6,640	12,116	Var.	2011
7,127	11,629	Var.	2012
43,445	50,335	Var.	2013 to 2017
61,291	32,489	Var.	2018 to 2022
57,607	6,480	Var.	2023 to 2027
<u>\$ 193,427</u>	<u>\$ 152,000</u>		

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

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

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

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

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 12,415	\$ 19,838	4.83%	2008
13,092	19,161	4.83%	2009
13,748	18,505	4.83%	2010
14,437	17,816	4.83%	2011
15,112	17,141	4.83%	2012
87,924	73,341	4.83%	2013 to 2017
112,270	48,995	4.83%	2018 to 2022
140,673	17,904	4.83%	2023 to 2027
<u>\$ 409,671</u>	<u>\$ 232,701</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

The following is a summary of long-term debt for the year ended September 30, 2007:

Guaranteed lease revenue notes:	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007	Due Within One Year
Series of 2004	\$ 408,056	\$ -	\$ 40,873	\$ 367,183	\$ 45,691
Series of 2005	894,239	-	25,392	868,847	26,557
Series of 2006	888,036	-	28,762	859,274	30,303
Series of 2007	-	410,651	980	409,671	12,415
Subtotal	2,190,331	410,651	96,007	2,540,975	114,966
Loan Payable	198,479	-	5,052	193,427	5,350
Total	\$ 2,388,810	\$ 410,651	\$ 101,059	\$2,698,402	\$ 120,316

Dauphin County Economic Development Corporation

Long-term debt at December 31, 2007, 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

\$ 2,065,000

Less current portion

(45,000)

Long-term debt

\$ 2,020,000

Maturities of long-term debt are as follows:

2008	\$ 45,000
2009	60,000
2010	60,000
2011	65,000
Thereafter	<u>1,835,000</u>
	<u>\$2,065,000</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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.

Component Units – Guaranteed Debt

Dauphin County Economic Development Corporation

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 10: GUARANTEED DEBT (CONTINUED)

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

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

Under the bond indenture and the Repayment Agreement, the County is obligated to make timely payments directly to the Trustee in amounts necessary to satisfy the debt service requirements of the Bonds. DCEDC will make debt service payments to the Trustee on behalf of the County using transfers in from Dauphin County revenue. However, the Bonds are the obligations of the County, not DCEDC, and therefore are not reflected as a liability in the financial statements of DCEDC as of December 31, 2007.

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

<u>Maturity</u> <u>November 15</u>	<u>Rate of</u> <u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2008	3.25%	\$ 385,000	\$ 73,983	\$ 458,983
2009	3.45%	395,000	61,470	456,470
2010	3.55%	410,000	47,843	457,843
2011	3.75%	425,000	32,878	457,878
2012	3.85%	440,000	16,940	456,940
		<u>\$2,055,000</u>	<u>\$233,114</u>	<u>\$2,288,114</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 11: INTEREST RATE SWAPS

2005 SWAP

Objectives and terms of the swap. In October 2005, the County entered into a basis swap with the Royal Bank of Canada as the Counterparty. The basis swap is structured such that the notional principle schedule matches the principle amortization of the County's General Obligation Notes, Series D of 2004. The County 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 .39% per annum.

The terms, fair values, and credit ratings of the basis swap as of December 31, 2007 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%	\$ (200,000)	3/1/2019	Aaa/ AA-/ AA

Fair market value. The swap had a negative fair market value as of December 31, 2007. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2007. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap fair value. As of December 31, 2007, 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, 2007

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, 2007 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	\$ (650,000)	10/15/2023	Aa1/ AA-/ AA-

Fair market value. The swap had a negative fair market value as of December 31, 2007. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. The swap's fair value represented the County's exposure to the counterparty as of December 31, 2007. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the County faces a maximum possible loss equivalent to the swap fair value. As of December 31, 2007, the counterparty was rated Aa1 by Moody's Investors Service, AA- by Standard & Poor's, and AA- by Fitch Ratings.

The County's Master Swap Agreement contains netting provisions applicable to circumstances in which the County enters into more than one derivative transaction with a single counterparty. Under these netting provisions, should one party become insolvent or otherwise default on its obligations, the close-out netting provisions permit the 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, 2007

NOTE 11: INTEREST RATE SWAPS (Continued)

2006 SWAPS (Continued)

Fair Value. The CMS transaction had a positive value as of December 31, 2007. The fair value was \$100,000. 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, 2007. 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 fair value. As of December 31, 2007, 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 positive value as of December 31, 2007. The fair value was \$250,000. 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, 2007. 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 fair value. As of December 31, 2007, 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 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, 2007

NOTE 11: INTEREST RATE SWAPS (Continued)

2007 SWAPS

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

The terms, fair values, and credit ratings of the outstanding transactions as of December 31, 2007, were as follows:

Transaction Type	Associated Bonds	County Pays	County Receives	Effective Date	Maturity Date	Initial Notional	Counterparty	Counterparty Credit Rating	Fair Value
Swaption	Series 2005C	SIFMA	3.735%	9/25/2007	11/15/2012	\$ 16,975,000	DEPFA Bank	A1/AA-/AA-	\$ (650,000)
Swaption	Series 2002A	SIFMA	3.735%	9/25/2007	11/15/2012	\$ 16,480,000	DEPFA Bank	A1/AA-/AA-	\$ (651,000)
Swaption	Series 2005B	SIFMA	3.735%	9/25/2007	11/15/2012	\$ 6,600,000	DEPFA Bank	A1/AA-/AA-	\$ (295,000)

Fair Market Values. The swaps had negative fair market values as of December 31, 2007. 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, 2007, 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.

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, 2007

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>
2008	\$ 1,264,277	\$ 367,176	\$ 1,631,453
2009	1,206,271	362,422	1,568,693
2010	698,403	361,503	1,059,906
2011	530,088	365,377	895,465
2012	527,888	365,705	893,593
2013 – 2017	2,639,289	1,810,810	4,450,099
2018 – 2022	2,638,500	360,870	2,999,370
	<u>\$ 9,504,716</u>	<u>\$ 3,993,863</u>	<u>\$ 13,498,579</u>

The net investment in direct financing leases consists of the following at December 31, 2007:

	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Total</u>
Total Minimum Lease			
Payments to be Received	\$ 9,504,716	\$ 3,993,863	\$13,498,579
Less: Unearned Income	2,308,224	820,819	3,129,043
	<u>\$ 7,196,492</u>	<u>\$3,173,044</u>	<u>\$10,369,536</u>
Current Portion	\$ 1,038,190	\$ 268,044	\$ 1,306,234
Noncurrent Portion	6,158,302	2,905,000	9,063,302
	<u>\$ 7,196,492</u>	<u>\$3,173,044</u>	<u>\$10,369,536</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 12: DIRECT FINANCING LEASES (CONTINUED)

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

On November 4, 2004 the IDA entered into a lease agreement with the County of Dauphin for a building for a fifteen year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series of 2004 Guaranteed Lease Revenue Note used for the purchase of the building. The County has the right to purchase the leased buildings and equipment for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series of 2004 Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2007 is \$367,183.

On April 5, 2006, the IDA entered into a lease agreement with the County of Dauphin for a building for a twenty year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series of 2006 Guaranteed Lease Revenue Note used for the purchase of the building. The County has the right to purchase the leased building for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series of 2006 Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2007 is \$859,274.

On August 15, 2007 the IDA entered into a lease agreement with County of Dauphin for a building for a twenty year term. The lease requires the County to make payments equal to the principal and interest of the IDA's Series of 2007A Guaranteed Lease Revenue Note. The County has the right to purchase the leased building for the sum of one dollar, plus the amount, if any, required to pay in full the outstanding balance due under the IDA's Series of 2007A Guaranteed Lease Revenue Note. The amount of the lease outstanding at September 30, 2007 is \$409,671.

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

<u>Years Ending September 30,</u>	<u>2004 Lease Agreement</u>	<u>2006 Lease Agreement</u>	<u>2007 Lease Agreement</u>	<u>Total</u>
2008	\$ 58,265	\$ 68,121	\$ 32,253	\$ 158,639
2009	58,265	68,121	32,253	158,639
2010	58,265	68,121	32,253	158,639
2011	58,265	68,121	32,253	158,639
2012	58,265	68,121	32,253	158,639
2013-2017	126,241	340,605	161,265	628,111
2018-2022	-	340,605	161,265	501,870
2023-2027	-	244,105	158,577	402,682
	<u>\$ 417,566</u>	<u>\$1,265,920</u>	<u>\$ 642,372</u>	<u>\$ 2,325,858</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 12: DIRECT FINANCING LEASES (CONTINUED)

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

The net investment in direct financing lease consists of the following at September 30, 2007:

	<u>2004 Lease Agreement</u>	<u>2006 Lease Agreement</u>	<u>2007 Lease Agreement</u>	<u>Total</u>
Total Minimum Lease Payments to be Received	\$ 417,566	\$ 1,265,920	\$ 642,372	\$ 2,325,858
Less: Unearned Interest Income	<u>(50,383)</u>	<u>(406,646)</u>	<u>(232,701)</u>	<u>(689,730)</u>
	<u>\$ 367,183</u>	<u>\$ 859,274</u>	<u>\$ 409,671</u>	<u>\$ 1,636,128</u>
Current Portion	45,691	30,303	12,415	88,409
Noncurrent Portion	<u>321,492</u>	<u>828,971</u>	<u>397,256</u>	<u>1,547,719</u>
	<u>\$ 367,183</u>	<u>\$ 859,274</u>	<u>\$ 409,671</u>	<u>\$ 1,636,128</u>

NOTE 13: CAPITAL LEASE OBLIGATIONS

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

In 2007, the County entered into six new capital leases. These leases included a video equipment lease in the amount of \$271,626, a data center storage lease in the amount of \$147,684 and a prison security system in the amount of \$249,798 which are accounted for in the General Fund. The County also entered into two leases for District Justice Offices in the amounts of \$410,651 and \$641,223 accounted for in the General Fund and Capital Projects Fund, respectively. In addition, the County entered into a capital lease for a server in the amount of \$112,998, which is accounted for in the 911 EMA Fund.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 13: CAPITAL LEASE OBLIGATIONS (CONTINUED)

The following is a schedule of future minimum lease payments under the capital lease agreements, together with the present value of the net minimum lease payments as of December 31, 2007:

<u>Years Ending December 31</u>	<u>Governmental Activities</u>	<u>Human Services Building Enterprise Fund</u>	<u>911 EMA Fund</u>
2008	\$ 1,136,471	\$ 761,088	\$ 41,271
2009	889,567	765,888	41,271
2010	833,789	765,488	-
2011	590,212	1,060,088	-
2012	595,394	1,057,888	-
2013-2017	2,781,287	2,639,289	-
2018-2022	998,385	2,638,500	-
2023-2027	377,561	-	-
Total Minimum Lease Payments	8,202,666	9,688,229	82,542
Less: Amount Representing Interest	1,834,029	2,308,229	5,085
Total Present Value of Net Minimum Lease Payments	6,368,637	7,380,000	77,457
Less: Amounts Due within One Year	874,338	535,000	37,625
	\$ 5,494,299	\$ 6,845,000	\$ 39,832

NOTE 14: LINE OF CREDIT

Component Unit – Line of CreditCase 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 8.75% at June 30, 2007. There were \$2,645,000 in borrowings on the line and \$2,755,984 in repayments for the year ended June 30, 2007. There was no principle balance on the line as of June 30, 2007.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 15: RESERVED FUND BALANCES/NET ASSETS

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

Governmental Funds

General Fund

Workers Compensation \$ 282,694

This reserve represents cash and accrued interest that is held in trust for workers compensation (See Note 6 for further detail).

Accounts Receivable \$635,707

This reserve represents the amount due from the Dauphin County General Authority as a result of rent overpayments to the Authority. As of December 31, 2007, this balance has not been returned to the County.

Special Revenue Funds

Restricted Contributions/Fees \$ 557,283

This reserve represents unexpended contributions and fees that are to be utilized to fund future expenditures of various programs.

Program Purposes \$ 9,125,285

This reserve represents amounts reserved for the payment of specific program expenditures.

Capital Projects Fund \$ 18,580,962

This reserve represents the restriction of funds for capital projects.

Permanent Fund \$ 851,548

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

Fiduciary Funds \$ 192,627,550

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

Component Units-Reserved Fund Balance/Net Assets

Dauphin County Executive Commission on Drug and Alcohol, Inc.

Temporarily restricted net assets of \$726,343 is comprised of three components. The first component is DUI fines in the amount of \$626,956 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 \$85,009 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 \$14,378 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, 2007 \$14,378 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, 2007:

Tourism and regional promotion	\$1,536,717
State of the County event	72,304
Team PA Calling Program	74,678
	<u>\$1,683,699</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 16: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2007:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 2,937,341	\$ 3,274,325
Special Revenue Funds		
Mental Health/Mental Retardation Fund	30,371	28,856
Children and Youth Families Fund	2,959,869	2,562,066
Domestic Relations Fund	-	18,328
Weatherization Program Fund	2,477	854
State Grants Fund	142,190	115,622
Human Services Development Fund	-	63,044
Aging Fund	111,994	106,448
Hotel Tax Fund	-	63
Drug and Alcohol Fund	-	13,834
Low Income Housing Fund	-	50
Drug Forfeited State Property Fund	-	466
Capital Projects	-	-
Total Governmental Funds	<u>6,184,242</u>	<u>6,183,956</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choices Fund	-	2,640
911 Emergency Management Fund	169	6,026
Human Services Building Fund	27,255	16,804
Solid Waste Fund	-	2,240
Total Proprietary Funds	<u>27,424</u>	<u>27,710</u>
Fiduciary and Agency Funds :		
Retirement Fund	-	-
Total Fiduciary and Agency Funds	<u>-</u>	<u>-</u>
	<u>\$ 6,211,666</u>	<u>\$ 6,211,666</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

	Due From Component Units	Due to Primary Government
Dauphin County Conservation District	<u>\$147,815</u>	<u>\$147,815</u>
	<u>\$147,815</u>	<u>\$147,815</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, 2007, the Administrative Fund has advanced \$1,881,944 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 \$541,663 at December 31, 2007. The Dauphin Highlands Golf Course expects to repay the amount from proceeds of the anticipated sale of the Dauphin Highlands.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 17: INTERFUND OPERATING TRANSFERS

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

	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental Funds:		
General Fund	\$ 441,275	\$29,880,560
Special Revenue Funds		
Mental Health/Mental Retardation Fund	953,928	-
Children and Youth Families Fund	8,910,743	-
Domestic Relations	873,448	-
Weatherization Program Fund	17,279	14,802
Hazard Materials Emergency Response Fund	4,516	-
State Grants Fund	160,883	172,273
Human Services Development Fund	27,231	194,086
Aging Fund	746,642	679,421
Drug and Alcohol Fund	184,836	-
Drug Forfeited State Property Fund	-	-
Low Income Housing Grant	-	-
Total Special Funds	<u>11,879,506</u>	<u>1,060,582</u>
Capital Projects Fund	18,076,882	-
Permanent Fund		
Fort Hunter Trust	-	76,000
Total Governmental Funds	<u>\$30,397,663</u>	<u>\$31,017,142</u>
Proprietary Funds :		
Enterprise Funds:		
Health Choice Fund	-	71,105
Human Services Building Fund	614,584	-
Fort Hunter Operating Fund	76,000	-
Emergency 911 Operating Fund	1,465,704	1,465,704
Total Proprietary Funds	<u>2,156,288</u>	<u>1,536,809</u>
	<u>\$32,553,951</u>	<u>\$32,553,951</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 17: INTERFUND OPERATING TRANSFERS (CONTINUED)

Component Unit - Interfund Operating Transfers

	Transfers From Component Unit	Transfers to Primary Government
Dauphin County Conservation District	<u>\$547,328</u>	<u>\$547,328</u>

NOTE 18: PROPERTY TAXES

Real Estate Property Taxes

Real estate property taxes attach as an enforceable lien on property on January 1, based on the assessed value listed as of the prior December 31 for all real property located in the County. Assessed values are established by the County Assessment Board at approximately 100% of calculated market value. Taxes are billed on or about February 1, payable under the following terms: 2% discount, February 1 through March 31; face amount, April 1 through July 31, and 5% penalty June 1 through July 31, and a 10% penalty from August 1 through December 31. The County bills its own property taxes, which are collected by elected tax collectors. Real estate property taxes levied for 2007 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2007 and expected to be collected within the first sixty (60) days of 2007 are recognized as revenue in 2008. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2007 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, 2007

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Solid Waste Enterprise Fund</u>
CONDENSED STATEMENT OF NET ASSETS	
Assets:	
Current Assets	\$ 1,728,720
Capital Assets	2,219,231
Total Assets	3,947,951
Liabilities:	
Due to Other Funds	2,240
Other current liabilities	198,272
Noncurrent liabilities	1,857
Total Liabilities	202,369
Net Assets:	
Invested in capital assets, net of related debt	2,219,231
Unrestricted	1,526,351
Total Net Assets	\$ 3,745,582
 CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	
Operating revenues	\$ 1,417,767
Depreciation and amortization expense	(134,455)
Other operating expenses	(683,147)
Operating Income	600,165
Nonoperating revenues (expenses):	
Interest income	38,551
Interest expense	(8,322)
Donated Assets	235,000
Gain on Disposal of Capital Assets	141
Grants	28,439
Change in net assets	893,974
Beginning net assets	2,851,608
Ending net assets	\$ 3,745,582

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 666,035
Noncapital financing activities	28,439
Capital and related financing activities	(209,720)
Investing activities	38,551
Net increase	523,305
Beginning cash and cash equivalents	979,120
Ending cash and cash equivalents	\$ 1,502,425

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, 2007

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

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

CONDENSED BALANCE SHEET	School <u>Pool I</u>	School <u>Pool II</u>	Education and Health <u>Program</u>
ASSETS			
Current assets	\$ 3,495,000	\$ 1,410,000	\$ 4,030,000
Noncurrent notes receivable	150,535,000	141,445,000	41,970,000
Restricted assets	47,348,989	7,713,713	129,546
Other noncurrent assets	1,348,349	626,423	344,915
Total assets	\$ 202,727,338	\$ 151,195,136	\$ 46,474,461
LIABILITIES			
Current liabilities	\$ 731,216	\$ 418,762	\$ 4,160,942
Noncurrent liabilities	200,000,000	150,000,000	41,970,000
Total liabilities	200,731,216	150,418,762	46,130,942
NET ASSETS			
Restricted	1,996,122	776,374	343,519
Total liabilities and net assets	\$ 202,727,338	\$ 151,195,136	\$ 46,474,461

CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS

Operating revenues	\$ 8,320,584	\$ 6,032,121	\$ 1,984,166
Operating expenses	(8,080,804)	(6,058,760)	(2,019,258)
Operating Income (loss)	239,780	(26,639)	(35,092)
Beginning net assets	1,756,342	803,013	378,611
Ending net assets	\$ 1,996,122	\$ 776,374	\$ 343,519

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used in):			
Operating activities	\$ (4,459,037)	\$ 3,239,255	\$ 5,595,796
Investing activities	11,808,793	2,255,226	40,770
Noncapital financing activities	(7,379,756)	(5,494,481)	(5,636,566)
Net increase (decrease)	(30,000)	-	-
Cash and cash equivalents – beginning	185,000	-	-
Cash and cash equivalents – ending	\$ 155,000	\$ -	\$ -

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

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

CONDENSED BALANCE SHEET	<u>County Building Bond Fund</u>	<u>100 Chestnut Street Fund</u>	<u>Dauphin Highlands Golf Course Fund</u>
ASSETS			
Current assets	\$ 1,038,190	\$ 271,486	\$ 47,983
Noncurrent investment in			
Direct financing lease	6,158,302	2,905,000	-
Capital asset	-	-	6,455,877
Restricted assets	122,403	1,183,671	141,314
Other noncurrent assets	-	-	342,311
Total assets	<u>\$ 7,318,895</u>	<u>\$ 4,360,157</u>	<u>\$ 6,987,485</u>
LIABILITIES			
Current liabilities	\$ 1,089,334	\$ 966,351	\$ 199,317
Noncurrent liabilities	6,158,302	2,905,000	12,314,433
Total liabilities	<u>7,247,636</u>	<u>3,871,351</u>	<u>12,513,750</u>
NET ASSETS (DEFICITS)			
Invested in capital assets, net of related			
debt	-	-	(2,961,068)
Restricted	71,259	488,806	-
Unrestricted	-	-	(2,565,197)
Total net assets	<u>71,259</u>	<u>488,806</u>	<u>(5,526,265)</u>
Total liabilities and net assets (deficits)	<u>\$ 7,318,895</u>	<u>\$ 4,360,157</u>	<u>\$ 6,987,485</u>

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

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

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	County Building Bond Fund	100 Chestnut Street Fund	Dauphin Highlands Golf Course Fund
Operating revenue	\$ 431,625	\$ 345,712	\$ 1,766,497
Operating expenses	(426,271)	(347,877)	(2,378,444)
Operating income (loss)	5,354	(2,165)	(611,947)
Beginning net assets	65,905	490,971	(4,914,318)
Ending net assets	\$ 71,259	\$ 488,806	\$ (5,526,265)
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided by (used in):			
Operating activities	\$ 1,286,695	\$ 347,720	\$ 404,636
Investing activities	(3,025)	2,538	1,464
Capital and related financing	-	(138,672)	(599,541)
Noncapital financing activities	(1,286,988)	(225,000)	84,400
Net decrease	(3,318)	(13,414)	(109,041)
Cash and cash equivalents – beginning	3,318	45,354	113,713
Cash and cash equivalents – ending	\$ -	\$ 31,940	\$ 4,672

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 20: LEGAL COMPLIANCE

Component Unit/DeficitDauphin County General Authority

The following funds of the General Authority had negative net assets as of December 31, 2007:

<u>Fund</u>	<u>Amount</u>
Dauphin Highlands Golf Course	\$ 5,526,265
Riverfront Office Center	\$ 6,771,943
Pittsburgh Hyatt Hotel and Conference Center	\$ 15,274,155

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

NOTE 21: EMPLOYEES RETIREMENT PLAN

Plan Description

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

At December 31, 2007, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and Beneficiaries Receiving Benefits	930
Terminated Employees Entitled to Benefits but not yet Receiving Them	148
Active Plan Participants	<u>1,504</u>
Total Membership	<u>2,582</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.

Funding

Employees are required to contribute a portion of their salaries (5% of earnings in 2007) 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 21: EMPLOYEES RETIREMENT PLAN (Continued)

Funding (Continued)

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, 2007. 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 4.25% - 4.50% per year, graduated in .25% increments over one year; and (c) an inflation rate of 3.00%. The method used to determine the actuarial value of assets is a five year smoothed market.

Annual Pension Cost and Pension Obligation

The County's Annual Required Contribution for 2007 was determined as part of the December 31, 2007 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 2007, 2006, and 2005.

<u>Year Ended</u>	<u>Annual Pension Cost</u>		<u>Net Pension Asset</u>
	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	
December 31, 2007	\$4,340,916	100%+	\$ 23,055
December 31, 2006	\$6,683,297	100%	\$ -
December 31, 2005	\$7,329,921	100%	\$ -

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
December 31, 2007	\$4,340,916	100%+
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%

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/07	\$201,142,949	\$210,420,043	\$9,277,094	95.6%	\$66,233,427	14.0%

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 21: 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 \$17,207 for the year ended June 30, 2007, 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, 2007, 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 \$28,717.

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN

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

Funding Policy. The contribution requirements of the County are established and may be amended through future union negotiations. The Plan does require contributions from some retirees. Retiree contributions depend upon the terms of the various union contracts. The County funds the Plan on a pay-as-you-go basis. For 2007, the County contributed \$276,065 to the plan for current premiums.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

	Governmental Activities
Annual required contribution	\$ 905,528
Contributions made	<u>(276,065)</u>
Increase in net OPEB obligation	629,463
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ 629,463</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2007 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 905,528	30.49%	\$ 629,463

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

Funded Status and Funding Progress. As of January 1, 2007 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$6,868,259 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,868,259. The covered payroll (annual payroll of active employees covered by the plan) was \$0, and the ratio of the UAAL to the covered payroll was 0%.

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 22: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.5% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% in 2013. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2007	\$ -	\$6,868,259	\$6,868,259	0.00%	\$ -	0.00%

NOTE 23: COMPENSATED ABSENCES

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

Vacation Pay

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

Sick Pay

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

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 23: COMPENSATED ABSENCES (CONTINUED)

Component Units-Compensated Absences

Dauphin 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 2027.

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

2008	\$1,299,393
2009	1,044,663
2010	916,321
2011	825,817
2012	771,038
2013-2017	721,026
2018-2022	53,900
2023 - 2027	<u>16,740</u>

Total minimum payments required \$5,648,898

Total rental expense for these leases during 2007 approximated \$1,322,099.

Component Units – Leases

Case Management Unit

The Case Management Unit leased its principal office space. Rent expense totaled \$546,334 for the fiscal year ended June 30, 2007

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

CMU also has a lease on the Millersburg, Pennsylvania office. The lease agreement is for a period of 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 24 LEASES

Component Units – Leases (Continued)Case Management Unit (Continued)

Future minimum lease payments under the lease are as follows:

Year ending June 30,	Amount
2008	\$ 539,163
2009	553,992
2010	569,228
2011	584,884
2012	600,965
2013-2014	<u>825,176</u>
	<u>\$3,673,408</u>

Dauphin County Executive Commission on Drug 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, 2007, are as follows:

2007	<u>\$55,760</u>
Total	<u>\$55,760</u>

Rental expense totaled \$112,245 for the year ended June 30, 2007.

On February 22, 2007 the board approved the termination of the sub-lease of the premises as of December 31, 2007 due to the dissolution of the Commission.

NOTE 25: RELATED PARTY TRANSACTIONS

Component Units - Related Party TransactionsDauphin 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 2007, were \$1,737,497.

The County is paying rent in excess of the lease requirement to the General Authority since 2000. The total amount of these overpayments is \$682,081 at December 31, 2007 and is reported as unearned revenue on the Statement of Net Assets.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Units - Related Party Transactions (Continued)

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.

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.

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, 2007 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 \$2,113,128 in 2007, representing 80% of total revenue.

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Units - Related Party Transactions (Continued)

Dauphin County Economic Development Corporation (Continued)

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, 2007 due from related party was comprised of the following pass-through items:

2% Hotel Tax Distribution	\$ 28,415
Transfer in from Dauphin County	142,076
	\$170,491

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

The IDA acts as property management for the Market Square Plaza Parking owned by DCEDC. In this capacity, the IDA collects parking rent fees and remits such fees to the DCEDC on a periodic basis. Parking fees for the year ended December 31, 2007 were \$232,674.

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, 2007.
- B. In 2006, the County entered into a contract for the Emergency Management Act (EMA) Radio Project. The contract value approximated \$34,000,000 of which \$17,946,184 has been expended at December 31, 2007.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies

Dauphin County General Authority

Payments in Lieu of Taxes and Real Estate Taxes

The General Authority, as part of its construction of the Hyatt Hotel Project, committed to make payments in lieu of property taxes to the County of Allegheny in return for exempting this property from real estate taxes. This payment in lieu of taxes (PILOT) will be made from the respective funds if sufficient resources exist to make such payments are available, on an annual basis, from the respective funds revenues after meeting operating costs and debt service payments. The PILOTs for the Hyatt Hotel Project have been accrued for the years ended December 31, 2000, 2001, 2002, 2003, 2004, 2006 and 2007 in the amounts of \$460,000, \$537,000, \$614,000, \$680,000, \$767,000, \$767,000, 767,040 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 \$349,000 of working capital advances during 2007 to the Dauphin Highlands Golf Course. As of December 31, 2007, \$264,000 has been repaid to the Administrative Fund. The Authority is in the process of issuing a request for proposal for the sale of the Dauphin Highlands Golf Course.

The Dauphin Highland's rate covenant calculation required under applicable trust indentures pertaining to the Tax Exempt County Guaranteed Revenue Refunding Bonds, Series A of 2005, and the Taxable County Guaranteed Revenue Refunding Bonds, Series B of 2005, has not been met for the year ended December 31, 2007. If the Authority fails to generate sufficient revenues to pay debt service on the Series A of 2005 and the Series B of 2005, or ceases revenue generating operations, or if other monies set aside for such purposes are insufficient, Dauphin County will be required to pay principal and interest on such County, the Authority, and the trustee for the bonds. The Dauphin Highlands Golf Course has incurred substantial accumulated losses, which have resulted in cash flow difficulties.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Unit-Commitments and Contingencies (Continued)

Dauphin County General Authority (Continued)

Project Viability (Continued)

The Pittsburgh Hyatt Hotel and Conference Center project viability is dependent upon the facility maintaining sufficient operating cash flows to meet debt service payments. Operations of the facility commenced June 29, 2000, and the bond proceeds included a working capital reserve that approximated eighteen (18) months of working capital necessary for operations. In 2002 funds sufficient to meet the debt service payments were transferred from the construction fund. In 2003, the 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 withdraws 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 was in technical default because the Bond Reserve Fund was not replenished as required by the trust indenture in the amount of approximately \$750,000. On July 1, 2007 the Debt Service Reserve Fund has been fully funded in accordance with the terms of the Indenture. The operating revenues of the facility were sufficient to meet the January 2007, July 2007, and January 2008 debt service payments.

Cease and Desist Order

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

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 27: ADMINISTRATIVE FEES

Component Units – Administrative FeesDauphin County General Authority

Provisions of the financing documents of the bond issues require administrative fees to be paid to the General Authority. For 2007, these fees, as paid by each fund, are as follows:

Administrative Fees:	
Administrative Fund	
County Building Bonds	\$ 20,000
School Pools	46,221
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	23,335
Total Administrative Fees	<u>\$456,316</u>

NOTE 28: HOTEL TAX DISTRIBUTIONS AND RELATED EXPENSES

Component Units – Hotel Tax Distribution and Related ExpensesDauphin 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 \$2,113,128 for the year ended December 31, 2007.

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 remitted, in full to the Hershey Harrisburg Region Vacations Bureau to be used solely for tourism and regional promotion purposes.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 29: HOME AND AFFORDABLE HOUSING LOAN PROGRAMS

The Home Grant Program and Affordable Housing Program disburse funds in the form of deferred payment loans for low and moderate income households. The deferred payment loans are secured by a mortgage on the property. Repayment of the loan is deferred until the property is sold or until the original occupant moves out. The principal balance outstanding at December 31, 2007 for these loans totaled \$2,361,243. These outstanding deferred loans have been recorded as receivables at December 31, 2007, and unearned revenues totaling \$2,361,243 have been recorded to offset the deferred loans.

NOTE 30: LOANS RECEIVABLE

Component Units – Loans Receivable

Dauphin County Industrial Development Authority

On November 8, 2005 the IDA entered into a loan agreement with the Harrisburg Hotel Corporation (HHC) in the amount of \$65,000 at a fixed interest rate of 3.0%. The agreement required the HHC to make monthly principal and interest payments of \$1,890 to the IDA for 36 consecutive months beginning on November 24, 2005. The amount outstanding on the loan as of September 30, 2007 is \$25,974.

On August 29, 2006 the IDA entered into a loan agreement with the Strawberry Square Development Corporation (SSDC) in the amount of \$100,000 at a fixed interest rate of 5.0%. The agreement required the HHC to make monthly principal and interest payments of \$1,887 to the IDA for 60 consecutive months beginning on September 29, 2006. The amount outstanding on the loan as of September 30, 2007 is \$80,089.

On April 1, 2007 the IDA entered into a loan agreement with Tuscano Pizza & Grill, Inc. in the amount of \$100,000 at a fixed interest rate of 6.0%. The agreement required Tuscano Pizza & Grill, Inc. to make monthly principal and interest payments of \$1,933 to the IDA for 60 consecutive months beginning on May 1, 2007. The amount outstanding on the loan as of September 30, 2007 is \$92,718.

The following schedule summarizes the loans outstanding at September 30, 2007:

	<u>Principal</u>	<u>Interest</u>	<u>Total Loan Receivable Payment</u>
2008	\$ 59,393	\$ 9,127	\$ 68,520
2009	43,046	6,574	49,620
2010	41,490	4,350	45,840
2011	41,630	4,210	45,840
2012	13,222	9,974	23,196
	<u>\$ 198,781</u>	<u>\$ 34,235</u>	<u>\$ 233,016</u>
Less Current Portion	<u>59,393</u>		
Non-Current Portion	<u>\$ 139,388</u>		

COUNTY OF DAUPHIN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 30: RESTATEMENT

Component Units-RestatementDauphin County Economic Development Corporation

Prior year audited financial statements recorded an overstated receivable balance. Beginning net assets were restated as follows:

Net Asset Restatement:	<u>Temporarily Restricted</u>
Beginning net assets, as of January 1, 2007, as previously reported	\$1,563,865
Overstatement of Prior Year Due From Related Party	<u>(85,123)</u>
Beginning net assets, as restated	<u>\$1,478,742</u>

Dauphin County Industrial Development Authority

The net asset balance at October 1, 2006 for the Property Management fund has been decreased by \$61,898 due to the correction of a prior year error in the recording of lease agreements with Dauphin County. These leases were recorded as operating leases, but should have been recorded as direct financing leases. The effect of this restatement is as follows:

Net Assets, October 1, 2006	\$ 250,607
Decrease in Capital Assets, net	(1,340,694)
Increase in Investment in Direct Financing Leases	1,296,093
Decrease in Bond Issuance Costs, net	<u>(17,297)</u>
Net Assets, October 1, 2006, restated	<u>\$ 188,709</u>

NOTE 31: ECONOMIC DEPENDENCY

Component Units-Economic DependencyCase Management Unit

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

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

Since 92% 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.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 32: LITIGATION

Component Unit – Litigation

Dauphin County General Authority

The General Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages in 2007. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

NOTE 33: MANAGEMENT PLAN

Component Unit – Management Plan

Case Management Unit

The Case Management Unit has a deficit balance in restricted net assets in the amount of \$38,851 at June 30, 2007. 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.

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

The Commission had a deficit unrestricted Net Asset balance in the amount of \$25,529 at June 30, 2007. Although the Commission's DUI fines income is reported as Temporarily Restricted, the Pennsylvania Consolidated Statutes permit these funds to be used for the purposes of drug abuse and alcoholism prevention, education, treatment, and research. The Commission intends to use these DUI funds to offset the deficit net asset balance.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 34: SUBSEQUENT EVENTS

- A. In February, 2008, the County terminated the two 2006 Constant Maturity SWAPS associated with the Series D of 2004 and the Series of 2006 Bonds.
- B. Due to the current financial market conditions, the bond insurer's rating for the 2007 Bond dropped below AAA in the beginning of 2008. As a result, the County issued the General Obligation Bonds, Series of 2008 in March, 2008 in the amount of \$16,845,000 to currently refund the General Obligation Bonds, Series of 2007 and to pay the costs of issuance. The Series of 2008 Bonds will bear a weekly variable interest rate not to exceed 25% per annum.
- C. In March, 2008, the County entered into a floating-to-fixed rate swap related to the Series of 2008 Bonds with Deutsche Bank AG, the counterparty. This swap was originally executed in June, 2006 and was subsequently amended and restated in March, 2008 in the amount of \$16,865,000. The County will pay to the counterparty a fixed rate of 3.979% and will receive from the counterparty 67% of 1-month LIBOR.
- D. Subsequent to December 31, 2007, the Capital Credit Market experienced significant events which negatively impacted the availability and cost of credit.
- E. The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in investment values (both pension and non-pension assets) either directly invested or tied to the equity markets. These declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs, may take some time. The major resulting impact of the equity market's decline on Dauphin County will be in the form of increased annual required contributions (ARC) and increased pension expense with respect to its pension plan.
- F. As a result of the current market conditions, investments and their ratings may fluctuate in the near future.

Component Units – Subsequent Events

Dauphin County General Authority

Due to the current financial market conditions, the bond insurer's rating for School Pool II dropped below AAA in the beginning of 2008. As a result of this, the Board approved the refunding of School Pool II on February 20, 2008. An interim credit facility has been arranged until the refunding occurs.

Case Management Unit

On November 1, 2007, CMU entered into a union agreement with SEIU Local 668/PSSU. Under the new agreement, employees will receive short-term disability benefits as well as an employee 401k bonus plan.

On January, 17, 2008, the Board of Directors approved two new policies, which increased the employee's life insurance and increased the annual carryover of sick and annual leave.

COUNTY OF DAUPHIN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 34: SUBSEQUENT EVENTS (CONTINUED)

Component Units – Subsequent Events (Continued)

Dauphin County Executive Commission on Drugs and Alcohol, Inc.

On January 1, 2008, the Dauphin County Executive Commission on Drug and Alcohol ("Commission"), a non-profit corporation under the laws of the Commonwealth of Pennsylvania, ceased operations and was taken over by the County of Dauphin ("County"). As a result, the County will perform drug, alcohol and tobacco abuse treatment and prevention and other services as mandated or permitted by the Commonwealth of Pennsylvania.

Dauphin County Industrial Development Authority

On November 29, 2007, the Dauphin County Industrial Development Authority issued Guaranteed Lease Revenue Note, Series 2007 B in the amount of \$900,000 at an interest rate of 4.89% for the purchase of building for a County District Justice Office.

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, 2007

	Original	Budgeted Amounts	Final	Actual	Variance with
				Amounts	Final Budget
					Positive
					(Negative)
Revenues					
Taxes	\$ 90,630,000	\$ 90,630,000	\$ 94,491,811	\$	3,861,811
Intergovernmental	7,050,641	7,819,765	7,962,682		142,917
Charges for Services	17,825,907	18,015,907	18,025,140		9,233
License and Permits	54,750	54,750	87,564		32,814
Court Costs and Fines	3,850,955	4,023,350	3,893,063		(130,287)
Interest and Rents	1,629,000	1,629,000	3,411,178		1,782,178
Total Revenues	121,041,253	122,172,772	127,871,438		5,698,666
Expenditures					
General Government	14,358,791	15,151,185	13,484,050		1,667,135
Judicial	39,653,623	39,446,378	37,676,898		1,769,480
Public Safety	33,897,562	33,773,502	34,354,469		(580,967)
Human Services	2,539,101	4,828,724	6,208,696		(1,379,972)
Culture and Recreation	1,623,952	1,632,492	1,556,222		76,270
Conservation and Development	2,832,817	3,452,534	3,277,916		174,618
Debt Service					
Principle	4,289,482	4,289,482	4,659,069		(369,587)
Interest	4,392,783	4,392,783	5,040,745		(647,962)
Total Expenditures	103,588,111	106,967,080	106,258,065		709,015
Excess of Revenues Over Expenditures	17,453,142	15,205,692	21,613,373		6,407,681
Other Financing Sources (Uses)					
Operating Transfer In	324,191	286,191	441,275		153,084
Operating Transfer (Out)	(17,781,333)	(15,497,883)	(29,880,560)		(14,382,677)
Transfer from Component Units	-	-	541,328		541,328
Proceeds from Sale of Fixed Assets	-	4,000	(258,767)		(262,767)
Option Sale Premium Proceeds	4,000	-	1,001,000		1,001,000
Loss on SWAP Refinancing	-	-	(974,000)		(974,000)
Capital Lease Proceeds	-	-	1,079,759		1,079,759
Proceeds of General Obligation Debt	-	-	16,700,000		16,700,000
Payment to Refunded Bond Escrow Agent	-	-	(13,806,358)		(13,806,358)
Total Other Financing Uses	(17,453,142)	(15,205,692)	(25,156,323)		(9,950,631)
Net Change in Fund Balances	-	-	(3,542,950)		(3,542,950)
Fund Balances - January 1	-	-	53,093,793		53,093,793
Fund Balances - December 31	-	-	49,550,843		49,550,843

OTHER
SUPPLEMENTARY
INFORMATION

COUNTY OF DAUPHIN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2007

	<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	\$ 8,732,605	\$ -	\$ 8,732,605
Investments	-	851,548	851,548
Receivables:			
Accounts	180,704	-	180,704
Program Loans	95,245	-	95,245
Deferred Loans	2,361,243	-	2,361,243
Interest and Dividends	9,217	-	9,217
Due From Other Funds	114,471	-	114,471
Due From Other Governments	1,407,989	-	1,407,989
Due From Component Units	-	-	-
Other Assets	44,147	-	44,147
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 12,945,621	\$ 851,548	\$ 13,797,169
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,400,817	\$ -	\$ 1,400,817
Accrued Liabilities	258,288	-	258,288
Unearned Revenues	2,490,837	-	2,490,837
Due to Other Funds	203,087	-	203,087
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,353,029	-	4,353,029
	<hr/>	<hr/>	<hr/>
<u>Fund Balances</u>			
Reserved for Program Purposes	8,035,309	-	8,035,309
Reserved for Restricted			
Contributions/Fees	557,283	-	557,283
Reserved for Permanent Fund	-	851,548	851,548
	<hr/>	<hr/>	<hr/>
Total Fund Balances	8,592,592	851,548	9,444,140
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 12,945,621	\$ 851,548	\$ 13,797,169
	<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, 2007

	Other Special Revenue <u>Funds</u>	Fort Hunter Permanent <u>Fund</u>	Total Other Governmental <u>Funds</u>
Revenues			
Hotel Taxes	\$ 5,364,812	\$ -	\$ 5,364,812
Intergovernmental	16,316,036	-	16,316,036
Charges for Services	1,144,113	-	1,144,113
Court Costs and Fines and Fees	460,227	-	460,227
Interest and Rent	466,051	29,608	495,659
Appreciation in Fair Market Value of Investments	-	28,334	28,334
Miscellaneous Revenue	87,248	-	87,248
	<hr/>		<hr/>
Total Revenues	23,838,487	57,942	23,896,429
<hr/>			
Expenditures			
Current:			
Judicial	5,577,369	-	5,577,369
Public Safety	99,874	-	99,874
Public Works	985,899	-	985,899
Human Services	12,320,211	-	12,320,211
Conservation and Development	745,602	-	745,602
Culture and Recreation	4,931,282	-	4,931,282
Debt Service			
Principle	381,219	-	381,219
Interest	85,085	-	85,085
	<hr/>		<hr/>
Total Expenditures	25,126,541	-	25,126,541
<hr/>			
Excess of Revenues Over (Under)			
Expenditures	(1,288,054)	57,942	(1,230,112)
<hr/>			
Other Financing Sources (Uses)			
Transfers In	1,853,952	-	1,853,952
Transfers Out	(888,309)	(76,000)	(964,309)
	<hr/>		<hr/>
Total Other Financing Sources (Uses)	965,643	(76,000)	889,643
<hr/>			
Net Change in Fund Balances	(322,411)	(18,058)	(340,469)
<hr/>			
Fund Balances - Beginning of Year	8,915,003	869,606	9,784,609
<hr/>			
Fund Balances - End of Year	\$ 8,592,592	\$ 851,548	\$ 9,444,140
<hr/>			

COUNTY OF DAUPHIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund	Aging Fund	Drug and Alcohol Fund	Drug Act-Forfeited State Property
Assets								
Cash and Cash Equivalents	\$ 5,615,649	\$ 2,053	\$ 72,590	\$ 88,371	\$ 114,651	\$ 896,776	\$ 218,773	\$ 155,109
Receivables:								
Accounts	-	10,000	17,099	5,460	-	74,594	4,191	43,880
Program Loans	-	-	-	-	-	-	-	-
Deferred Loans	-	-	-	-	-	-	-	-
Interest and Dividends	5,137	295	87	99	402	1,305	188	154
From Other Funds	-	-	2,477	-	-	111,994	-	-
Due From Other Governments	-	923,371	21,324	-	-	197,368	265,926	-
Due From Component Units	-	-	-	-	-	-	-	-
Other Assets	-	-	42,043	-	-	2,104	-	-
Total Assets	\$ 5,620,786	\$ 935,719	\$ 155,620	\$ 93,930	\$ 115,053	\$ 1,284,141	\$ 489,078	\$ 199,143
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	\$ 21,016	\$ 37,758	\$ 19,920	\$ 6,671	\$ 44,771	\$ 350,454	\$ 447,159	\$ 11,385
Accrued Liabilities	329	125,703	14,492	-	-	110,887	2,777	2,042
Unearned Revenues	-	-	97,048	-	7,238	-	25,308	-
Due to Other Funds	-	18,328	854	-	63,044	106,448	13,834	466
Total Liabilities	21,345	181,789	132,314	6,671	115,053	567,789	489,078	13,893
Fund Balances								
Reserved for Program Purposes	5,599,441	753,930	23,306	87,259	-	159,069	-	185,250
Reserved for Restricted Contributions/Fees	-	-	-	-	-	557,283	-	-
Total Fund Balances	5,599,441	753,930	23,306	87,259	-	716,352	-	185,250
Total Liabilities and Fund Balances	\$ 5,620,786	\$ 935,719	\$ 155,620	\$ 93,930	\$ 115,053	\$ 1,284,141	\$ 489,078	\$ 199,143

COUNTY OF DAUPHIN
 COMBINED BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2007

	Drug Act- Forfeited Federal Property	Low Income Housing Grant	Hotel Tax Fund	Revolving Loan Fund	Total
Assets					
Cash and Cash Equivalents	\$ 371,706	\$ 707,181	\$ 428,097	\$ 61,649	\$ 8,732,605
Receivables:					
Accounts	-	25,480	-	-	180,704
Program Loans	-	-	-	95,245	95,245
Deferred Loans	-	2,361,243	-	-	2,361,243
Interest and Dividends	349	615	528	58	9,217
Due From Other Funds	-	-	-	-	114,471
Due From Other Governments	-	-	-	-	1,407,989
Due From Component Units	-	-	-	-	-
Other Assets	-	-	-	-	44,147
Total Assets	\$ 372,055	\$ 3,094,519	\$ 428,625	\$ 156,952	\$ 12,945,621
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	-	\$ 34,302	\$ 427,381	\$ -	\$ 1,400,817
Accrued Liabilities	-	877	1,181	-	258,288
Unearned Revenues	-	2,361,243	-	-	2,450,837
Due to Other Funds	-	50	63	-	203,087
Total Liabilities	-	2,396,472	428,625	-	4,353,029
Fund Balances					
Reserved for Program Purposes	372,055	698,047	-	156,952	8,035,309
Reserved for Restricted Contributions/Fees	-	-	-	-	557,283
Total Fund Balances	372,055	698,047	-	156,952	8,592,592
Total Liabilities and Fund Balances	\$ 372,055	\$ 3,094,519	\$ 428,625	\$ 156,952	\$ 12,945,621

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Liquid Fuels Fund	Domestic Relations Fund	Weatherization Program	Hazard Material Emergency Response	Human Services Development Fund	Aging Fund
Revenues						
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	863,007	3,697,819	745,880	(762)	788,967	6,023,348
Charges for Services	-	112,170	153,263	56,592	-	224,278
Court Costs and Fines and Fees	-	-	-	-	-	-
Interest and Rent	290,633	8,112	4,260	6,444	16,102	43,322
Miscellaneous Revenue	-	-	-	-	2,711	84,537
Total Revenues	1,153,640	3,818,101	903,403	62,274	807,780	6,375,485
Expenditures						
Current:						
Judicial	-	5,077,927	-	-	-	-
Public Safety	-	-	-	99,874	-	-
Public Works	985,899	-	-	-	-	-
Human Services	-	-	905,575	-	640,900	6,492,710
Conservation and Development	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service	-	2,919	296	-	-	1,172
Principle	-	75	10	-	25	74
Interest	-	-	-	-	-	-
Total Expenditures	985,899	5,080,921	905,881	99,874	640,925	6,493,956
Excess of Revenues Over (Under) Expenditures	167,741	(1,262,820)	(2,478)	(37,600)	166,855	(118,471)
Other Financing Sources (Uses)						
Transfers In	-	873,448	17,279	4,516	27,231	746,642
Transfers Out	-	-	(14,802)	-	(194,086)	(679,421)
Total Other Financing Sources (Uses)	-	873,448	2,477	4,516	(166,855)	67,221
Net Change in Fund Balances	167,741	(389,372)	(1)	(33,084)	-	(51,250)
Fund Balances - Beginning of Year	5,431,700	1,143,302	23,307	120,343	-	767,602
Fund Balances - End of Year	5,599,441	753,930	23,306	87,259	-	716,352

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Drug and Alcohol Fund	Drug Act-Forfeited State Fund	Drug Act-Forfeited Federal Fund	Low Income Housing Grant	Hotel Tax Fund	Revolving Loan Fund	Totals
Revenues							
Hotel Taxes	\$ -	\$ -	\$ -	\$ -	\$ 5,364,812	\$ -	\$ 5,364,812
Intergovernmental Charges for Services	4,014,963	-	-	182,814	-	-	16,316,036
Court Costs and Fines and Fees	76,614	-	-	521,196	-	-	1,144,113
Interest and Rent	-	399,980	60,247	-	-	-	460,227
Miscellaneous Revenue	6,488	3,637	22,576	33,235	26,328	4,914	466,051
	-	-	-	-	-	-	87,248
Total Revenues	4,098,065	403,617	82,823	737,245	5,391,140	4,914	23,838,487
Expenditures							
Current:							
Judicial	-	277,654	221,788	-	-	-	5,577,369
Public Safety	-	-	-	-	-	-	99,874
Public Works	-	-	-	-	-	-	985,899
Human Services	4,281,026	-	-	-	-	-	12,320,211
Conservation and Development	-	-	-	745,602	-	-	745,602
Culture and Recreation	-	-	-	-	4,931,282	-	4,931,282
Debt Service	-	-	-	-	-	-	-
Principle	1,832	-	-	-	375,000	-	381,219
Interest	43	-	-	-	84,858	-	85,085
Total Expenditures	4,282,901	277,654	221,788	745,602	5,391,140	-	25,126,541
Excess of revenues Over (Under) Expenditures	(184,836)	125,963	(138,965)	(8,357)	-	4,914	(1,288,054)
Other Financing Sources (Uses)							
Transfers In	184,836	-	-	-	-	-	1,853,952
Transfers Out	-	-	-	-	-	-	(888,309)
Total Other Financing Sources (Uses)	184,836	-	-	-	-	-	965,643
Net Change in Fund Balances	-	125,963	(138,965)	(8,357)	-	4,914	(322,411)
Fund Balances - Beginning of Year	-	59,287	511,020	706,404	-	152,038	8,915,003
Fund Balances - End of Year	\$ -	\$ 185,250	\$ 372,055	\$ 698,047	\$ -	\$ 156,952	\$ 8,592,592

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2007

	Solid Waste Fund	Fort Hunter Operating Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,502,425	\$ 123,421	\$ 1,625,846
Accounts Receivables	225,777	-	225,777
Due From Other Funds	-	-	-
Other Assets	518	-	518
Total current assets	1,728,720	123,421	1,852,141
Noncurrent Assets:			
Capital Assets, Not Being Depreciated	-	111,492	111,492
Capital Assets, Being Depreciated, (Net)	2,219,231	469,872	2,689,103
Total noncurrent assets	2,219,231	581,364	2,800,595
Total assets	\$ 3,947,951	\$ 704,785	\$ 4,652,736
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 82,946	\$ -	\$ 82,946
Accrued Liabilities	11,761	-	11,761
Due to Other Funds	2,240	-	2,240
Obligation Under Capital Lease	-	-	-
General Obligation Debt	103,565	-	103,565
Total current liabilities	200,512	-	200,512
Noncurrent liabilities:			
Obligation Under Capital Lease	-	-	-
General Obligation Debt	-	-	-
Accrued Compensated Absences	1,857	-	1,857
Total noncurrent liabilities	1,857	-	1,857
Total liabilities	202,369	-	202,369
NET ASSETS			
Invested in Capital Assets			
Net of Related Debt	2,219,231	581,364	2,800,595
Unrestricted	1,526,351	123,421	1,649,772
Total net assets	\$ 3,745,582	\$ 704,785	\$ 4,450,367

COUNTY OF DAUPHIN
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Solid Waste Fund	Fort Hunter Operating Fund	Totals
Operating Revenues			
Charges for Services	\$ 1,417,767	\$ 36,545	\$ 1,454,312
Total Operating Revenues	1,417,767	36,545	1,454,312
Operating Expenses			
Personnel Services	311,860	-	311,860
Contracted Services	175,020	576	175,596
Supplies and Materials	7,911	-	7,911
Repairs and Maintenance	45,555	-	45,555
Utilities	4,917	11,023	15,940
Other Services and Charges	137,884	36,478	174,362
Depreciation and Amortization	134,455	70,261	204,716
Total Operating Expenses	817,602	118,338	935,940
Operating Income (Loss)	600,165	(81,793)	518,372
Nonoperating Revenues (Expenses)			
Interest Income	38,551	4,144	42,695
Interest Expense	(8,322)	-	(8,322)
Donated Assets	235,000	-	235,000
Gain on Asset Disposal	141	-	141
Grants	28,439	-	28,439
Total Nonoperating Revenues	293,809	4,144	297,953
Income (Loss) Before Operating Transfers In (Out)	893,974	(77,649)	816,325
Transfers In	-	76,000	76,000
Transfers Out	-	-	-
Total Tranfers	-	76,000	76,000
Changes in Net Assets	893,974	(1,649)	892,325
Total Net Assets - Beginning of Year	2,851,608	706,434	3,558,042
Total Net Assets - End of Year	\$ 3,745,582	\$ 704,785	\$ 4,450,367

COUNTY OF DAUPHIN
 STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Solid Waste Fund	Fort Hunter Operating Fund	Totals
Cash Flows From Operating Activities			
Receipts from Recycling Services	\$ 1,312,897	\$ -	\$ 1,312,897
Receipts from Emergency Communications Services	-	-	-
Receipts from Recreational Activities	-	36,545	36,545
Payments to Employees	(321,268)	-	(321,268)
Payments to Suppliers	(327,629)	(48,077)	(375,706)
Internal Activity - Payments to other funds	2,035	-	2,035
Net Cash Provided by (Used In) Operating Activities	666,035	(11,532)	654,503
Cash Flow From Noncapital Financing Activities			
Operating Transfers In (Out)	-	76,000	76,000
Operating Grants Received	28,439	-	28,439
Net Cash Provided by Noncapital Financing Activities	28,439	76,000	104,439
Cash Flows from Capital and Related Financing Activities			
Purchase of Fixed Assets	(235,000)	-	(235,000)
Disposal of Fixed Assets	1,756	(7,033)	(5,277)
Interest Paid	(8,322)	-	(8,322)
Donated Assets	235,000	-	235,000
Gain on Disposal of Fixed Assets	141	-	141
Principal Payments on Capital Lease	(2,359)	-	(2,359)
Principal Payments on Bonds	(200,936)	-	(200,936)
Net Cash Used in Capital and Related Financing Activities	(209,720)	(7,033)	(216,753)
Cash Flows from Investing Activities			
Interest Income	38,551	4,144	42,695
Net Cash Provided by Investing Activities	38,551	4,144	42,695
Net Increase in Cash and Cash Equivalents	523,305	61,579	584,884
Cash and Cash Equivalents, Beginning of Year	979,120	61,842	1,040,962
Cash and Cash Equivalents, End of Year	\$ 1,502,425	\$ 123,421	\$ 1,625,846
Noncash Financing Activities			
Donated Assets	\$ 235,000	\$ -	\$ 235,000

COUNTY OF DAUPHIN
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Solid Waste Fund	Fort Hunter Operating Fund	Totals
Reconciliation of Operating loss to net cash provided (used) by operating activities			
Operating Income (Loss)	\$ 600,165	\$ (81,793)	\$ 518,372
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used In) Operating Activities			
Depreciation and Amortization Expense	134,455	70,261	204,716
Change in assets and liabilities			
Accounts Receivable	(104,870)	-	(104,870)
Other Assets	(478)	-	(478)
Accounts Payable	44,136	-	44,136
Accrued Expenses	(4,644)	-	(4,644)
Accrued Vacation and Sick Pay	(4,764)	-	(4,764)
Due To/Due From Other Funds	2,035	-	2,035
Net Cash Provided by (Used In) Operating Activities	\$ 666,035	\$ (11,532)	\$ 654,503

COUNTY OF DALPHIN, PENNSYLVANIA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 DECEMBER 31, 2007

	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	Flexible Spending Account	Totals
Cash and Cash Equivalents	\$ 3,877,678	\$ 302,913	\$ 876,053	\$ 6,090	\$ 71,462	\$ 1,072,182	\$ 793,884	\$ 1,307,273	\$ 98,593	\$ 71,274	\$ 610	\$ 85,042	\$ 21,786	\$ 8,594,840
Total Assets	\$ 3,877,678	\$ 302,913	\$ 876,053	\$ 6,090	\$ 71,462	\$ 1,072,182	\$ 793,884	\$ 1,307,273	\$ 98,593	\$ 71,274	\$ 610	\$ 85,042	\$ 21,786	\$ 8,594,840
Liabilities														
Accounts Payable	\$ 779,412													\$ 779,412
Funds Held in Escrow	3,098,266	302,913	876,053		71,462			1,307,273	98,593		610		21,786	5,861,968
Due To Other Governments				6,090		1,072,182	793,884			71,274				1,943,430
Total Liabilities	\$ 3,877,678	\$ 302,913	\$ 876,053	\$ 6,090	\$ 71,462	\$ 1,072,182	\$ 793,884	\$ 1,307,273	\$ 98,593	\$ 71,274	\$ 610	\$ 85,042	\$ 21,786	\$ 8,594,840

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
General Government				
Commissioners - Governing Body				
Personal Services	\$ 653,277	\$ 634,599	\$ 1,051,756	\$ (417,157)
Supplies and Services	2,411,361	3,192,716	1,761,004	1,431,712
Capital Outlay	-	-	-	-
	<u>3,064,638</u>	<u>3,827,315</u>	<u>2,812,760</u>	<u>1,014,555</u>
Finance				
Personal Services	256,971	253,431	250,566	2,865
Supplies and Services	36,097	36,071	95,955	(59,884)
Capital Outlay	-	-	-	-
	<u>293,068</u>	<u>289,502</u>	<u>346,521</u>	<u>(57,019)</u>
Risk Management				
Personal Services	123,092	126,565	125,434	1,131
Supplies and Services	-	-	1,250	(1,250)
	<u>123,092</u>	<u>126,565</u>	<u>126,684</u>	<u>(119)</u>
Purchasing				
Personal Services	340,813	335,008	336,621	(1,613)
Supplies and Services	520,039	520,039	483,384	36,655
Capital Outlay	1,460	1,460	-	1,460
	<u>862,312</u>	<u>856,507</u>	<u>820,005</u>	<u>36,502</u>
Voter's Registration				
Personal Services	365,182	360,422	368,527	(8,105)
Supplies and Services	518,116	630,667	642,489	(11,822)
Capital Outlay	-	-	21,716	(21,716)
	<u>883,298</u>	<u>991,089</u>	<u>1,032,732</u>	<u>(41,643)</u>
Tax Assessment				
Personal Services	1,314,054	1,293,011	1,278,864	14,147
Supplies and Services	1,602,930	1,631,062	1,292,807	338,255
Capital Outlay	-	-	-	-
	<u>2,916,984</u>	<u>2,924,073</u>	<u>2,571,671</u>	<u>352,402</u>
Treasurer				
Personal Services	272,241	265,133	251,401	13,732
Supplies and Services	12,220	14,270	31,314	(17,044)
Capital Outlay	-	-	-	-
	<u>284,461</u>	<u>279,403</u>	<u>282,715</u>	<u>(3,312)</u>
Tax Collectors				
Personal Services	215,300	215,300	200,393	14,907
Supplies and Services	44,480	44,220	41,806	2,414
Capital Outlay	39,000	39,000	-	39,000
	<u>298,780</u>	<u>298,520</u>	<u>242,199</u>	<u>56,321</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued)				
Personnel				
Personal Services	680,682	667,761	651,888	15,873
Supplies and Services	42,974	42,974	66,955	(23,981)
Capital Outlay	-	-	-	-
	<u>723,656</u>	<u>710,735</u>	<u>718,843</u>	<u>(8,108)</u>
Controller				
Personal Services	774,444	761,477	749,079	12,398
Supplies and Services	163,109	163,109	225,177	(62,068)
Capital Outlay	-	-	-	-
	<u>937,553</u>	<u>924,586</u>	<u>974,256</u>	<u>(49,670)</u>
Solicitor				
Personal Services	397,630	391,484	362,112	29,372
Supplies and Services	115,526	114,819	58,769	56,050
Capital Outlay	-	-	-	-
	<u>513,156</u>	<u>506,303</u>	<u>420,881</u>	<u>85,422</u>
Public Defender				
Personal Services	2,370,012	2,338,600	2,204,523	134,077
Supplies and Services	496,478	524,318	533,175	(8,857)
Capital Outlay	-	-	-	-
	<u>2,866,490</u>	<u>2,862,918</u>	<u>2,737,698</u>	<u>125,220</u>
Recorder of Deeds				
Personal Services	614,861	606,135	519,974	86,161
Supplies and Services	428,382	394,356	328,054	66,302
Capital Outlay	-	-	-	-
	<u>1,043,243</u>	<u>1,000,491</u>	<u>848,028</u>	<u>152,463</u>
Facilities Management				
Personal Services	2,278,719	2,221,646	2,136,954	84,692
Supplies and Services	2,742,832	2,759,682	2,696,466	63,216
Capital Outlay	12,500	23,650	54,339	(30,689)
	<u>5,034,051</u>	<u>5,004,978</u>	<u>4,887,759</u>	<u>117,219</u>
Printing				
Personal Services	113,442	111,587	113,048	(1,461)
Supplies and Services	77,532	77,532	88,916	(11,384)
Capital Outlay	15,000	15,000	-	15,000
	<u>205,974</u>	<u>204,119</u>	<u>201,964</u>	<u>2,155</u>
Data Processing				
Personal Services	1,806,788	1,838,073	1,756,434	81,639
Supplies and Services	797,919	789,393	713,651	75,742
Capital Outlay	267,000	282,234	176,357	105,877
	<u>2,871,707</u>	<u>2,909,700</u>	<u>2,646,442</u>	<u>263,258</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
General Government (Continued)				
Veterans' Affairs				
Personal Services	72,528	70,784	70,585	199
Supplies and Services	151,700	126,497	126,550	(53)
Capital Outlay	-	-	-	-
	<u>224,228</u>	<u>197,281</u>	<u>197,135</u>	<u>146</u>
Gasoline Center				
Supplies and Services	212,100	237,100	223,151	13,949
Capital Outlay	-	-	-	-
	<u>212,100</u>	<u>237,100</u>	<u>223,151</u>	<u>13,949</u>
Pass-through Library Grant	-	-	-	-
Less: Indirect Cost Reimbursement	<u>(9,000,000)</u>	<u>(9,000,000)</u>	<u>(8,607,394)</u>	<u>(392,606)</u>
Total General Government	<u>\$ 14,358,791</u>	<u>\$ 15,151,185</u>	<u>\$ 13,484,050</u>	<u>\$ 1,667,135</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial Courts				
Personal Services	\$ 1,616,404	\$ 1,575,569	\$ 1,483,514	\$ 92,055
Supplies and Services	2,262,184	2,333,743	2,277,519	56,224
Capital Outlay	-	57,766	49,066	8,700
	<u>3,878,588</u>	<u>3,967,078</u>	<u>3,810,099</u>	<u>156,979</u>
Court Reporters				
Personal Services	1,015,182	997,458	999,660	(2,202)
Supplies and Services	117,460	117,460	69,661	47,799
Capital Outlay	-	-	-	-
	<u>1,132,642</u>	<u>1,114,918</u>	<u>1,069,321</u>	<u>45,597</u>
Jury Commissioners				
Personal Services	-	-	-	-
Supplies and Services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District Justices				
Personal Services	3,856,000	3,781,076	3,591,964	189,112
Supplies and Services	1,766,071	1,804,269	1,863,732	(59,463)
Capital Outlay	68,122	84,622	410,651	(326,029)
	<u>5,690,193</u>	<u>5,669,967</u>	<u>5,866,347</u>	<u>(196,380)</u>
Law Library				
Personal Services	156,941	154,283	153,250	1,033
Supplies and Services	318,704	323,647	351,986	(28,339)
Capital Outlay	-	-	-	-
	<u>475,645</u>	<u>477,930</u>	<u>505,236</u>	<u>(27,306)</u>
Night Court				
Personal Services	256,812	252,986	233,747	19,239
Supplies and Services	29,827	31,279	20,582	10,697
Capital Outlay	-	-	-	-
	<u>286,639</u>	<u>284,265</u>	<u>254,329</u>	<u>29,936</u>
Clerk of Courts				
Personal Services	1,272,629	1,252,993	1,220,006	32,987
Supplies and Services	309,758	318,330	262,841	55,489
Capital Outlay	-	-	-	-
	<u>1,582,387</u>	<u>1,571,323</u>	<u>1,482,847</u>	<u>88,476</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Judicial (Continued)				
Coroner				
Personal Services	423,736	418,058	416,217	1,841
Supplies and Services	426,010	462,729	422,737	39,992
Capital Outlay	-	-	9,122	(9,122)
	<u>849,746</u>	<u>880,787</u>	<u>848,076</u>	<u>32,711</u>
District Attorney				
Personal Services	2,663,883	2,622,586	2,507,845	114,741
Supplies and Services	1,194,366	1,198,221	1,212,677	(14,456)
Capital Outlay	-	-	-	-
	<u>3,858,249</u>	<u>3,820,807</u>	<u>3,720,522</u>	<u>100,285</u>
Criminal Investigation				
Personal Services	1,174,460	1,154,586	1,152,031	2,555
Supplies and Services	455,620	447,680	397,141	50,539
Capital Outlay	-	-	-	-
	<u>1,630,080</u>	<u>1,602,266</u>	<u>1,549,172</u>	<u>53,094</u>
Prothonotary				
Personal Services	863,316	849,743	766,370	83,373
Supplies and Services	259,355	286,364	243,771	42,593
Capital Outlay	-	-	-	-
	<u>1,122,671</u>	<u>1,136,107</u>	<u>1,010,141</u>	<u>125,966</u>
Registrar of Wills				
Personal Services	431,953	410,835	344,192	66,643
Supplies and Services	210,774	210,660	191,323	19,337
Capital Outlay	-	-	5,447	(5,447)
	<u>642,727</u>	<u>621,495</u>	<u>540,962</u>	<u>80,533</u>
Sheriff				
Personal Services	2,586,853	2,537,505	2,422,262	115,243
Supplies and Services	406,359	468,586	483,480	(14,894)
Capital Outlay	20,000	31,153	5,266	25,887
	<u>3,013,212</u>	<u>3,037,244</u>	<u>2,911,008</u>	<u>126,236</u>
Cost & Fines				
Personal Services	181,157	179,705	179,059	646
Supplies and Services	43,783	35,489	35,970	(481)
Capital Outlay	-	-	-	-
	<u>224,940</u>	<u>215,194</u>	<u>215,029</u>	<u>165</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Judicial (Continued)				
Adult Probation				
Personal Services	7,909,703	7,780,765	7,320,576	460,189
Supplies and Services	1,480,384	1,383,233	1,231,154	152,079
Capital Outlay	12,365	12,365	-	12,365
	<u>9,402,452</u>	<u>9,176,363</u>	<u>8,551,730</u>	<u>624,633</u>
Juvenile Probation				
Personal Services	3,958,684	3,776,691	3,561,788	214,903
Supplies and Services	861,171	1,056,328	838,772	217,556
Capital Outlay	182,991	74,553	30,972	43,581
	<u>5,002,846</u>	<u>4,907,572</u>	<u>4,431,532</u>	<u>476,040</u>
Victim Witness				
Personal Services	55,329	54,235	52,537	1,698
Supplies and Services	478,957	482,507	469,711	12,796
	<u>534,286</u>	<u>536,742</u>	<u>522,248</u>	<u>14,494</u>
Pretrial				
Supplies and Services	276,320	276,320	273,038	3,282
	<u>276,320</u>	<u>276,320</u>	<u>273,038</u>	<u>3,282</u>
RO County Records Improvement				
Supplies and Services	50,000	59,750	42,330	17,420
Capital Outlay	-	90,250	72,931	17,319
	<u>50,000</u>	<u>150,000</u>	<u>115,261</u>	<u>34,739</u>
Total Judicial	<u>\$ 39,653,623</u>	<u>\$ 39,446,378</u>	<u>\$ 37,676,898</u>	<u>\$ 1,769,480</u>

COUNTY OF DAUPHIN
 SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Public Safety				
Prison				
Personal Services	\$ 23,892,311	\$ 23,429,740	\$ 24,451,163	\$ (1,021,423)
Supplies and Services	9,039,581	9,294,352	8,848,688	445,664
Capital Outlay	47,500	131,114	264,703	(133,589)
	32,979,392	32,855,206	33,564,554	(709,348)
Emergency Services				
Personal Services	590,698	582,480	529,999	52,481
Supplies and Services	327,472	335,816	259,916	75,900
Capital Outlay	-	-	-	-
	918,170	918,296	789,915	128,381
Total Public Safety	\$ 33,897,562	\$ 33,773,502	\$ 34,354,469	\$ (580,967)

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Human Services				
Personal Services	\$ 186,616	\$ 2,468,032	\$ 3,094,101	\$ (626,069)
Supplies and Services	2,352,485	2,360,692	3,114,595	(753,903)
Capital Outlay	-	-	-	-
Total Human Services	<u>\$ 2,539,101</u>	<u>\$ 4,828,724</u>	<u>\$ 6,208,696</u>	<u>\$ (1,379,972)</u>
Culture and Recreation				
Parks				
Personal Services	\$ 1,016,949	\$ 997,659	\$ 994,877	\$ 2,782
Supplies and Services	607,003	610,833	538,104	72,729
Capital Outlay	-	24,000	23,241	759
Total Culture and Recreation	<u>\$ 1,623,952</u>	<u>\$ 1,632,492</u>	<u>\$ 1,556,222</u>	<u>\$ 76,270</u>
Conservation and Development				
Cooperative Extension				
Personal Services	\$ 219,584	\$ 200,160	\$ 199,587	\$ 573
Supplies and Services	242,617	255,683	255,752	(69)
Capital Outlay	-	16,238	-	16,238
Total Conservation and Development	<u>462,201</u>	<u>472,081</u>	<u>455,339</u>	<u>16,742</u>
Conservation Programs				
Personal Services	979,067	966,045	922,417	43,628
Supplies and Services	685,947	772,121	768,455	3,666
Capital Outlay	19,000	19,000	-	19,000
Total Conservation Programs	<u>1,684,014</u>	<u>1,757,166</u>	<u>1,690,872</u>	<u>66,294</u>
Economic Development				
Personal Services	418,655	406,320	366,647	39,673
Supplies and Services	267,947	230,857	178,948	51,909
Capital Outlay	-	-	-	-
Total Economic Development	<u>686,602</u>	<u>637,177</u>	<u>545,595</u>	<u>91,582</u>
Housing Redevelopment				
Supplies and Services	-	586,110	586,110	-
Total Housing Redevelopment	<u>-</u>	<u>586,110</u>	<u>586,110</u>	<u>-</u>
Total Conservation and Development	<u>\$ 2,832,817</u>	<u>\$ 3,452,534</u>	<u>\$ 3,277,916</u>	<u>\$ 174,618</u>

COUNTY OF DAUPHIN
SCHEDULE OF DEPARTMENTAL EXPENDITURES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Debt Service				
Principal	\$ 4,289,482	\$ 4,289,482	\$ 4,659,069	\$ (369,587)
Interest	4,392,783	4,392,783	5,040,745	(647,962)
Total Debt Service	<u>\$ 8,682,265</u>	<u>\$ 8,682,265</u>	<u>\$ 9,699,814</u>	<u>\$ (1,017,549)</u>
Other Financing Uses				
Interfund Transfers to				
Domestic Relations Fund	\$ 1,542,020	\$ 1,542,020	\$ 873,448	\$ 668,572
MH/MR Fund	882,700	882,700	880,498	2,202
Office of Aging Fund	90,000	90,000	160,709	(70,709)
Drug and Alcohol Fund	207,871	207,871	184,836	23,035
Children, Youth, and Families Fund	8,340,000	8,340,000	8,698,790	(358,790)
State Grant Fund	220,000	220,000	155,884	64,116
Human Services Development Fund	20,000	20,000	27,230	(7,230)
Hazard Materials Emergency Response Fund	-	-	4,516	(4,516)
Weatherization	30,000	30,000	17,279	12,721
911 - EMA Communications Fund	-	-	-	-
Capital Projects Fund	3,301,562	3,301,562	18,076,882	(14,775,320)
Human Service Building Fund	705,544	705,544	614,584	90,960
Spring Creek	2,283,450	-	-	-
General Fund	158,186	158,186	185,904	(27,718)
Total Interfund Transfers	<u>\$ 17,781,333</u>	<u>\$ 15,497,883</u>	<u>\$ 29,880,560</u>	<u>\$ (14,382,677)</u>