CITY OF HARRISBURG, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2008

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Stephen R. Reed

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Paul P. Wambach

DEPARTMENT OF ADMINISTRATION

Robert F. Kroboth, CGFM
Chief of Staff/Business Administrator

PREPARED BY:
BUREAU OF FINANCIAL MANAGEMENT

Todd C. Gilcrist
Deputy Chief of Staff/Deputy Business Administrator

William P. Leinberger, CMA, CFM
Finance Director

Mark A. Santanna
Budget Manager

George Dennis Proctor
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Mattea D. Fera
Purchasing Manager

Donald Hunsicker
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THE CITY OF HARRISBURG
PENNSYLVANIA
INCORPORATED MAR. 19. 1860

Office of the Mayor
The City of Harrisburg
M.L.K. City Government Center
10 North Second Street
Harrisburg, PA 17101-1678

Stephen R. Reed
Mayor

(717) 255-3040

FOREWORD

The City of Harrisburg (City) has become an example of urban resurgence at a time when many of America's cities continue to undergo further decline and serious economic stress. Harrisburg's renewal has been multi-faceted, touching virtually every area of city governmental and community endeavor.

Listed as the second most distressed city in the nation in 1981 under federal distress criteria, Harrisburg launched, in 1982, a major change in course based on three priority pursuits: reform of city government, development of non-tax revenue sources, and aggressive economic development. These remain this City's priorities.

The resultant success of these efforts is, in part, reflected by the various national and state recognitions Harrisburg has received from independent private-sector, professional, civic, and governmental bodies.

In the past twenty one years, Harrisburg has each year attained the highest national award for governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting. The City has also won the highest national award for budgeting, the Distinguished Budget Presentation Award, for the past eighteen consecutive years. Today, only three of the 2,563 Pennsylvania municipalities can claim the distinction of presently holding both recognitions.

In city governmental management, the City has become a nationally recognized leader in insurance and risk management and in the application of advanced technology to expand and create more efficient municipal services. The City's program to control health care costs has been cited as a pioneer example by hospital associations and has been recognized with the State Achievement Award from the Hospital Association of Pennsylvania.

Harrisburg's Police Bureau has attained and retained National Police Accreditation, the highest recognition in law enforcement. Of over 21,000 police agencies nationwide, only 746 hold national accreditation. Harrisburg also obtained Pennsylvania Law Enforcement Accreditation and is one of only nine agencies to have the distinction of holding dual accreditation. Additionally, the City today has the second lowest ratio of police officers to resident population of any community in Pennsylvania – one officer for every 308 residents. Officers now have the benefit of the largest police vehicle fleet ever operated by Harrisburg, and innovations, such as Community Policing Centers, bicycle patrols, crime prevention programs, mounted patrols, canine corps, and the new field computer and computer-aided-dispatching systems, have considerably increased police field capabilities and effectiveness.

The City has become the first fire service in Pennsylvania to establish a certified multi-level firefighter apprenticeship-training program.

In the period of 1981 through 2008, the City's overall Part I crime rate has dropped 45.7%. In the period of 1982 through 2008, the City's fire rate has dropped 76.0%.

The extensive parks improvement program undertaken by the City, resulting in the creation of expanded and new recreational facilities of regional benefit, has garnered Tree City U.S.A. designation for the past twenty one consecutive years and the Growth Award for five years. The State Department of Environmental Resources conferred on Harrisburg the Samuel S. Cobb Award of Excellence, the state's highest award for urban forestry and conservation. The City's park sites and special events attracted over 2.77 million attendees in 2008. Further, amongst the City's environmental policies, the Executive Order banning the use of tropical rainforest woods in any City-related project is now being used as a worldwide model of municipal action.

The City's Advanced Wastewater Treatment Facility operated by the City and serving seven municipalities, was selected for the nation's highest water pollution control award when it received the First Place National Pretreatment Award from the U.S. Environmental Protection Agency.

Harrisburg, through the issuance of self-liquidating revenue bonds, has built and today operates various revenue-producing facilities, such as the generation of electricity from the burning of methane gas. Processing innovations have allowed the City-operated Advanced Wastewater Treatment Facility to contract for the processing and disposal of raw sludge from other plants. The City is today less reliant upon real estate and other taxes to sustain its operations. In fact, only 23.2% of the total 2008 Budget was funded by taxes.

Harrisburg is one of only two communities in Pennsylvania to receive four upgrades from the Federal Emergency Management Agency's Flood Insurance Administration. These upgrades have occurred as a result of the City's ongoing flood plain management and emergency management programs, producing a total 15% - 20% reduction in flood insurance premiums annually for all City property owners. Harrisburg places in the top ten percent of communities in the nation in its rating.

Since 1982, over $4.1 billion in new investment has occurred in Harrisburg with over two-thirds of that total having been developed since 1991. Net gains in the number of businesses, livable homes and private-sector jobs have reversed nearly three decades of previous decline. The unemployment and vacant property rates have dropped in the same time period. Property values have appreciated significantly overall in the 1982-2008 period, from $212 million in 1982 to $1.62 billion in 2008.

The number of businesses on the City's business and mercantile tax rolls, which was 1,908 in 1981, is now 5,642, an increase of 196% over the last 27 years.

In 2008, the City issued a total of 1,623 building permits representing more than $90.2 million in new investment.

The U.S. Conference of Mayors selected Harrisburg as one of eight Profile Cities in the nation as an example of successful economic development, a designation which included focus on success in minority contracting and the start-up and expansion of minority-owned business enterprise (MBE). Harrisburg's total expenditures involving MBE's are greater than those of any other community in the state.

Harrisburg is third only to Philadelphia and Pittsburgh, cities considerable larger, in the amount of certified historic rehabilitation in Pennsylvania. The restoration of existing structures is a key part of the City's economic development and historic preservation programming that is essential for older, more densely populated cities and towns. Seven areas of the City have been designated or are eligible as national historic districts, allowing investment protection, design standards, and investment tax credits for the rehabilitation of income-producing structures. Additionally, six areas are designated municipal historic districts with review by a Historic

Architectural Review Board and City Council, while another area of the City is now an Architectural Conservation Overlay District, preserving the streetscape in an historic neighborhood.

The City's economic development policies and programs provide a range of investment incentives including innovative types of project financing. The implementation of the Enterprise Community Plan, the Keystone Opportunity Zones, participation in a State Enterprise Zone, and the benefit of the City's 10-year tax abatement has fostered development by providing incentives to the private market to invest in the City's future. Few municipalities in the Commonwealth can offer these same incentives.

Harrisburg's recent progress and its planning for the future were the basis for the spurring housing and community development projects including the new homeownership opportunities at Marketplace, Capitol Heights, and Governor's Square and quality rental properties at the Residences at Governor's Square and the Mount Pleasant Apartments. The City itself continues to lead redevelopment activities through its vacant property reinvestment programs- by converting long vacant and blighted single family homes to homeownership opportunities; through its homeowner assistance programs-providing financing to homeowners to rehabilitate their homes; and providing assistance to first-time homebuyers in the form down payment and closing cost assistance to make the dream of homeownership a reality.

The summation of results from the City's work in the past twenty-five years is the following:

- The City's tax base has expanded to its highest level ever.
- The fire rate has declined to its lowest number since Citywide records have been maintained.
- The number of businesses on the tax rolls is at its highest number ever and more than triple the number that existed in 1981.
- The occupancy rate for Class A and Class B+ office space is the best in at least 35 years.
- The number of vacant structures has declined to its lowest number since before the 1972 Agnes Flood.

The federal policies and social practices which have made American cities the nation's depository for society's unwanted and unresolved socio-economic problems continue to present all cities with significant challenges and burdens not shared by their suburban neighbors. Exacerbating this circumstance for Harrisburg is the presence of extensive tax-exempt holdings of the state government and others, whose presence creates significant demand and use for municipal services paid for by others' taxes. Still, the progress of recent days in Harrisburg has created a firm foundation on which future progress will be achieved.

The City looks to the future with far greater optimism and hope than how it entered the 1980's, when this city was afraid of its own future.

With increased spirit, vitality and vision, the City of Harrisburg is pleased to offer this 2008 Comprehensive Annual Financial Report for your information.

With warmest personal regards, I am

Yours sincerely,

Stephen R. Reed
Mayor

THE CITY OF HARRISBURG
PENNSYLVANIA
INCORPORATED MAR. 19. 1860

CITY OF HARRISBURG, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended December 31, 2008

TABLE OF CONTENTS

	Pages
INTRODUCTORY SECTION:	
Letter of Transmittal	i
GFOA Certificate of Achievement	xvii
Organizational Chart	xviii
List of Elected Officials	xix
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Funds	
Statement of Fund Net Assets	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
Statement of Cash Flows	24
Fiduciary Funds	
Statement of Fiduciary Net Assets	26
Statement of Changes in Fiduciary Net Assets-Police Pension Trust Fund	27
Component Units	
Description of Funds	28
Statement of Net Assets	29
Statement of Activities	31
Notes to Basic Financial Statements	33
Required Supplementary Information	
Budgetary Comparison Schedule-Budgetary (Non-GAAP) Basis- General Fund	112
Notes to Required Supplementary Information- Budgetary Comparison Schedule	113
Non-Uniformed Employees' Pension Plan	115
Combined Firefighters' Pension Plan	116
Combined Police Officers' Pension Plan	117

CITY OF HARRISBURG, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended December 31, 2008

TABLE OF CONTENTS (Continued)

	Pages
Combining and Individual Nonmajor Fund Financial Statements and Schedules	118
Nonmajor Governmental Funds	
Description of Funds	119
Combining Balance Sheet	120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	121
Budgetary Comparison Schedules - Budgetary (Non-GAAP) Basis - Governmental Funds	122
Fiduciary Funds	
Description of Funds	123
Combining Statement of Fiduciary Net Assets - Agency Funds	124
Combining Statement of Changes in Assets and Liabilities - Agency Funds	125
STATISTICAL SECTION:	
Financial Trends	
Net Assets by Component	127
Changes in Net Assets	129
Fund Balances, Governmental Funds	133
Changes in Fund Balances, Governmental Funds	135
Renenue Capacity	
Tax Revenues by Source, Governmental Funds	137
Assessed Value and Estimated Actual Value of Taxable Property	138
Direct and Overlapping Property Tax Rates	139
Principal Property Taxpayers	140
Property Tax Levies and Collections	141
Debt Capacity	
Ratios of Outstanding Debt by Type	142
Ratio of Net General Bonded Debt To Assessed Value	144
Direct and Overlapping Bonded Debt	145
Legal Debt Margin	147
Schedule of Revenue Bond Coverage-Component Unit-The Harrisburg Authority	149
Schedule of Revenue Bond Coverage-Component Unit-Harrisburg Parking Authority	150
Demographic and Economic Information	
Demographic and Economic Statistics	151
Principal Employers	152
Operating Information	
Full-time Equivalent City Government Employees by Function/Program	153
Operating Indicators by Function/Program	154
Capital Asset Statistics by Function/Program	158

The City of Harrisburg

Department of Administration **Bureau of Financial Management**

December 23, 2009

To The Honorable Stephen R. Reed, Mayor,
Honorable Members of City Council, and
Citizens of the City of Harrisburg, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Harrisburg, Pennsylvania, for the year ending December 31, 2008, is submitted herewith. This report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants.

The financial statements herein were prepared by the City's management, which is responsible for both the accuracy of the data presentation and the completeness and fairness of this report taken as a whole. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Harrisburg's financial statements in conformity with GAAP. Because internal controls should not outweigh their benefits, the City of Harrisburg's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. The data presented, we believe, is accurate in all material aspects; and all disclosures necessary to enable the reader to acquire the maximum understanding of the City's financial activity have been provided.

The City of Harrisburg's financial statements have been audited by Maher Duessel, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Harrisburg for the year ended December 31, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Harrisburg's financial statements for the year ended December 31, 2008, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

As recipient of federal and state financial assistance, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and independent accountants' reports on the internal control structure and compliance with applicable laws and regulations for the year ended December 31, 2008, will be included in a separately issued document.

Rev. Dr. Martin Luther King, Jr. City Government Center
10 North Second Street X Harrisburg, PA 17101
Tel: (717) 255-6507 Fax: (717) 255-7251

PROFILE OF THE GOVERNMENT

The City provides a full range of services which include police and fire protection; water supply and distribution; sewage collection, conveyance and treatment; trash collection; streets and infrastructure construction and maintenance; community and economic development programs; recreational activities and cultural events. In addition to general governmental activities, City officials appoint voting board members and have other financial accountability for the City of Harrisburg Leasing Authority, The Harrisburg Authority, the Harrisburg Parking Authority, the Coordinated Parking Fund and the Harrisburg Redevelopment Authority; therefore, these activities are included in the financial reporting entity. However, the City of Harrisburg Housing Authority, Harristown Development Corporation, and Harrisburg School District have not met the established criteria of GASB Statement No. 14 for inclusion in the financial reporting entity and accordingly are excluded from this report. Additionally, the City is a participant with other municipalities in a joint venture with the Cumberland-Dauphin-Harrisburg Transit Authority that provides bus services to all its participants.

The City of Harrisburg has been the capital of the Commonwealth of Pennsylvania since 1812, as well as the County Seat of Dauphin County since the County's creation in 1785. It is the center of the Harrisburg-Carlisle Metropolitan Statistical Area (MSA), which is composed of the three Central Pennsylvania counties of Dauphin, Cumberland, and Perry. The MSA has grown twice the rate of Pennsylvania as a whole.

The Harrisburg area has a diverse economic base. During 2008, 21.5% of the labor force was employed in the wholesale and retail trades, 19.1% in government, 14.5% in education and health services, 11.4% in professional and business services, 8.5% in leisure and hospitality services, 7.0% in manufacturing, 7.4% in financial activities, 5.09% in other services 3.6% in construction, and 2.0% in information. For the MSA as a whole, the trend has been a shift from good producing to service producing jobs, with overall job growth.

Harrisburg continues to experience a sustained economic resurgence unsurpassed in its history with over $4.1 billion of capital investment by the private and public sectors and over 39,289 building permits issued in the City since 1982. In 2008 alone, the City issued 1,623 building permits totaling over $90.2 million in new investment. Some of the major new construction projects recently completed or underway and their corresponding estimated costs include: Pinnacle Health System at $15.7 million; PPL Electric at $8.6 million; Campus Square Partners at $8.2 million; 1 City Island at $6.3 million; Penn Center Harrisburg at $4.6 million; Bell Atlantic at $4.3 million; 3003 North Front Street Associates at $3.7 million; Harrisburg Area Community College at $2.1 million; Harrisburg Public Library at $748,500; and Asia Mall at $2.8 million.

In 2001, the County of Dauphin completed a court ordered reassessment on all property county-wide. This reassessment resulted in nearly a 100% increase on the appraised value of taxable property effective January 1, 2002. The financial impact of this property reassessment is discussed throughout this letter and has impacted positively on the financial statements.

Harrisburg has become the region's center for commerce, transportation, finance, special events, public recreation, the arts, and government. The City's resurgence has reversed nearly three decades of previous decline and produced a new vitality that can be seen in the spirit, amenities, and growth spreading throughout this metropolitan center in Central Pennsylvania.

Looking ahead, the economic future of the City appears to be bright. Projected expansion of the tax base; continued increases in business, housing and educational activity; and the financial commitment of the private sector to commercial and residential revitalization indicate long-term growth and continued financial stability.

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, State Liquid Fuels Tax Fund (a nonmajor governmental fund), Debt Service Fund, and all enterprise funds, except Harrisburg Senators Enterprise Fund, are included in the annual appropriated budget. Grant programs, accounted for in the Grant Programs Fund, are administered under project budgets which are determined by contracts with federal and state

grant agencies. Appropriations are authorized by ordinance at the fund level, with the exception of the General Fund, which is appropriated at the functional office or department level, except for the Department of Administration, which has separate budgets for administration and general expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets.

Fiscal control is achieved in the Capital Projects Fund through provisions of bond indentures and ordinances authorizing appropriations at the project level. Control over expenditures in the Parks and Property Improvement Fund is achieved by the use of internal spending limits. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

Debt Administration

At December 31, 2008, the City had a number of debt issues outstanding. Debt of the primary government totaling $121,669,599 included $57,115,193 of general obligation and revenue bonds, $40,638,419 of General Obligation Refunding Notes, $2,729,821 of Pennsylvania Infrastructure bank loans and $6,645,000 of promissory notes, $9,710,750 of Capital Leases, and $4,830,416 of Lease Rental debt. Revenue bonds and notes totaling $556,904,404 and construction loans of $8,233,000 made up the debt of the component units.

Under current state statutes, the City's debt limitation is based on a percentage of average total revenues for the past three years. As of December 31, 2008, the City's net bonded debt outstanding of $94,964,931 was well below the legal limit of $212.0 million.

The ratio of net general bonded debt to assessed property valuations and the net general bonded debt per capita are useful indicators of the City's debt position. As of December 31, 2008, the ratio of net general bonded debt to assessed property valuations increased from 5.8 to 5.98. The net general bonded debt per capita was $1,936.89, an increase of $58.07 from 2007.

On December 28, 1995, the City issued Federally Taxable General Obligation Bonds, Series A and B of 1995, in the aggregate principal amount of $35,734,416 to fund the City's unfunded actuarial accrued pension liability with deposits to the applicable City pension plans and for the payment of all costs and expenses related to the issuance of the Bonds. The bonds were partially refunded by the issuance of General Obligation Bonds, Series E Bonds of 1997. The Series B & E Bonds were paid off in 2006 and 2004, respectively.

On January 10, 1996, the City issued $7,200,000 General Obligation Notes, Series of 1996, the proceeds of which were utilized to purchase the Harrisburg Senators minor league baseball team. The Notes matured on January 5, 1998, and were repaid through the issuance of $8,000,000 General Obligation Bonds, Series A1 of 1997.

On December 30, 1997, the City issued various new bond issues in order to reduce interest expense on outstanding debt and to fund additional capital projects. During July 1997, the General Obligation Bonds, Series B1, were issued to fully repay the 1995 $15,000,000 General Obligation Note. On December 30, 1997, $24,891,772 General Obligation Refunding Bonds, Series D, were issued to advance refund the Series B1 Bonds for the entire $22,195,000 in principal. Also, $12,840,000 General Obligation Refunding Bonds, Series E, were issued to advance refund a portion of the Federally Taxable Series A Bonds of 1995 (Pension Bonds).

Also on December 30, 1997, the City issued General Obligation Refunding Notes, Series F of 1997, in the amount of $26,632,303. The Notes were issued to refund all of the City's $25,000,000 General Obligation Bonds, Series of 1995, and provide funding for certain capital projects such as the building of the National Civil War Museum, street and alley repaving, and additional parks/playground improvements throughout the City.

On June 10, 2003, the City issued Pennsylvania Infrastructure Bank Loans, Series A, B and C of 2003, in the amount of $627,800. These Loans were issued for the purpose of providing funds to apply for and towards

various transportation infrastructure improvement projects including the Hamilton Street Intersection Project at Sixth Street, the State Street Intersection Project at Reservoir Park, and the purchase and installation of energy-saving LED traffic signal lenses for approximately 24 intersections in the City. These Loans have a term of 10 years and are being paid from General Fund revenues.

On February 2008, the City issued Pennsylvania Infrastructure Bank Loans in the amount of $2.4 million. These loans were used to resurface various streets through out the City. These Loans have a term of 10 years and are being paid from General fund revenues.

On January 7, 2005, the Harrisburg Redevelopment Authority, on behalf of the City of Harrisburg, issued Federally Taxable Guaranteed Revenue Bonds, Series A-1 of 2005, in the amount of $9,000,000 to provide funding for the renovation of the ballpark for the Harrisburg Senators baseball team. An additional $9,000,000 of Federally Taxable Guaranteed Revenue Bonds were issued by the Harrisburg Redevelopment Authority, on behalf of the City of Harrisburg, as Series A-2 of 2005 for this renovation. The City of Harrisburg is the Guarantor of both the Series A-1 and A-2 Bonds. The Series A-1 Bonds were paid off during 2007 from proceeds of the sale of the City's Harrisburg Senators minor league baseball franchise.

On December 15, 2006, the Harrisburg Redevelopment Authority, on behalf of the City of Harrisburg, issued Lease Revenue Bonds, Series of 2006 in the amount of $7,200,000. The bonds were used to finance the leasing of the McCormick Public Service Center from the City and then subleasing of the building back to the City. The funds from the issuance of the bonds were turned over to the City. The City is responsible to pay the debt service on the bonds. Proceeds from the sale of various City artifacts will be used to pay down the bonds.

The Harrisburg Authority (THA) issued $1,515,173 Guaranteed Sewer Revenue Notes, Series A, B and C of 1998 to finance sewage collection system and related sewage infrastructure project. In 1999, additional funds were drawn totaling $1,812,086, to finance further collection system projects.

In May 2001, THA issued Series A of 2001, Water Revenue Bonds, which totaled $7,400,000. The proceeds were used for and toward capital additions to the water system, consisting of two 5 million gallon concrete water storage tanks, repair or replacement of raw water valve stems and valve stem guides within the intake tower at the Authority's DeHart Dam facility, repair or replacement of the concrete floor slabs and expansion joints constituting the DeHart Dam spillway and certain other miscellaneous capital projects; provision of funding for completion of the 1999 capital project, consisting of the acquisition and installation of new meters equipped with radio transmitters and installation of radio-frequency, drive-by meter reading system; the establishment of necessary reserves under the Trust Indenture; and the payment of costs and expenses associated with the issuance of the 2001 Bonds.

On July 3, 2002, THA issued Series A, B, C and D, Water Revenue Bonds which totaled $48,825,000. The proceeds of these 2002 Bonds were used to advance refund the outstanding Water Revenue Bonds, Series A of 1999; to purchase from the owner, all of the outstanding Water Revenue Refunding Bonds, Series B of 1999; to purchase from the owner, all of the Federally Taxable Water Revenue Refunding Bonds, Series C of 1999; to refund debt service of the 1994 Bonds due and payable in 2002; to refund the debt service on the outstanding 1994 Bonds due and payable in 2003; to fund the 2002 debt service reserve fund account for the 2002 Bonds; and to pay issuance costs. Of the remaining proceeds, $7.3 million was placed in irrevocable trusts with an escrow agent to provide for future debt service on the Series A of 1999 Bonds and a portion of the 1994 Bonds with maturities through 2003.

In August 2002, THA issued Series A, Guaranteed Resource Recovery Notes which totaled $17,000,000. The proceeds of the Notes were used to fund the acquisition of equipment for the Waste Management Facility, engineering studies, and working capital.

In July 2003, THA issued Series A of 2003, Water Revenue Bonds which totaled $56,535,000. The proceeds of the Bonds were used to advance refund the outstanding 1993 Water Revenue Bonds, Series B.

On December 30, 2003, THA issued Series A, D, E and F of 2003, Guaranteed Resource Recovery Facility Revenue Bonds in the amount of $147,555,000. The Series A Bonds, which totaled $22,555,000, were issued to

advance refund or otherwise retire all of the outstanding 1998 D Bonds and a portion of the outstanding 2000 Notes; and to fund working capital to assist in paying costs of compliance with the Derating Agreements and of maintaining the site of the Waste Management Facility. The Series D Bonds, which totaled $96,480,000, were issued to financing the cost of the retrofit of the facility. The Series E Bonds, which totaled $14,500,000, were issued to pay transition cost to operate the Transfer Station Resource Recovery Facility during the construction period for the retrofit. The Series F Bonds, which totaled $14,020,000, were issued to provide working capital to THA to pay estimated interest on outstanding 1998 A Bonds, 2002 Notes, and 2003 Notes during the construction period for the retrofit.

In 2003, THA issued Series B and C of 2003, Guaranteed Resource Recovery Notes in the amount of $53,370,000. The Series B notes, which totaled $29,085,000, were issued to advance refund or otherwise retire a portion of the 1998 A Bonds and a portion of the outstanding 2000 A Notes. The Series C Notes, which totaled $24,285,000, were issued to advance refund or otherwise retire a portion of the 1998 A Bonds, all of the outstanding 1998 B Bonds and 1998 C Bonds, and a portion of the 2000 A Notes and all of the outstanding 2000 B Notes.

In August 2004, THA issued Series A of 2004, Water Revenue Refunding Bonds, in the principal amount of $37,455,000. The 2004 Bonds were issued to refund the remaining outstanding balance of the Authority's Water Revenue Refunding Bonds, Series A of 1994, to fund a swap termination payment, to fund a deposit to the 2004 debt service reserve fund account, and to pay the costs of issuance.

In 2007, THA issued Series C of 2007, Guaranteed Resource recovery Limited Obligation Notes, in the principal amount of $23,920,000. The 2007 Series C Notes were used to fund the working capital component of the Retrofit Completion Project.

In 2007, THA issued Series D of 2007, Guaranteed Resource Recovery Limited Obligation Notes, in the principal amount of $10,765,000. The 2007 Series D Notes were used to fund the Reimbursement Project.

In August 22, 2008, THA issued Series of 2008, Water Revenue Refunding Bonds, in the principal amount of $69,420,000. The proceeds of the 2008 Bonds, together with available monies, will be used to refund the outstanding balance of the Authority's Variable Rate Water Revenue Refunding Bonds, Series A of 2003, fund a swap termination payment payable to Societe Generale pursuant to an outstanding interest rate swap agreement on the 2003 Water Revenue bonds, fund a deposit to the 2008 Debt Service Reserve Fund Account, and pay for issuance costs.

During 2007, THA entered into a First Amendment and Management and Professional Services Agreement with a waste management facility operator (operator). As part of that agreement, the operator agreed to advance the costs incurred in the retrofit completion up to $25,500,000. At December 31, 2008, the Authority had drawn down $8,233,000.

On December 22, 2000, the Harrisburg Parking Authority (HPA) issued Guaranteed Parking Revenue Bonds, Series K of 2000, in the aggregate principal amount of $11,800,000 with a variable interest rate to provide funding for the costs of completing the construction of three new parking garages in the Downtown area.

On September 19, 2001, HPA issued $29,400,000 Guaranteed Parking Revenue Bonds, Series J of 2001, to advance refund $25,785,000 of outstanding Series I Bonds of 1998.

On December 15, 2001, HPA issued $19,500,000 Guaranteed Parking Revenue Bonds, Series of 2001, to provide for the acquisition of the Seventh Street Garage, funding of a debt service reserve fund under the Harrisburg Parking Authority indenture, and the payment of the costs of issuing the Bonds.

In 2003, HPA issued $7,905,000 Guaranteed Parking Revenue Refunding Bonds, Series N of 2003, to advance refund $7,400,000 of outstanding Series F Bonds. Also in 2003, HPA issued $ 17,780,000 Guaranteed Parking Revenue Refunding Bonds, Series O of 2003. The O Series were issued to purchase U.S. Government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series H Bonds.

In 2005, HPA issued $16,630,000 Guaranteed Parking Revenue Bonds, Series P of 2005 to provide for the acquisition and construction of the South Street Garage, funding a debt service reserve fund under the HPA indenture, and the payment of costs of issuing the Bonds.

On January 11, 2007, HPA issued $16,965,000 Guaranteed Parking Revenue Bonds, Series R of 2007, to provide for the acquisition of a parking condominium; funding of a debt service reserve fund under the Authority's indenture; and the payment of the costs of issuing the Bonds.

On December 15, 2007, HPA issued $19,890,000 Guaranteed Parking Revenue Bonds, Series T of 2007, to defease the Series of 2001 Bonds.

On December 19, 1998, the Harrisburg Redevelopment Authority (HRA) issued Federally Taxable Guaranteed Revenue Bonds, Series A of 1998 in the principal amount of $6,920,525 and Series B of 1998 in the principal amount of $16,716,758. The proceeds of both issues were used to finance the acquisition of the City of Harrisburg's right, title and interest in and to portions of the Strawberry Square site.

HRA entered into an agreement with the Commonwealth of Pennsylvania's Department of Transportation for an Infrastructure Bank Loan in 2000. This loan is to be used to rehabilitate the Harrisburg Transportation Center. The loan has a maximum amount of $1,400,000 and through 2007, $500,000 has been drawn on the loan.

Cash Management

The City's current investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All cash that is temporarily idle is invested in interest bearing demand deposits or in a state-wide money market fund, thereby increasing the average yield on idle funds. A significant portion of the City's cash and investments are maintained in bank trust accounts under the management of trustees. This cash is classified under "Restricted Assets" in the financial statements.

The City had $692,696 of investment income in 2008, which represented earnings of $692,696 for the governmental funds and $215,292 for the business-type funds.

Investment income of the component units totaled more than $3.2 million, which represented earnings of The Harrisburg Authority, the Harrisburg Parking Authority, the Coordinated Parking Fund, and the Harrisburg Redevelopment Authority of $2.3 million, $819,050, $30,237, and $19,798, respectively. These accounts are primarily restricted trust accounts, made up of mostly U.S. Treasury obligations and interest coupons on U.S. Treasury obligations.

An ordinance of City Council requires that all deposits be held in insured, federally regulated banks or financial institutions and that all amounts in excess of federal insurance be fully collateralized in accordance with state statute, which requires banks to pledge a pool of eligible assets against the total of its public funds on deposit. Although such pooled collateral does not constitute a multiple financial institution collateral pool as defined in GASB Statement No. 3, City management believes collateralization in accordance with state statute adequately protects the City's deposits.

Risk Management

The Office of Insurance and Risk Management (OIRM) is responsible for the evaluation and acquisition of appropriate insurance coverage for the City. This involves the negotiation and procurement of all insurance coverage agreements and third-party insurance adjusters for traditional insurance and self-insurance programs including general liability, public officials liability, workers' compensation, police professional liability, automobile, property, fire, flood, business interruption, and boiler and machinery coverage. This office, in conjunction with the City Solicitor's Office on litigation cases, processes all insurance claims and submits them to the appropriate insurance companies for consideration. Additional program responsibilities include risk financing, special risk administration, employee health and safety matters, and acting as a member of the Administration's labor contracts negotiating team focusing primarily on insurance and workplace injury issues.

An important mission of this office is to provide a loss control strategy so as to limit potential hazards or damages by allowing elected and administrative officials of the City to gain greater control over financial losses caused by these circumstances. This strategy includes the examination, inspection, and evaluation of all City facilities, activities, procedures and policies.

The OIRM is also responsible for the management and administration of all facets of the workers' compensation program including report preparation, claims processing, and medical service monitoring. In fact, the City has an aggressive citywide program earmarked to lower workers' compensation costs. The program, which has significantly lowered costs, brings employees who have been on long-term disability leave back to gainful employment positions. These employees, who have been released by their primary physician, perform light-duty assignments for different departments within the City. This not only cuts back on the costs associated with idle workers, but also contributes to the productive operations of the City. This program received the top award from the Hospital Association of Pennsylvania in its Managed Care Category.

Pension Plans

The City contributes to the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer public employee retirement system, and to the combined Police Pension Plan, a single-employer pension plan. Three pension plans have been established covering substantially all full-time employees. During 2008, the contribution to these plans by the Commonwealth of Pennsylvania amounted to $285,274. As of January 1, 2007, the date of the most recent actuarial valuation, all three pension plans are fully funded.

FACTORS AFFECTING FINANCIAL CONDITION

The Southern Gateway, originally simply an extension of South Third Street to the Interstate 83 ramp, is now a project poised to coordinate land use with transportation and infrastructure improvements, resulting in the most significant economic development project for a third class city in Pennsylvania. Doubling the downtown's area, the Southern Gateway will act as a model for other Pennsylvania cities as well as other state capitals. Also underway is a coordinated redevelopment plan for the 17th Street Corridor in South Allison Hill, intended to retain and attract businesses offering needed services and living wages for City residents. The Accessibility Guidelines, a project recommending methods to create equal access and spur additional commerce within the City, was completed in 2005 and is now available in both hard copy and on the Internet. Similar guidelines were completed in 2006 to advise property owners, design professionals, and contractors of recommended methods for rehabilitation or reconstruction of structures located in historic districts.

The Geographic Information System (GIS), an electronic database that matches population, property status, utilities, regulatory districts, neighborhoods and more, to geographic locations throughout the City, is in use. Color aerial photography, acquired during 2003, has been linked to this system to update the City's building footprint file. Refinements have been made to the City's community calling system (Dialogic Communications Corporation), which alerts City residents and property owners through an automated system to warn of emergency situations. Land development, permitting and assistance applications are also available, as well as the zoning code and zoning maps, are available at the City's Department of Building and Housing Development web page on the City site, allowing businesses and residents to more readily help themselves.

The City's Computer Aided Dispatch (CAD) System was further enhanced during 2008. With computer terminals placed in police and fire vehicles supervisory offices, District Attorney's Office, Probation and Parole Office, and many other count and state agencies, CAD accelerates data transfer to field units and allows officers and firefighters in the field to access the City's extensive database of police, property and other records, while also providing a faster means for reports to be electronically prepared and instantaneously entered into this database. This system eliminates many manual tasks such as the entry of police report information and provides greater confidentiality of dispatched information.

Maintaining an aging water distribution system and acquiring a secondary source of water were major concerns of the City. Additionally, recent amendments to the U.S. Clean Water Act mandated water filtration for surface water supplies. To address these issues, the City developed a water system improvement plan. The

plan called for the construction of a raw water intake and pump station to take water from the Susquehanna River as a secondary or back-up water source, placement and replacement of transmission lines, construction of a 20 million gallon-per-day water filtration plant, reservoir gate house improvements, and distribution system modifications. On March 1, 1990, The Harrisburg Authority (the Authority) issued a $50 million Water Revenue Note, Series A of 1990, to be secured by user fees to provide for a $7 million payment to the City as partial consideration for the sale of the water system to the Authority and to improve the water system as indicated above. Through formal management and subsidy agreements between the City and the Authority, the City retained responsibility for operating the system and ultimately received a lump sum subsidy payment of $41 million in 1992. This payment came from proceeds of water revenue bonds issued by the Authority in 1992 as the remaining consideration for the sale of the water system to the Authority. This arrangement provided for long-term capital improvements and represents the first major water system improvement program in 50 years.

As previously noted, the City's taxable assessed valuation has increased significantly. However, these increases lag other economic development indicators such as building permit revenues. This is attributable to a tax abatement ordinance in effect since 1980, which is considered to be the centerpiece of the City's long-term economic development plan, as well as constraints imposed by ineffective state assessment laws that are badly in need of reform. As previously mentioned, in 2001, the County of Dauphin completed the first county-wide reassessment since 1972, and the new values became effective with the 2002 tax year. These reassessed values total over $3.1 billion and more accurately reflect market values of all properties within the City.

Major Initiatives for the Future

New construction in the City continues at a healthy pace with private and public sector developers investing millions of dollars in a variety of projects currently underway. These projects, when completed, will provide new tax revenues, jobs, office space, retail, and arts and entertainment.

One of these projects includes the Pennsylvania Judicial Center. Planning has begun on the first-ever State Judicial Center that will be 12 stories and 330,000 square feet. This center will serve as the administrative center for Pennsylvania's Unified Judicial System. It will contain office space for more than 500 employees, three Commonwealth Court courtrooms, and a conference and training center. The construction of this project is expected to begin in 2007 with an anticipated completion in 2009. Total cost of the project is estimated to be $93 million.

A major renovation project has been planned for Commerce Bank Park which is the ballpark for the Harrisburg Senators, a AAA minor league team with facilities located on picturesque City Island in the Susquehanna River. Some highlights of the project include; complete scoreboard upgrades, new construction of a 8,600 square foot Operations Building, creation of 'Midway' with activities and specialty areas geared towards children, teenagers and families, and an upgrade in the total seating capacity to approximately 6,000 fixed seats. The project will be completed in two phases and will be completed by March of 2010. The plan is estimated to cost $45 million and includes many more upgrades to the ballpark which, when completed, will transform the ballpark into one of the premier minor league baseball facilities in the country.

Major Initiatives - Departmental Focus

In 2008, the Department of Administration (DOA) was the recipient of the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada for the City's 2007 Budget document. The award is the highest form of recognition in governmental budgeting and marks the eighteenth consecutive year the City has received this award.

Within DOA, the Office of Insurance and Risk Management improved programs in an effort to further control workers' compensation related health care costs by providing timely and better health care while reducing costs through a managed care approach. The Bureau of Financial Management implemented Government Accounting Standards Board Statement No. 44 (GASB 45). This statement requires the reporting of Other Post Employment Benefits. The Bureau of Information Technology continued to work on upgrading the mainframe system, Metro system, various applications and personal computers throughout City government.

The Department of Building and Housing Development (DBHD) continued to develop and enhance the City's neighborhoods through the Home Improvement Program (HIP), Home Emergency and Lead Paint Program (HELP), Homeownership Opportunities Program (HOP), and Lead Hazard Control Programs. Through the Buyer Notification and Rental Unit Inspection processes, the Department has increased the code compliant housing stock Citywide. Lead Paint Poisoning Prevention education continued to be a major public safety focus. DBHD has received a federal grant, which will continue to support education as well as property rehabilitation activities into 2010. The Capital Corridors Program, directing City programs at key streets throughout the City, received continued emphasis. Focus was given to major streets throughout the City that have a visual impact on residents and visitors alike. DBHD has been part of the coordination for street lighting and improvements, tree plantings and code compliance that has occurred both in Capital Corridors and other streets. Assisting DBHD in seeking code compliance throughout neighborhoods are residents who graduated from the City's Citizen Inspection Program – the first of its kind. DBHD, along with various developers, continued development of new homes in the Capitol Heights neighborhood, completed rehabilitation and development of 222 apartments at The Residences at Governor's Square and began the construction of 72 town homes at The Towns at Governor's Square for rental and owner occupancy, respectively. S&A Homes broke ground on the next phase of Market Place Town homes – to construct 71 new units of scattered site single family townhomes. Recognizing the need for community services, in addition to housing for the creation of livable communities, DBHD continues its past work to improve neighborhood facilities and the Broad Street Market. The department has been working with the "Harrisburg Institute" program (Messiah College), Harrisburg Area Community College and the "Urban Design Studio" program (Harrisburg Area Community College and Temple and Auburn Universities) to integrate their instructional curriculums with urban programs such as facade design, housing rehabilitation, social service and neighborhood planning programs.

The Department of Public Safety includes the Bureaus of Police and Fire. National Police Accreditation, the highest recognition in the United States for law enforcement operations, was attained 1993 and has been retained for 15 years. The Bureau of Police will be reassessed in 2011. The Bureau of Police also attained state accreditation in 2006 and was reassessed in 2008. The bureau now holds a dual-accredited status and is one of only nine police agencies in Pennsylvania to hold both. In the era of this administration, Part I crimes are down 46% and are at one of the lowest levels in over three decades. In 1998, the Harrisburg Bureau of Police adopted a Bureau-wide Community Policing Program, which is geared to building a closer working relationship between police and the citizens of Harrisburg. The Bureau currently operates two community-policing stations located throughout Harrisburg as well as maintaining its core operations at Police Headquarters. The Bureau will continue to develop and upgrade plans to continue its community-policing efforts. Community-policing officers participate in a variety of programs and continue to provide specialty services such as the K-9, the DARE program, Cops for Kids Day, Community Crime watch groups, and crime prevention. It is the Bureau's intent to continue to utilize federal and state grants to help with the goals and objectives of the Police Bureau. All bureau units work together to offer the citizens of Harrisburg the best in law enforcement protection.

The Bureau of Fire continues its lead management role for Pennsylvania Task Force One, one of 28 nationally certified Urban Search and Rescue Teams. As a result of the success of the Pennsylvania Task Force One, which is deployable to any place in the world, a second Intra-State Task Force, for response solely within Pennsylvania, was created by the State. Additionally, Water Rescue Strike Team One, capable of handling water-related emergencies anywhere in the State, is now operational. Harrisburg administers both of these recent additions to the Pennsylvania Emergency Management System. Continued strong code enforcement and public education programs have resulted in a 76% drop in the number of fires since 1982. Due to the success of these programs, the Federal Emergency Management Association has expressed an interest in using the City's building marking program, junior firesetters program, and mapping program as models in a national report regarding best practices.

In 2008, the Department of Public Works, Bureau of Neighborhood Services - City Services four man demolition crew razed eight condemned properties. The bureau also replaced 3,025 street signs and maintained 94 signalized intersections and repaired 1,958 traffic signals. There was also 386 tons of illegally dumped bulk items collected. In addition, 1,627 linear miles of street were cleaned and 277 tons of leaves were removed from the streets, and 122 tons of asphalt was use to fill potholes. The bureau cleaned 250 storm inlets as well as 50 sanitary sewers, and maintained 156 linear miles of sewer lines. The Bureau of Vehicle Management continued to provide fleet services, maintenance to the City's equipment fleet of 431 units. The services include, but are

not limited to, providing a total fleet management program for all equipment, the maintaining an in-house warranty program for the three major automobile manufacturers, and the Commonwealth of Pennsylvania Safety and Emission Inspections Programs. The Bureau services the fleet by performing the necessary preventive maintenance, and mechanical / sheet metal repairs. In addition to supporting the City's operations, the bureau provides 24/7 fuel and lubricant services to seven outside agencies which include the Commonwealth, Dauphin County, Borough of Steelton, Harrisburg School District, Harrisburg School District transportation subcontractor, and all local authorities. The Bureau of Neighborhood Services - Sanitation collected over 30,200 tons of residential waste and 1,700 tons of recyclables in 2008. The Water Bureau replaced or repaired 77 hydrants; flushed 35 hydrants; and repaired 25 water mains. There were 9,108 locations marked by Public Works personnel in response to the Pennsylvania One Call System, commonly known as the "Call Before You Dig" program. There were 963 water meters replaced, repaired, or installed in 2008 that can be read remotely through the City's new meter reading system. There were 2.4 million kWh of electricity produced at the Advanced Wastewater Treatment Facility (AWTF), co-generated from combusting the by-product methane gas. Also, 13,985,450 gallons of sludge were accepted at the AWTF from the City waste-hauling contract program resulting in $593,316 in revenue.

During Calendar Year 2008, the Office of the City Engineer continued oversight of the design and installation of streetlights and planting of trees along with construction of sidewalks and new alleys for the remaining phases of the Capital Heights housing development project. Design continued on the Southern Gateway Project, the extension of South Third Street to connect with the I-83 entrance/exit ramps and an interconnect to South Second and South Front Streets; the consulting team continued analysis of the infrastructure requirements and possible economic development aspects of the project and shifted efforts to acquiring funding for the economic development and infrastructure upgrades of the project. Acquisition of the 29 properties required for the widening of Seventh Street to four lanes between Reily and Maclay Streets continued and City Council passed an ordinance to allow City staff to use the powers of eminent domain to acquire the several properties that could not be purchased on amicable terms; final roadway design and utility coordination and relocation continued.. Construction was completed on the replacement of the City Island bridge and ramps at Market Street connecting the north and south parking lots. The replacement and upgrade of traffic signals at 24 intersections throughout the City along the Market Street Corridor, Maclay Street Corridor and Sixth Street, 13th Street, and 17th Street Corridors were completed. Renovation of State Street, between Front Street and Third Street, was completed under a construction contract awarded by the City using FHWA Highway Enhancement funds and a supplemental grant from the Commonwealth. The scope of work included new brick sidewalks, grass-covered median, hybrid American Elm street trees and Architectural "period" streetlighting. Design was started by the Department of Transportation on the improvements to the Cameron-Paxton Street intersection which will feature the removal of a restrictive railroad bridge and add new traffic signals and turning lanes to the roadways. The storm water mitigation project on Black Run, a tributary of Paxton Creek was completed through a grant to the City from PA DEP. Design was begun using separate grant funding obtained through the PA DEP Growing Greener Program with supplemental Growing Greener funding from Dauphin County Commissioners, on flood mitigation measures along Asylum Run, a Paxton Creek tributary, and to modify the Morning Glory Outlet in Wildwood Lake as a separate flood mitigation measure. The City awarded a design contract to install new architectural "Period Lighting" on the State Street Bridge using funds acquired by a Congreessional "earmark" in the Federal Highway program and entered into an agreement with PennDOT District 8-0 to provide funding from the same program to install similar lighting on the Mulberry Street Bridge as part of the scope of the District's bridge renovation program. City Council approved a request from the Administration to borrow $2.4 million from the Pennsylvania Infrastructure Bank (through PennDOT) to resurface roads during the upcoming paving season.

The Department of Parks and Recreation (DPR) and the City's parks system have realized a dramatic revitalization since 1982 when the Mayor implemented his Parks Improvement Program. As a result of these improvements, special events, which include riverfront festivals, concerts in Reservoir Park and Italian Lake, and dozens of other activities, attracted over 1.9 million people in 2008. Separately, City Island has received more than 2.1 million people annually since 2000 to visit its scenic land and attractions. To protect this investment in the City's parks system and to provide informational services, DPR operates a Park Ranger Corps. DPR also offers year-round recreational activities, which attracted more than 582,775 youth and adult participants in 2008. These facilities and events, along with the activities of the hotels and restaurants, the State Capitol Complex, the Whitaker Center for Science and the Arts, the National Civil War Museum, and a host of

others, have now made the City a tourism attraction and a point of destination. During 2008, and for twenty-one consecutive years Harrisburg was designated as a "Tree City USA" by the National Arbor Day Foundation because of its environmental policies and procedures.

Major Initiatives – Enterprise Operations-Component Units

Beginning with 1993, the City discretely presented financial data related to the enterprise operations of three entities considered to be component units of the City's overall financial reporting entity pursuant to GASB Statement No. 14. The Harrisburg Authority (THA) component unit is used to account for operations of a water system, which provides a service to the City and several surrounding municipalities; and for the operations of the Harrisburg Resource Recovery Facility (HRRF), which THA purchased from the City on December 23, 1993. The Harrisburg Parking Authority (HPA) component unit accounts for the operations of eight parking garages, on-street parking, and five open lots, all within the City. The Coordinated Parking Fund (CPF) accounts for the net operating revenues and transfers in from the components of the Coordinated Parking System.

In 2005, the Harrisburg Redevelopment Authority (HRA) became a discretely presented component unit of the City's overall financial reporting entity pursuant to GASB Statement No. 14, as amended by GASB Statement No. 39 *The Reporting Entity*. HRA was established in 1949 as a result of the Urban Redevelopment Act of 1945. HRA is administered by a five-member Board, all of whom are appointed by the Mayor. HRA provides a broad range of urban renewal and maintenance programs within the City. The City guarantees some debt of HRA projects.

The 2008 operating results for THA reflected operating income of $3,034,339. This is in contrast to the prior year's operating loss of $2,136,343. This was primarily attributed to increases in user charges of $8.7 million, and decreased landfill closure and post-closure care expense of $2,199,881 in the Resource Recovery Fund. These were offset by increased operating expenses of $5,589,120. User charges of the Resource Recovery Fund increased approximately $9.4 million due to the facility running at a greatly increased capacity from the previous year. The Water Fund's user charges decreased approximately $660,691 from the prior year.

The decrease in revenue from the Water Fund is due to reduced consumption. The Resource Recovery Fund facility was closed during all of 2004 and 2005 and operated at reduced capacity during 2006 and 2007 due to continued construction. While the facility was closed for trash incineration, revenues continued to be collected from trash transfer and disposal charges and related fees. Operational capacity increased during 2008 and construction is expected to be completed during 2009.

In 2008, the net assets of THA decreased by $18.8 million. This decrease was primarily caused by interest expense of $25.2 million, which increased $2.7 million from the previous year. Additionally, the Resource Recovery Fund incurred an extraordinary item for litigation settlement of $3.6 million. THA anticipates that deficits will be reduced in the Water Fund through future profitability improvements and in the Resource Recovery Fund by increased operational capacity once construction of the facility is complete.

In 2008, the net assets of HPA decreased by $4.0 million, primarily due to increased interest expense of $493,815, transfer to the Coordinated Parking Fund of $1.0 million, increased required payments under the cooperation agreement for downtown parking system to the Coordinated Parking Fund of $721,894, and loss on disposal of capital assets of $496,468. These increased costs were partially offset by increases in the 2008 public parking revenue of $320,247 and increased transfers from the Coordinated Parking Fund of $335,877.

The Coordinated Parking Fund realized an increase in net assets of $449,667 in 2008. This is primarily due to increased operating revenue of $1.8 million, as compared to the 2007 operating revenue.

The net assets of the Harrisburg Redevelopment Authority (HRA) decreased by $569,039 in 2008. Total revenues decreased $377,550 from 2007. The major item of decrease was operating grants and contributions revenue, which decreased $615,503, and was partially offset by increased charges for services of $276,273. Community Development expenses also increased by $191,489 from 2007.

AWARDS AND ACKNOWLEDGEMENTS

National Recognitions

For 1984-85 and 1990-91, the City was chosen as an "All-America City", the Nation's highest community award, by the National Civic League, Inc. The City's selection from among a large number of nominees was due to its demonstrated ability to reverse three decades of previous decline with highly successful economic development and the City's ability to solve local problems through effective governmental and community partnership and leadership. The judging took special note of the development of programs by the City and various groups, including non-profit organizations, churches, historic associations, and efforts by the Harrisburg Redevelopment Authority of the City of Harrisburg to deal with substandard and inadequate housing supply.

In 1989, 1994, 1999, 2002, 2005 and 2008 the City's Police Bureau was approved as a national accredited law enforcement agency by the National Commission on Accreditation for Law Enforcement Agencies. This is the highest national recognition that can be awarded to a police agency. Out of over 21,000 law enforcement agencies on a federal, state, county, regional, and municipal level, less than 746 hold national accreditation. Re-accreditation now occurs every three years.

The Harrisburg Advanced Wastewater Treatment Facility (AWTF) received the United States Environmental Protection Agency's "1991 National Pretreatment Program Excellence Award". The Award is given in categories based on the actual daily flow of publicly owned treatment works. Harrisburg's AWTF won first place in the Nation in the "over 20 million gallons per day" category. The Award recognizes Harrisburg as implementing effective and innovative environmental protection and pollution control programs, and acknowledges the City as demonstrating commitment to the protection and improvement of the Nation's waters through the operation of exemplary pretreatment programs. The AWTF also won first place in the Pennsylvania Operations Challenge in 1992, 1993, 1995, 1996, 1997, 1998, 1999, 2000 and 2001; and continued to the national competition where they placed 16th in 1992, 10th in 1993, 13th in 1995, 4th in 1996, 8th in 1997, 6th in 1998, 7th in 1999, 8th in 2000, and 12th in 2001. These awards illustrate Harrisburg's AWTF as one of the nation's top sewerage facilities in overall operation and compliance. In addition, the superintendent of the City's AWTF was named the state's Operator of the Year for 1993.

The City's aggressive flood control and emergency management system, named as a model by the Pennsylvania Emergency Management Agency, resulted in Harrisburg being the only community in the state to be upgraded in 1991, 1992, 1993 and 2006 by the Federal Emergency Management Agency. This produces a overall 15% - 20% reduction in base flood insurance premiums for all City-based property owners annually.

In 2000, the City was awarded the Best Practices "Simply the Best" award from the Department of Housing and Urban Development (HUD) for its Local Based Paint Hazard Control Program.

In 2001, the National Association of Housing and Redevelopment Officials (NAHRO) presented to the City of Harrisburg's Department of Building and Housing Development the "Award of Excellence" for the Bureau of Housing's Homeownership Opportunities Program (HOP) and the Homeownership Impact Loan Program (HIL) that make financing for City homes available for low and moderate income buyers.

Separately, in 2001, the Mid-Atlantic Regional Conference NAHRO (MARC-NAHRO) presented the City of Harrisburg's, Bureau of Housing and Building Development, the "Award of Excellence for the Homeownership Opportunities Program (HOP) and Homeownership Impact Loan Program (HIL).

In 2002, Harrisburg's Bureau of Vehicle Management, was awarded the National Association of Fleet Administrator's "2002 Larry Goill Award" for an innovative idea that eliminated the need for the public sector to separately bid for vehicles and other equipment each time new vehicles were needed. This new process has saved the City, the Commonwealth, and other participating municipalities time and money.

In 2004, Speerling's Best Places named the Harrisburg-Lebanon-Carlisle metropolitan statistical area as the second least stressful city (area) in the nation, based upon low unemployment rates, shorter commute times, and low crime rates.

The National Arbor Day Foundation, has for twenty-one consecutive years, including 2008, designated Harrisburg as a "Tree City U.S.A."

In 2005, the Harrisburg's WHBG Cable Channel 20 was awarded the Award of Distinction by the International Communicator Awards – 2004 Video Competition. The Harrisburg Broadcast Network received this honor for a telemarketing fraud episode of the City produced series, "The Smart Consumer".

In 2005, the City of Harrisburg was named one of 100 Best Communities for Young People, from the America's Promise – The Alliance for Youth. The City received this honor in part because its service system that offers support for each of its children as they develop. The City provides health centers onsite at elementary schools, low-income dental services for children, and free inoculation programs as well as full-day kindergarten, after-school programs, summer camps, youth councils, peer education programs, and leadership programs.

In 2005, the City of Harrisburg's Vehicle Purchasing Program was recognized as a best practice by the American Public Works Association. Since its implementation, this program has saved its participants over $10 million.

The City of Harrisburg's Bureau of Water received the Director's Award from the Partnership for Safe Water, in 2005. This award was given the bureau because of its ability to provide quality water to its community and the continued effort to achieve less than .01 NTU year round.

State Recognitions

Just nine years after being listed as the second most distressed city in the nation in 1981 under federal distress criteria, Harrisburg was selected as the "1990 Outstanding Community of Pennsylvania" by the Pennsylvania Chamber of Business and Industry, the highest community recognition in the state. The Mayor, who began his first term in office in 1982, was separately named by the Chamber as the "1990 Outstanding Government Leader of Pennsylvania."

Also, Preservation Pennsylvania, a state historic preservation advocacy organization, gave the City of Harrisburg its 1996 Local Government Initiative-Historic Preservation Award for the rehabilitation of the former Reily Fire Station. The building houses the Greater Harrisburg Fire Museum.

In 1998, Mayor Stephen R. Reed was presented with the Distinguished Leader Award by the Pennsylvania Planning Association. Mayor Reed was cited for his "creativity and entrepreneurial initiatives that have helped Harrisburg become a thriving, vibrant community."

In 1998, the Harrisburg Department of Parks and Recreation won four state awards from the Pennsylvania Recreation and Park Society (PRPS). Three awards were for "Excellence in Programming" for City Island Fun Day, the Bell Atlantic Foundation Computer Learning Center in the Brownstone Building at Reservoir Park, and the Kipona Festival. The fourth award was for "Excellence in Publications and Promotional Materials" for the Harrisburg City Calendar.

In 1996 and 1999, the City's Alternative Revenue and Energy Program received the state's highest recognition, the Governor's Award for Environmental Excellence for Achievement in Technological Innovation.

For 1999, the Harrisburg Department of Parks and Recreation won three state awards from the PRPS which were presented in March 2000. These awards were for Excellence in Programming for the Black History Showcase, the Senior Citizens Computer Program in the Brownstone Building at Reservoir Park, and the Junior Golf Program.

In 2001, the Harrisburg Police Bureau's Traffic Safety Unit received the top state Traffic Law Enforcement Award from the Governor's Highway Safety Council for the thirteenth year.

For 2001, the Pennsylvania Recreation and Parks Society presented the Harrisburg Department of Parks and Recreation with Excellence in Programming awards for the City's Easter Egg Hunt/Youth Health Fair, the American Musicfest/Kipona and the Countdown Programs.

In 2001, the Pennsylvania Department of Community and Economic Development (DCED), Center for Community Building presented the Department of Building and Housing Development an Award of Recognition for their Community building efforts and participation in the Pennsylvania Community Building Conference.

Harrisburg's park system won two Centennial Medallion Awards from the American Society of Landscape Architects for both Riverfront Park and Reservoir Park.

For 2002, the Harrisburg Department of Parks and Recreation won a state award from PRPS for Excellence in Programming for the City Fishing Derby.

In 2002, the Pennsylvania Section – American Water Works Association and the nationally based Partnership for Safe Water presented the Harrisburg Bureau of Water with the prestigious 2002 Partnership for Safe Water Achievement Award, the highest honor for water system operations in the state and the nation.

In 2003, the Skyline Sports Complex field earned the coveted Fields of Distinction Award from the Keystone Athletic Field Managers Organization.

The City of Harrisburg was awarded the Cecil C. Furer, Friend of Rural Water Award by the Pennsylvania Rural Water Association in 2003. This was presented to the City for its ability to help smaller water systems in their times of difficulty.

In July 2007, the Harrisburg Police Bureau attained Pennsylvania Law Enforcement Accreditation. The Bureau is one of only nine law enforcement agencies in the state of Pennsylvania to have the distinction of holding both national and state accreditation. Re-accreditation occurs every three years.

Additional Recognitions

After thorough assessment, the City of Harrisburg received an upgraded credit rating of "A" by Standard and Poor's Corporation and an "A-" by Fitch Investors Services, Inc., both in 1992. This achievement is monumental considering just eleven years earlier Harrisburg could not achieve any credit rating. The City continues to maintain these ratings.

The City of Harrisburg's Capital Area Greenbelt program won the Chesapeake Bay Local Government Advisory Committee's 1992 and 1994 Award for Local Innovation. The Capital Area Greenbelt program was one of six programs selected to receive the award in the four-state Bay area. The City of Harrisburg was the only local government in Pennsylvania to receive the award, with the other recipients from Maryland and Virginia.

In 1992, an independent awards jury named Mayor Stephen R. Reed as the Entrepreneur of the Year in Central Pennsylvania, in the category of Supporter of Entrepreneurs, for leadership in fostering business development and growth. It was the first time a public official received this private sector recognition.

The City of Harrisburg received the Community Service Award from the Central Pennsylvania Chapter of the Public Relations Society of America in 1993. This first time award was received for quality public information services, practices, and policies.

In 2000, the City of Harrisburg was the only municipality in North America to receive the International Paradigm Award for its cutting-edge use of technology.

In 2000 and 2002, the International Festival and Events Association honored Harrisburg with four top international awards for its special events programs and promotions.

In 2001, the International Festival and Events Association honored Harrisburg with two awards for its special events program and promotion.

The Capital Region Fair Housing Council presented Mayor Stephen R. Reed with an Award of Recognition for his personal support of housing programs in the Capital Region on the occasion of their 26th Anniversary Celebration.

In 2003, the International Festival and Events Association honored the City of Harrisburg with seven awards for it special events programs and promotions.

In 2003, Mayor Stephen R. Reed was presented with the Community Builder of the Year by the Tri-County United Way of Pennsylvania.

The American Cancer Society presented Mayor Stephen R. Reed with the 2003 John H. Baum Humanitarian Award for his personal commitment to the community. This award was presented in memory of the late Patriot-News publisher and community leader.

In 2003, the City of Harrisburg was awarded the "Good Neighbor" award by "Mission of Mercy", a non-profit organization that offers free medical and dental services to the uninsured, working poor, and homeless individuals. The City of Harrisburg was presented this award due to its continued efforts to promote the program's free medical services.

In 2004, the Pennsylvania League of Cities and Municipalities awarded the City of Harrisburg with the Intergovernmental Cooperation award.

In 2004, Mayor Stephen R. Reed was presented with the Paul Harris fellow award given to exceptional leaders. Reed was cited for "giving back and making things happen for kids".

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the "Distinguished Budget Presentation Award" to the City of Harrisburg for its 2007 Budget document, which marks the eighteenth consecutive year the City received this recognition. This award is the highest form of recognition in governmental budgeting.

GFOA also awarded a "Certificate of Achievement of Excellence in Financial Reporting" to the City of Harrisburg, Pennsylvania for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Harrisburg has received a Certificate of Achievement for the last twenty-one consecutive years (1987 – 2007). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis would not have been possible without the efficient and dedicated services of the staff of the Bureau of Financial Management. I would especially like to express my sincere appreciation to William P. Leinberger, CMA, CFM, Finance Director, and his Accounting Office staff, who contributed so significantly to its preparation.

Assistance above and beyond the normal call of duty was provided by the Bureau of Information Technology, City Controller's Office, and City Treasurer's Office. Their assistance made possible the

development and/or adaptation of information necessary for financial statement and/or statistical information presentation. In addition, the accounting firm of Maher Duessel made substantial contributions by way of financial statement presentation, proofing, research and interpretation of recent reporting guidelines and review for conformity to Certificate of Achievement Program requirements.

Appreciation is also expressed to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Robert F. Kroboth, CGFM
Deputy Business Administrator
Bureau of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisburg Pennsylvania

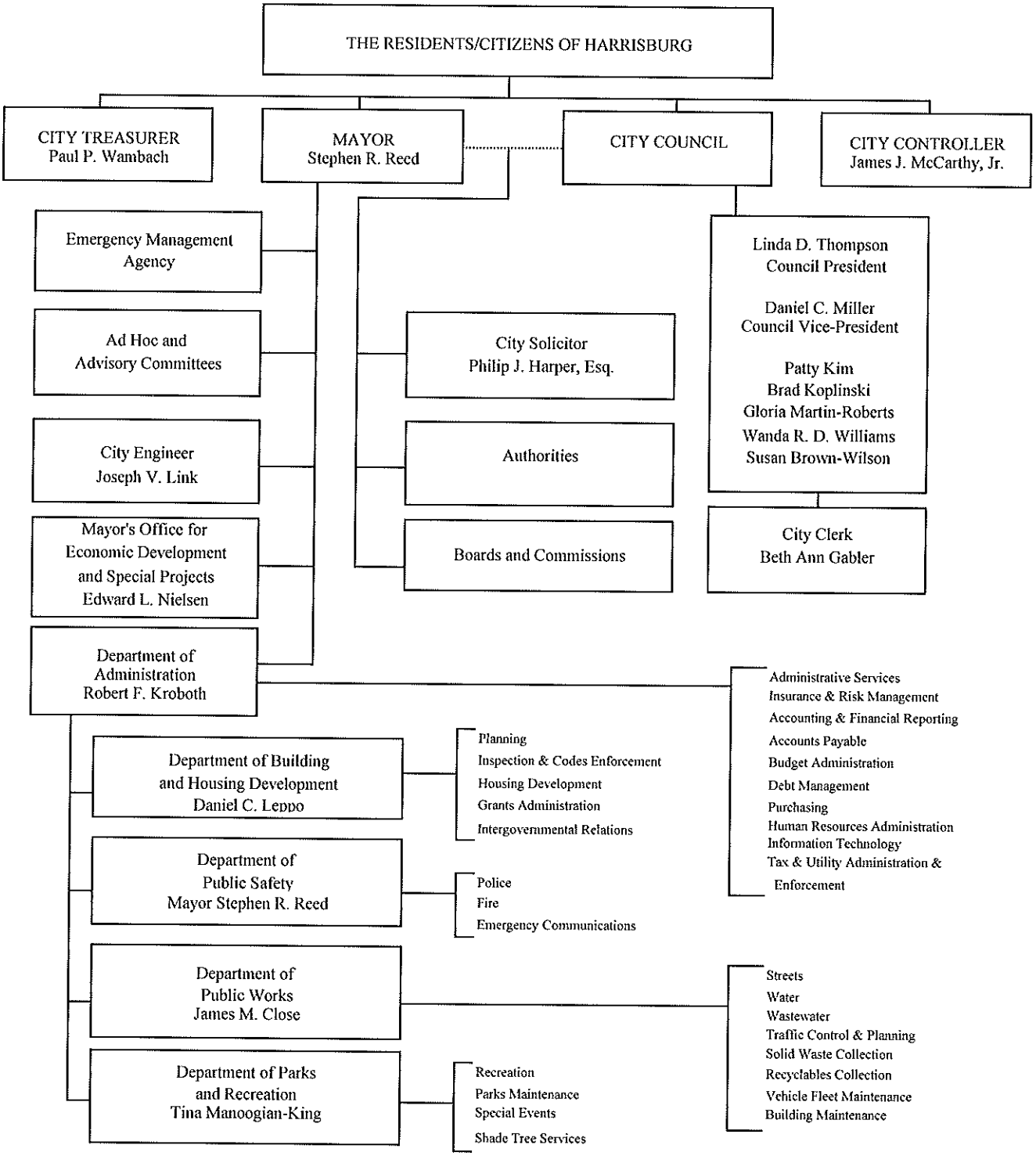
For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

CITY OF HARRISBURG
ORGANIZATIONAL CHART



CITY OF HARRISBURG, PENNSYLVANIA

LIST OF ELECTED OFFICIALS

The City is an Optional Third Class City and is governed by a Plan A, Mayor - Council form of government. The current elected officials of the City are shown in the table below:

	First Sworn In	Term Expires
Mayor		
Stephen R. Reed	January 1982	January 2010
City Council Members		
Linda D. Thompson, President	January 2002	January 2010
Daniel C. Miller, Vice President	January 2006	January 2010
Patty Kim	January 2006	January 2010
Brad Koplinski	January 2008	January 2012
Gloria E. Martin-Roberts	January 2004	January 2012
Wanda R. Williams	January 2006	January 2010
Susan C. Wilson	January 2004	January 2012
City Controller		
James J. McCarthy, Jr.	January 1978	January 2010
City Treasurer		
Paul P. Wambach	January 1992	January 2012

THE CITY OF HARRISBURG
PENNSYLVANIA
INCORPORATED MAR. 19. 1860

MaherDuessel
Certified Public Accountants

Pittsburgh
Three Gateway Center
Six West
Pittsburgh, PA 15222
Main 412.471.5500
Fax 412.471.5508

Harrisburg
3003 North Front Street
Suite 101
Harrisburg, PA 17110
Main 717.232.1230
Fax 717.232.8230

Butler
112 Hollywood Drive
Suite 204
Butler, PA 16001
Main 724.285.6800
Fax 724.285.6875

INDEPENDENT AUDITOR'S REPORT

The Honorable Stephen R. Reed, Mayor
and Honorable Members of City Council
City of 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 the City of Harrisburg, Pennsylvania (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Authority of the City of Harrisburg, which represents 1.45 percent, 19.28 percent, and 4.44 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Redevelopment Authority of the City of Harrisburg, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Harrisburg Authority, a discretely presented component unit of the City, incurred significant financings in December 2003 and, again, in December 2007, to fund the costs of the modernization project related to The Harrisburg Authority's Resource Recovery Facility. Additionally, the Resource Recovery Fund has experienced significant operating losses, has an accumulated deficit of $120,514,477 at December 31, 2008, and is in violation of certain covenants under the trust indentures. Additionally, as discussed further in Note 25 to the financial statements, the Authority has issued multiple notices of material events with respect to certain of the Resource Recovery Facility bonds, which are guaranteed by the City.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and pension plan information on pages 3 through 13 and 112 through 117 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 City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maher Duessel

Harrisburg, Pennsylvania
December 23, 2009

This section of the City of Harrisburg's Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis of the City's financial performance during the year ending December 31, 2008. Readers are encouraged to consider the information within the context of the preceding Transmittal Letter and the following financial statements. The discussion also focuses on the primary government and unless otherwise noted, component units are not included.

Financial Highlights

- The City of Harrisburg's assets for the years ending December 31, 2008 and 2007, exceeded its liabilities by $46,178,883 and $53,319,004, respectively.
    - Invested in capital assets, net of related debt, in the amount of $65,272,704 and $68,791,001 for the years ending December 31, 2008 and 2007, respectively, includes all capital assets including infrastructure.
    - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to $8,174,963 and $5,686,099 for the years ending December 31, 2008 and 2007, respectively.
    - Unrestricted net assets, which are assets not restricted for any particular purpose, were ($27,268,784) and ($21,158,096) for the years ending December 31, 2008 and 2007, respectively.
- At December 31, 2008 and 2007, the fund balance of the City of Harrisburg's governmental funds was $16,234,181 and $18,060,228, respectively.
- The City's total net assets decreased by $7,140,121. This is due primarily to the current year implementation of Governmental Accounting Standards Board Statement Number 45, which requires the City to record other post-employment benefits.
- The fund balance of the governmental funds decreased by $1,826,047 for the year ended December 31, 2008, primarily due to capital expenditures in the amount of $4.5 million, paid from the proceeds of a capital lease which was recognized in the prior year, and net of the current year Pennsylvania Infrastructure Bank loan issuance of $2.4 million.

Overview of the Financial Statements

The financial section of the CAFR consists of five parts in the following order: the independent auditor's report on the financial statement audit, Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information (RSI), and other supplementary information. The basic financial statements can be further classified into the following three types: government-wide financial statements, fund financial statements, and notes to the financial statements.

1. **Government-Wide Financial Statements** The government-wide financial statements provide a summary of the City of Harrisburg's financial condition in a similar fashion to the private business sector. The focus of these statements is the economic resources measurement and full accrual basis of accounting.

All of the City of Harrisburg's net assets are reported as the difference between the assets and liabilities. Increases and decreases in net assets serve as a good indicator of the financial condition improving or deteriorating.

The Statement of Activities presents information on how net assets changed during the year. All changes are recorded as soon as the change occurs even though cash may not be received yet; cash flow may even occur in a later fiscal year, such as uncollected taxes and vacation leave earned, but not used. The Statement of Net Assets and the Statement of Activities distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City of Harrisburg's governmental activities are general government, building and housing development, public safety (police and fire), public works, and parks and recreation. The business-type activities of the City include Sewer, Sanitation, and Harrisburg Senators Funds.

2. **Fund Financial Statements** A fund is a grouping of related accounts used to control resources that are separated by activity. Fund accounting is used by the City of Harrisburg to monitor and show compliance with budgetary requirements. Funds are either governmental, proprietary, or fiduciary funds.

   a. **Governmental Funds** Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

      Since the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented by the two in order to better understand the long-term impact of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate the comparison between governmental funds and governmental activities.

      The City of Harrisburg reports four major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those required to be accounted for in another fund; (2) the Grants Programs Fund, which accounts for the revenues and expenditures of federal, state, and other grant programs including the Community Development Block Grant Entitlement Program; (3) the Debt Service Fund, which accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs; and (4) the Capital Projects Fund, which accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds). Data from all the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

b. **Proprietary Funds** The City's proprietary funds are all classified as enterprise funds. They are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and/or other purposes.

The City of Harrisburg reports three major enterprise funds: (1) the Sewer Fund, which accounts for the revenues and expense associated with the provision of sewage service to the residents and commercial and industrial establishments of the City as well as six municipalities surrounding the City; (2) the Sanitation Fund, which accounts for the revenues and expenses associated with the provision of refuse collection and disposal services to the residents and commercial and industrial establishments of the City; and (3) the Harrisburg Senators Fund, which accounts for the revenues and expenses associated with the payment of debt on the purchase of Harrisburg Senators minor league franchise and financing of a new stadium of the Harrisburg Senators, formerly owned by the City. The City does not present any non-major enterprise funds.

c. **Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's fiduciary funds are all classified as trust and agency funds. Fiduciary fund financial statements report similarly to proprietary funds.

3. **Notes to the Financial Statements** The Notes give additional information that is necessary to understand fully the data provided in the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

4. **Other Information** The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund, in required supplementary information, to demonstrate compliance with this budget. In addition, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The combining statements referred to earlier in connection with non-major governmental funds and agency funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

CITY OF HARRISBURG
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2008 AND 2007

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 35,832,553	$ 41,989,882	$ 21,195,485	$ 23,407,354	$ 57,028,038	$ 65,397,236
Capital assets	113,914,484	112,225,754	46,507,174	44,402,315	160,421,658	156,628,069
Total assets	149,747,037	154,215,636	67,702,659	67,809,669	217,449,696	222,025,305
Current and other liabilities	19,859,998	24,657,198	2,529,782	2,417,531	22,389,780	27,074,729
Noncurrent liabilities	131,761,713	121,741,521	17,119,320	19,890,051	148,881,033	141,631,572
Total liabilities	151,621,711	146,398,719	19,649,102	22,307,582	171,270,813	168,706,301
Net assets:						
Invested in capital assets, net of related debt	30,518,850	34,134,373	34,753,854	34,656,628	65,272,704	68,791,001
Restricted	1,130,021	545,748	7,044,942	5,140,351	8,174,963	5,686,099
Unrestricted	(33,523,545)	(26,863,204)	6,254,761	5,705,108	(27,268,784)	(21,158,096)
Total net assets	$ (1,874,674)	$ 7,816,917	$ 48,053,557	$ 45,502,087	$ 46,178,883	$ 53,319,004

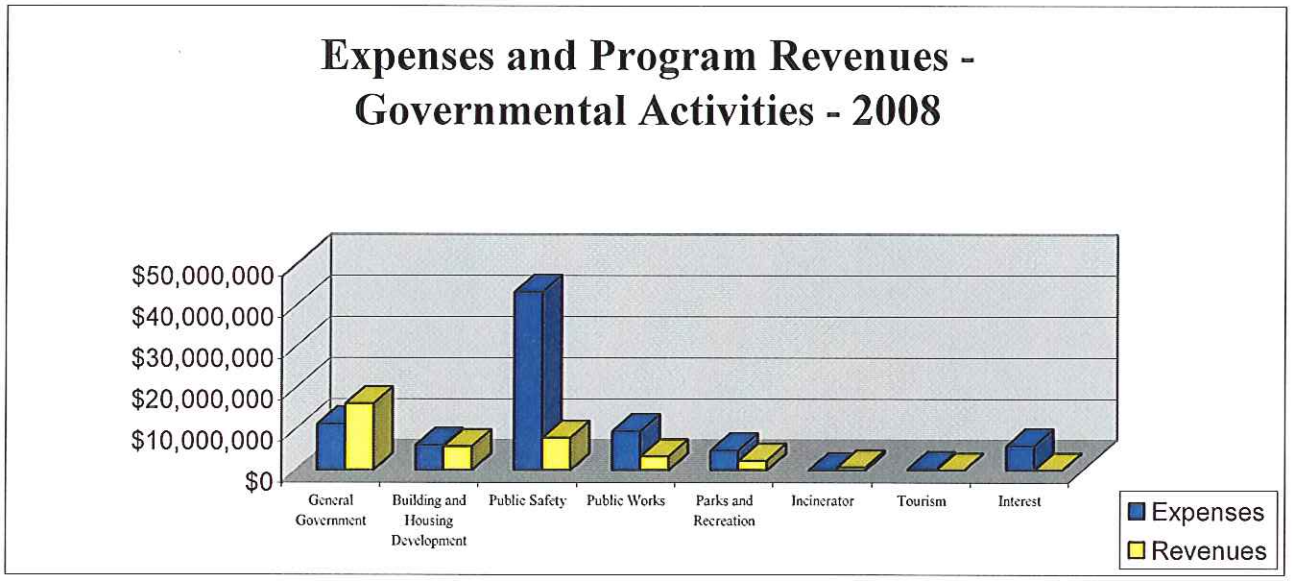
As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City of Harrisburg's assets exceeded its liabilities by $46,178,883 and $53,319,004 for years ending December 31, 2008 and 2007, respectively.

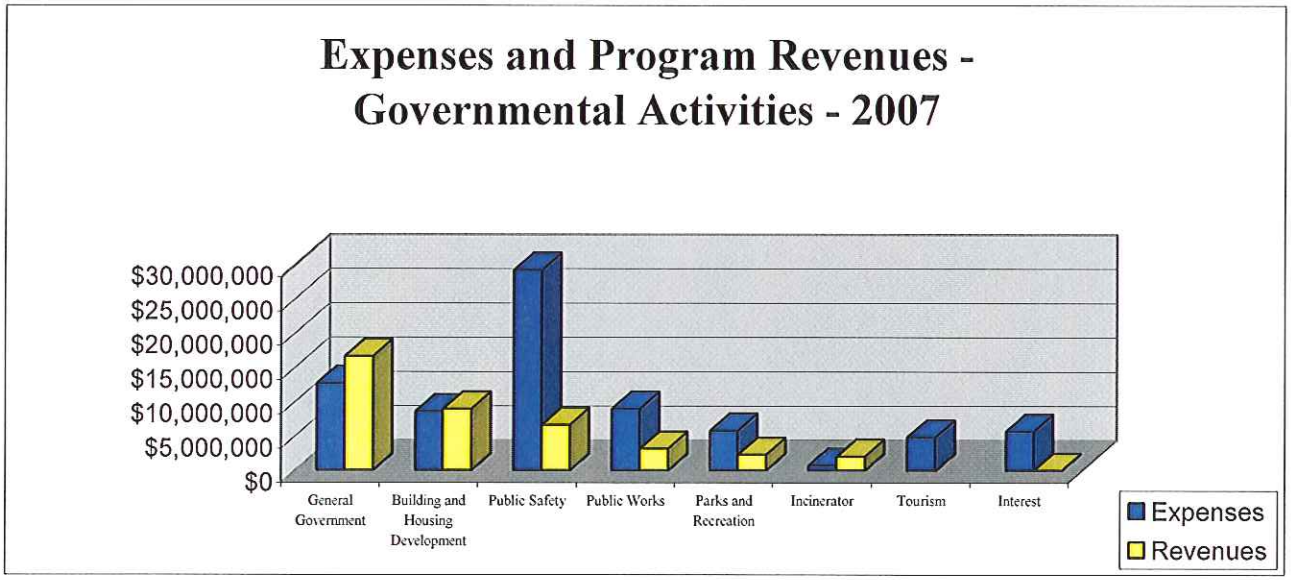
The largest portion of City of Harrisburg's net assets (141% for 2008 and 129% for 2007) is the City's investment in capital assets (i.e., land, archives, building, land and building improvements, equipment and furniture, infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used by the City of Harrisburg to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the assets cannot be used to liquidate these liabilities.

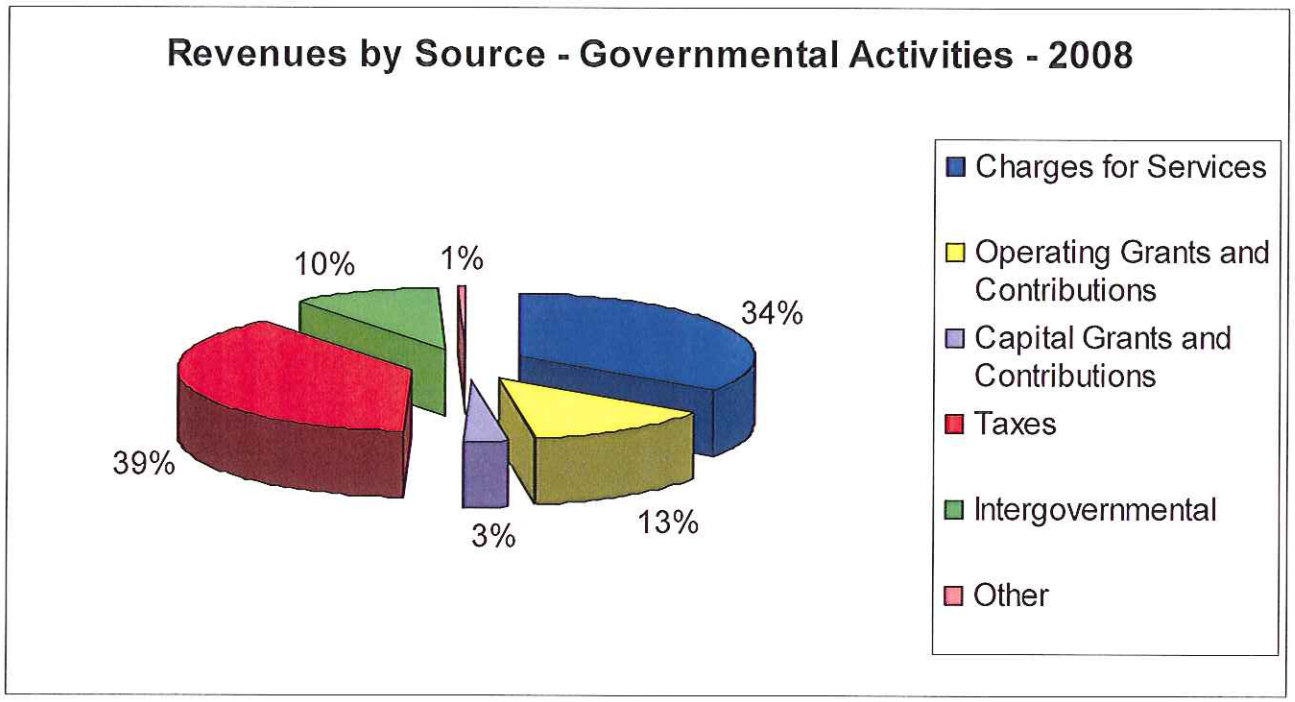
The City of Harrisburg's unrestricted net asset balances of ($27,268,784) and ($21,158,096), respectively, for the years ending December 31, 2008 and 2007 result from the recording of unfunded pension liability bonds, General Obligation Bonds, Series A and B of 1995, in the amount of $7,345,682 and $10,559,266, respectively; vested compensated absences in the amount of $9,075,876 and $8,383,383, respectively, and other post-employment benefits of $13,303,170 and zero, respectively.

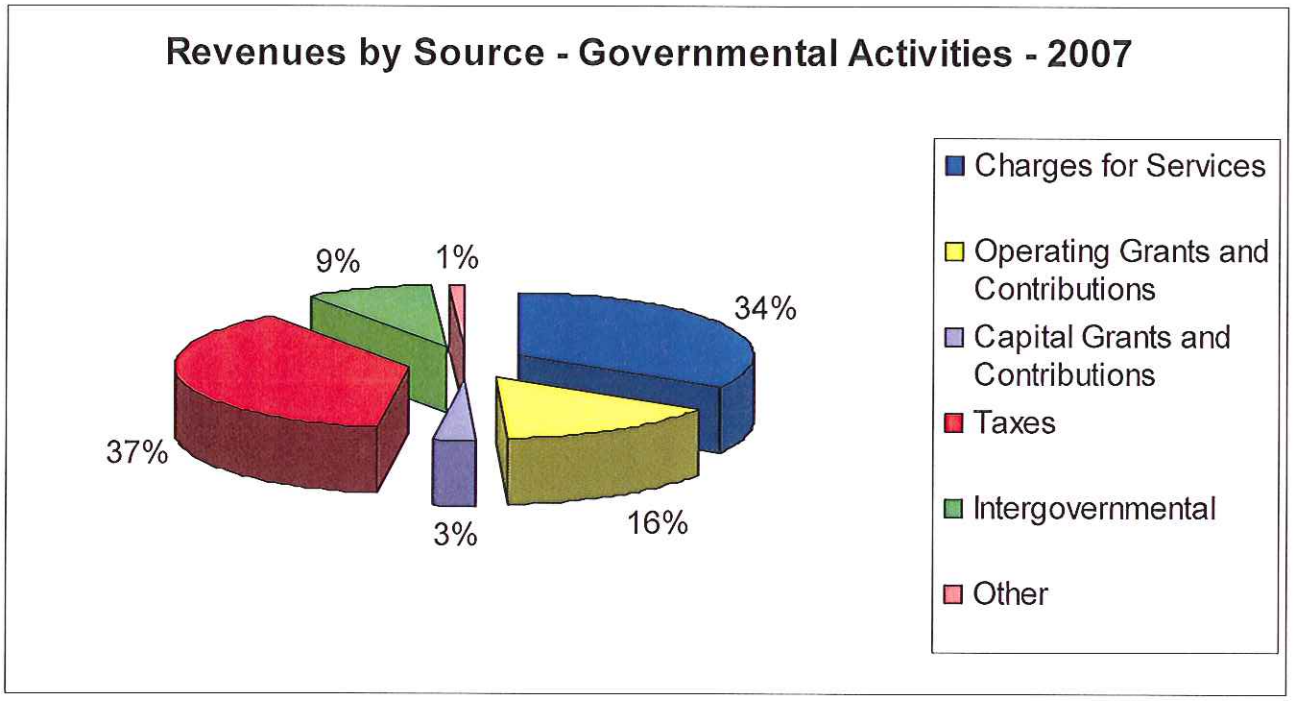
CITY OF HARRISBURG
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Changes for services	$ 24,574,751	$ 25,500,774	$ 19,974,303	$ 27,167,086	$ 44,549,054	$ 52,667,860
Operating grants and contributions	9,387,069	11,837,574	137,294	104,607	9,524,363	11,942,181
Capital grants and contributions	2,163,278	2,368,927	1,025,582	1,665,268	3,188,860	4,034,195
General revenues:						
Taxes	27,641,947	28,651,155	-	-	27,641,947	28,651,155
Grants and contributions not restricted to specific functions	7,340,486	6,886,276	-	-	7,340,486	6,886,276
Other	477,404	750,284	215,292	688,223	692,696	1,438,507
Total revenues	71,584,935	75,994,990	21,352,471	29,625,184	92,937,406	105,620,174
Expenses						
General government	11,227,267	12,673,605	-	-	11,227,267	12,673,605
Building and housing development	6,074,003	8,549,637	-	-	6,074,003	8,549,637
Public safety	43,249,161	29,181,612	-	-	43,249,161	29,181,612
Public works	9,439,071	8,952,746	-	-	9,439,071	8,952,746
Parks and recreation	4,797,981	5,797,490	-	-	4,797,981	5,797,490
Incinerator	-	714,171	-	-	-	714,171
Tourism	280,072	4,835,059	-	-	280,072	4,835,059
Interest on long-term debt	5,859,272	5,682,610	-	-	5,859,272	5,682,610
Sewer	-	-	15,093,480	13,532,864	15,093,480	13,532,864
Sanitation	-	-	3,380,182	3,085,391	3,380,182	3,085,391
Harrisburg Senators	-	-	677,038	1,571,502	677,038	1,571,502
Total expenses	80,926,827	76,386,930	19,150,700	18,189,757	100,077,527	94,576,687
Change in net assets before transfers	(9,341,892)	(391,940)	2,201,771	11,435,427	(7,140,121)	11,043,487
Transfers	(349,699)	1,736,765	349,699	(1,736,765)	-	-
Change in net assets	(9,691,591)	1,344,825	2,551,470	9,698,662	(7,140,121)	11,043,487
Net assets January 1,	7,816,917	6,472,092	45,502,087	35,803,425	53,319,004	42,275,517
Net assets, December 31	$ (1,874,674)	$ 7,816,917	$ 48,053,557	$ 45,502,087	$ 46,178,883	$ 53,319,004


Expenses and Program Revenues - Governmental Activities - 2008
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
General Government
Building and Housing Development
Public Safety
Public Works
Parks and Recreation
Incinerator
Tourism
Interest
Expenses
Revenues


Expenses and Program Revenues - Governmental Activities - 2007
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
General Government
Building and Housing Development
Public Safety
Public Works
Parks and Recreation
Incinerator
Tourism
Interest
Expenses
Revenues

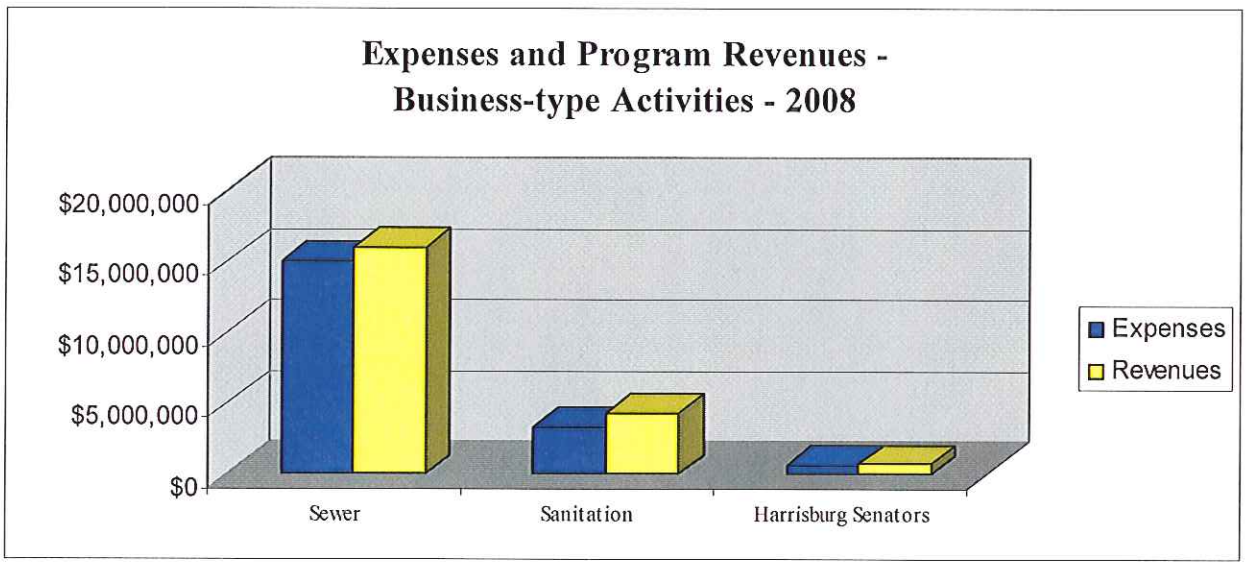


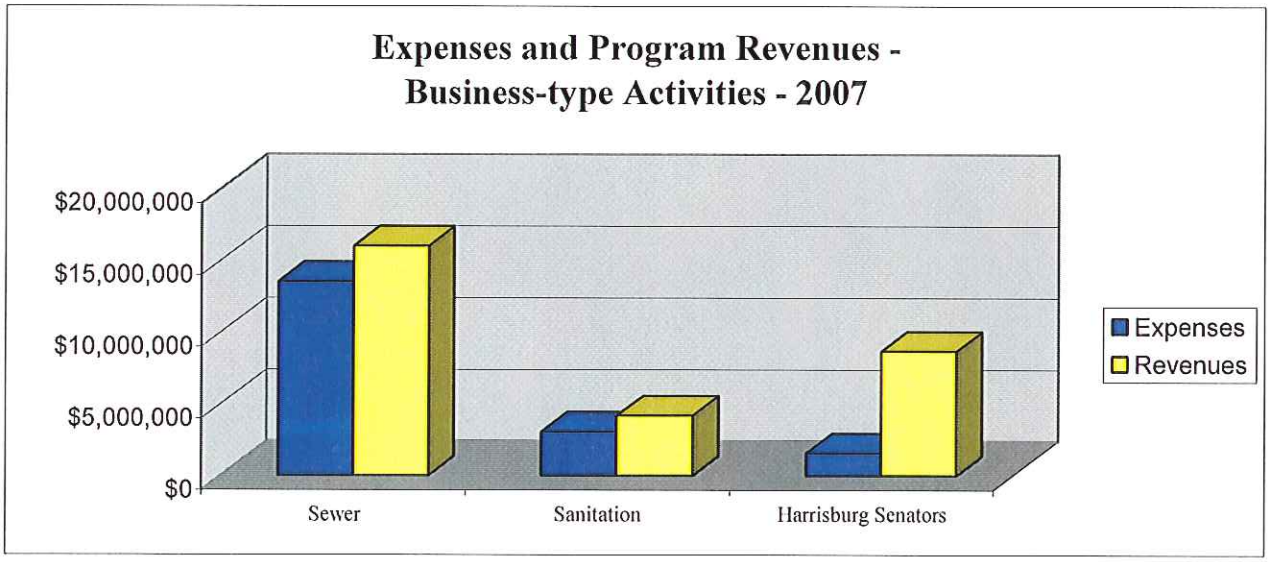


Governmental Activities Net assets for governmental activities decreased by $9,691,591 for the year ending December 31, 2008. The basic factors for the change in net assets was the current year implementation of Governmental Accounting Standards Board Statement Number 45, which required the City to record other post-employment benefits in the amount of $12.7 million, Local Services Tax decreased by approximately

$900,000 due to changes in state collection laws and income limits, and approximately $180,000 in valuation adjustments related to certain City artifacts.

Net assets for governmental activities increased by $1,344,825 for the year ending December 31, 2007. The basic factor for the change in the net assets were a 1.5 mill real estate tax increase which, under the full accrual basis of accounting, resulted in approximately $2.7 million of additional tax revenue offset by an approximate $4.8 million in valuation adjustments related to certain City artifacts.





Business-Type Activities Net assets for business-type activities increased by $2,551,470 and $9,698,662 for the years ending December 31, 2008 and 2007, respectively. The basic factor for the change in net assets during the year ending December 31, 2008, was primarily due to the current year implementation of Governmental Accounting Standards Board Statement Number 45, which required the City to record other post-employment benefits in the amount of $900,000. The basic factor for the change in net assets during the

year ending December 31, 2007, was primarily due to the sale of the Harrisburg Senators minor league baseball franchise resulting in a gain of approximately $8.5 million.

Financial Analysis of the City's Funds

1. **Governmental Funds** The focus of the City of Harrisburg's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Harrisburg's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

   As of the end of the current fiscal year, the City of Harrisburg's governmental funds reported combined ending fund balances of $16,234,181, an decrease of $1,826,047 in comparison with the prior year.

   The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The Fund Balance of the General Fund decreased by $678,070 for the year ending December 31, 2008, or -4.75%, from the prior year. The basic factor for the change in the net assets is the expenditure of capital lease proceeds in the amount of $4.5 million, and payment of Senators debt that was funded through sale proceeds in 2007.

   The Grant Programs Fund does not report a fund balance because revenue equals expenditures. In this fund, revenue is recognized only when allowable expenditures are incurred and the legal and contractual requirements of the individual programs are met. The Fund Balance of the Debt Service Fund decreased by $1,822,143 for the year ending December 31, 2008, or -92.2%, from the prior year. This is primarily due to the use of prior year sale proceeds of the Harrisburg Senators minor league baseball franchise for 2008 debt service. The Fund Balance of the Capital Projects Fund increased by $676.676 for the year ending December 31, 2008, or 45.38%, from the prior year. This was due primarily to contributions by local entities towards street paving and firefighting equipment.

   The Fund Balance of the General Fund increased by $13,566,201 for the year ending December 31, 2007, or 1,922%, from the prior year. The basic factor for the change in the net assets is the issuance of a capital lease in the amount of approximately $8.3 million to purchase vehicles and equipment, and a 1.5 mill real estate tax increase which, under the modified accrual basis of accounting, resulted in approximately $3.2 million of additional tax revenue.

   The Grant Programs Fund does not report a fund balance because revenue equals expenditures. In this fund, revenue is recognized only when allowable expenditures are incurred and the legal and contractual requirements of the individual programs are met. The Fund Balance of the Debt Service Fund increased by $1,918,688 for the year ending December 31, 2007, or 3,335%, from the prior year. This is primarily due to $500,000 of guarantee fees on behalf of a Harrisburg Parking Authority bond issue and a portion of the sale of the Harrisburg Senators minor league baseball franchise, to be used for 2008 debt service. The Fund Balance of the Capital Projects Fund decreased by $2,081,626 for the year ending December 31, 2007, or -58%, from the prior year. This was due primarily to the write-off of prior year's ticket revenue due from the Harrisburg Civic Baseball Club.

General Fund Budgetary Highlights On a budgetary basis, the General Fund's actual revenues were $1,910,052 more than the final budgeted amounts. This was primarily attributed to $1.5 million of unanticipated tax revenue and $265,000 of unbudgeted stop loss recoveries. The General Fund's actual expenditures were $3,006,189 less than the final budgeted amounts. This was primarily due to $1.0 million in across the board public safety under-spending.

2. Capital Asset and Debt Administration

1. **Capital assets** The City's investment in capital assets for its governmental activities and business-type activities as of December 31, 2008 amounts to $113,914,484 and $46,507,174 (net of accumulated depreciation), respectively. This investment in capital assets includes land, archives, buildings, land and building improvements, equipment and furniture, and infrastructure.

   Major capital asset events during the current year for governmental activities included the following:

   - Capital lease proceeds were expended in the amount of $4.5 million for public safety police vehicles, fire trucks, and computer equipment.
   - Infrastructure increased by approximately $2.7 million for City-wide street repaving.

   Major capital asset events during the current year for business-type activities included the following:

   - Construction-in-progress increased by approximately $4.0 million for construction within the Sewer Fund, paid for through the capital lease with The Harrisburg Authority.

   Additional information on the City's capital assets can be found on page 57 of this report.

2. **Long-term debt** Other than the required principal and interest payments, the only debt activity in the City's governmental or business-type activities was the issuance of a Pennsylvania Infrastructure Bank loan in the amount of $2.4 million to be used to fund City-wide street repaving.

   Additional information on the City's long-term debt can be found on page 60 of this report.

Economic Factors

Arguably, the two most significant factors affecting the City are the extent of unfunded federal and state mandates and the extent of tax-exempt real estate. Our best estimate is that in the entire City budget, approximately 42% of the expense is related to unfunded costs mandated on us by the United States Government and Commonwealth of Pennsylvania.

Moreover, the most significant unfunded mandate affecting us is the liberal allowance for tax-exemption that exists in Pennsylvania. What was already a broadly-accommodating state law was further loosened several years ago by additional state legislative action. Today, approximately 49% of all real estate in the City is exempt from paying any type of taxes under state law. The number of properties achieving tax-exemption increases by the year. Some of the tax exempt-properties are amongst the greatest generators of demand for City services, for which they do not pay a dime. This is a continuing inequitable and unfair burden on Harrisburg and one that places a higher tax rate on those who pay taxes on their real estate.

Some of the factors that affect our costs are matters over which a local government has little control. Others are only marginally controllable. The following are a number of circumstances that will impact future costs:

(a) Health care rate increases are projected to be approximately 9.6% for 2009, down from 9.9% for the previous year.
(b) Fuel and energy costs have reached their highest levels in U.S. history the previous year and the City has experienced higher expenses for both. The average 2008 retail cost for all grades and formulations of gasoline was $3.30 per gallon. Fuel prices for 2009 are expected to decrease to $2.37 or 28% during 2009.
(c) 2009 heating and electricity costs are budgeted to increase over 2008 actual costs, and electricity rate caps are expected to come off in 2010 resulting in increases up to 30%.
(d) Significant decreases in the value of the stock market during 2009 are expected to have a negative impact on the City's minimum municipal obligation for the three defined benefit pension plans.
(e) Increased costs associated with stray animals delivered to the Humane Society shelter have been passed along to the City resulting in a 12.4% increase for 2009.
(f) 2009 salaries for the City's Police, Firefighter, and Non-Uniformed unions are negotiated to increase 4.0%, 4.0%, and 3.0%, respectively.
(g) The Harrisburg Authority (THA), a component unit of The City of Harrisburg, has various debt issues outstanding that the City guarantees. There is a high degree of uncertainty regarding THA's ability to operate at a capacity in order to sustain their debt service obligation. The City has had to honor those guarantees at various times during 2009.

Requests for Information

This financial report is designed for those who have an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Office of the Business Administrator, Rev. Dr. Martin Luther King Jr., City Government Center, 10 North Second Street, Suite 301, Harrisburg, PA 17101. You may also find more information regarding the City of Harrisburg at our website www.cityofhbg.com.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
Assets					
Cash and cash equivalents	$ 10,270,721	$ 4,610,640	$ 14,881,361	$ 10,418,620	$ 25,299,981
Investments, at fair value	4,386,405	1,543,559	5,929,964	-	5,929,964
Receivables, net of allowance for uncollectible accounts					
Taxes	6,766,244	-	6,766,244	-	6,766,244
Accounts	235,408	3,184,573	3,419,981	5,594,556	9,014,537
Loans	6,805,595	-	6,805,595	-	6,805,595
Other	185,234	-	185,234	21,800	207,034
Internal balances	(477,222)	477,222	-	-	-
Due from component unit	822,037	243,159	1,065,196	-	1,065,196
Due from primary government	-	-	-	2,340,676	2,340,676
Assets held for sale	1,727,384	-	1,727,384	-	1,727,384
Other assets	147,526	920,968	1,068,494	166,238	1,234,732
Restricted assets					
Cash and cash equivalents	1,298,399	2,159	1,300,558	-	1,300,558
Cash with fiscal agents	-	-	-	4,171,731	4,171,731
Investments, at fair value	3,664,822	10,213,205	13,878,027	84,425,578	98,303,605
Litigation settlement receivable	-	-	-	5,415,000	5,415,000
Accrued interest receivable	-	-	-	21,509	21,509
Future lease rentals receivable from primary government	-	-	-	4,830,416	4,830,416
Capital assets, not being depreciated	25,307,096	9,068,508	34,375,604	19,934,361	54,309,965
Capital assets, less accumulated depreciation and amortization	88,607,388	37,438,666	126,046,054	231,931,455	357,977,509
Equitable ownership interest	-	-	-	14,000,500	14,000,500
Deferred charges, net of accumulated amortization	-	-	-	21,524,841	21,524,841
Total assets	149,747,037	67,702,659	217,449,696	404,797,281	622,246,977

(continued)

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
Liabilities					
Accounts payable and other current liabilities	2,372,069	261,140	2,633,209	1,819,549	4,452,758
Matured bond coupons	20,097	-	20,097	-	20,097
Accrued liabilities	3,030,681	173,511	3,204,192	-	3,204,192
Due to primary government	-	-	-	923,074	923,074
Due to component unit	387,667	2,095,131	2,482,798	-	2,482,798
Unearned revenue	14,049,484	-	14,049,484	643,096	14,692,580
Liabilities payable from restricted assets	-	-	-	16,120,474	16,120,474
Noncurrent liabilities:					
Due within one year	13,819,576	3,558,461	17,378,037	12,424,977	29,803,014
Due in more than one year	105,244,439	12,955,387	118,199,826	552,883,259	671,083,085
Other post-employment benefits	12,697,698	605,472	13,303,170	-	13,303,170
Deferred revenue	-	-	-	5,763,821	5,763,821
Accrued landfill closure and post-closure liability	-	-	-	2,270,163	2,270,163
Total liabilities	151,621,711	19,649,102	171,270,813	592,848,413	764,119,226
Net assets					
Invested in capital assets, net of related debt	30,518,850	34,753,854	65,272,704	(163,625,152)	(98,352,448)
Restricted for:					
Highways and streets	203,308	-	203,308	-	203,308
Culture and recreation	861,055	-	861,055	-	861,055
Debt service	-	658,397	658,397	16,579,776	17,238,173
Capital projects	-	6,386,545	6,386,545	3,895,146	10,281,691
Guarantee agreement	-	-	-	295,358	295,358
Water operations	-	-	-	4,091,374	4,091,374
Other	65,658	-	65,658	-	65,658
Unrestricted	(33,523,545)	6,254,761	(27,268,784)	(49,287,634)	(76,556,418)
Total net assets	$ (1,874,674)	$ 48,053,557	$ 46,178,883	$(188,051,132)	$(141,872,249)

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities				
General government	$ 11,227,267	$ 14,879,393	$ 134,317	$ 1,136,239
Building and housing development	6,074,003	2,214,519	3,561,177	-
Public safety	43,249,161	4,215,536	2,619,985	990,925
Public works	9,439,071	2,375,503	963,451	-
Parks and recreation	4,797,981	175,629	2,108,139	36,114
Incinerator	-	714,171	-	-
Tourism	280,072	-	-	-
Interest on long-term debt	5,859,272	-	-	-
Total governmental activities	80,926,827	24,574,751	9,387,069	2,163,278
Business-type activities				
Sewer	15,093,480	15,054,421	-	1,025,582
Sanitation	3,380,182	4,204,769	137,294	-
Harrisburg Senators	677,038	715,113	-	-
Total business-type activities	19,150,700	19,974,303	137,294	1,025,582
Total primary government	$ 100,077,527	$ 44,549,054	$ 9,524,363	$ 3,188,860
Component units				
The Harrisburg Authority	$ 65,884,629	$ 41,127,328	$ -	$ -
Harrisburg Parking Authority	17,769,855	12,967,547	-	-
Coordinated Parking Fund	7,809,802	8,229,232	-	-
Redevelopment Authority	5,029,764	1,528,759	304,897	250,907
Total component units	$ 96,494,050	$ 63,852,866	$ 304,897	$ 250,907

General revenues
- Property taxes
- Real estate transfer taxes
- Local services taxes
- Occupational privilege taxes
- Earned income taxes
- Business privilege taxes
- Franchise taxes
- Public utility realty taxes
- Payments in lieu of taxes
- Grants and contributions not restricted to specific functions
- Other income
- Unrestricted investment earnings

Extraordinary item
Transfers - internal activities

Total general revenues, transfers, and extraordinary item

Change in net assets

Net assets - January 1, 2008

Net assets - December 31, 2008

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	Total
$ 4,922,682	$ -	$ 4,922,682	$ -	$ 4,922,682
(298,307)	-	(298,307)	-	(298,307)
(35,422,715)	-	(35,422,715)	-	(35,422,715)
(6,100,117)	-	(6,100,117)	-	(6,100,117)
(2,478,099)	-	(2,478,099)	-	(2,478,099)
714,171	-	714,171	-	714,171
(280,072)	-	(280,072)	-	(280,072)
(5,859,272)	-	(5,859,272)	-	(5,859,272)
(44,801,729)	-	(44,801,729)	-	(44,801,729)
-	986,523	986,523	-	986,523
-	961,881	961,881	-	961,881
-	38,075	38,075	-	38,075
-	1,986,479	1,986,479	-	1,986,479
(44,801,729)	1,986,479	(42,815,250)	-	(42,815,250)
-	-	-	(24,757,301)	(24,757,301)
-	-	-	(4,802,308)	(4,802,308)
-	-	-	419,430	419,430
-	-	-	(2,945,201)	(2,945,201)
-	-	-	(32,085,380)	(32,085,380)
15,879,973	-	15,879,973	-	15,879,973
1,044,116	-	1,044,116	-	1,044,116
1,950,258	-	1,950,258	-	1,950,258
85	-	85	-	85
3,810,889	-	3,810,889	-	3,810,889
3,980,739	-	3,980,739	-	3,980,739
510,448	-	510,448	-	510,448
36,288	-	36,288	-	36,288
429,151	-	429,151	-	429,151
7,340,486	-	7,340,486	-	7,340,486
-	-	-	942,855	942,855
477,404	215,292	692,696	3,204,369	3,897,065
-	-	-	3,580,909	3,580,909
(349,699)	349,699	-	-	-
35,110,138	564,991	35,675,129	7,728,133	43,403,262
(9,691,591)	2,551,470	(7,140,121)	(24,357,247)	(31,497,368)
7,816,917	45,502,087	53,319,004	(163,693,885)	(110,374,881)
$ (1,874,674)	$ 48,053,557	$ 46,178,883	$ (188,051,132)	$ (141,872,249)

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

CITY OF HARRISBURG, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Grant Programs	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets						
Cash and cash equivalents	$ 4,669,898	$ 4,749,623	$ 173,811	$ 337,299	$ 340,090	$ 10,270,721
Investments, at fair value	3,064,895	440,498	357	4,655	876,000	4,386,405
Receivables, net of allowance for uncollectible accounts						
Taxes	6,724,157	-	-	42,087	-	6,766,244
Accounts receivable	235,408	-	-	-	-	235,408
Loans receivable	2,943,994	3,811,201	-	50,400	-	6,805,595
Other receivable	68,835	-	-	116,399	-	185,234
Due from other funds	1,570,801	685,564	-	185,998	-	2,442,363
Advances and amounts due from component units	21,854	-	-	800,183	-	822,037
Other assets	75,791	-	-	5,068	-	80,859
Restricted assets						
Cash and cash equivalents	65,658	-	-	1,232,741	-	1,298,399
Investments, at fair value	3,664,822	-	-	-	-	3,664,822
Total assets	$23,106,113	$ 9,686,886	$ 174,168	$ 2,774,830	$ 1,216,090	$36,958,087
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 750,668	$ 1,456,026	$ -	$ 512	$ 164,863	$ 2,372,069
Accrued liabilities	1,445,487	17,035	-	-	-	1,462,522
Vested compensated absences	189,337	-	-	-	-	189,337
Matured bond coupons payable	-	-	20,097	-	-	20,097
Due to other funds	1,150,564	429,599	-	606,475	732,947	2,919,585
Advances and amounts due to component units	387,667	-	-	-	-	387,667
Deferred revenue	5,588,403	7,784,226	-	-	-	13,372,629
Total liabilities	9,512,126	9,686,886	20,097	606,987	897,810	20,723,906
Fund balances						
Reserved						
Encumbrances	2,688,134	-	-	61,493	-	2,749,627
Debt service	-	-	154,071	-	-	154,071
Capital projects	7,737,852	-	-	-	-	7,737,852
Workers' compensation	151,650	-	-	-	-	151,650
Revolving loan program	2,796,229	-	-	-	-	2,796,229
Unreserved, reported in						
General fund	220,122	-	-	-	-	220,122
Capital projects fund	-	-	-	2,106,350	-	2,106,350
Special revenue funds	-	-	-	-	318,280	318,280
Total fund balances	13,593,987	-	154,071	2,167,843	318,280	16,234,181
Total liabilities and fund balances	$23,106,113	$ 9,686,886	$ 174,168	$ 2,774,830	$ 1,216,090	$36,958,087

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

CITY OF HARRISBURG, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Fund balances - total governmental funds		$ 16,234,181
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	230,387,474	
Less accumulated depreciation	(116,472,990)	113,914,484
Artifacts held for sale by the City are not financial resources and, therefore, are not reported in the governmental funds.		1,727,384
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,413,493
Guarantee and swap fees and bond issuance costs are deferred and amortized over the life of the guarantee, swap or bond period, but are available to pay current-period expenditures and, therefore, are not reported in the funds.		(6,023,681)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Workers' compensation	(3,599,404)	
Bonds payable	(47,331,645)	
Notes payable	(50,013,240)	
Capital leases payable	(9,043,850)	
Compensated absences	(8,886,539)	
Other post-employment benefits	(12,697,698)	
Accrued interest payable	(1,568,159)	(133,140,535)
Net assets of governmental activities		$ (1,874,674)

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	General	Grant Programs	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$26,836,116	$ -	$ -	$ -	$ -	$26,836,116
Licenses and permits	540,748	-	-	-	-	540,748
Intergovernmental revenue	8,629,774	7,236,075	-	-	963,451	16,829,300
Department earnings and program revenue	18,767,299	659,096	-	756,830	4,266	20,187,491
Fines and forfeits	2,109,236	-	-	-	-	2,109,236
Investment income	366,410	100,072	5,575	24,492	11,236	507,785
Miscellaneous	3,101,717	96,679	-	599,771	-	3,798,167
Total revenues	60,351,300	8,091,922	5,575	1,381,093	978,953	70,808,843
Expenditures						
Current						
General government	8,666,869	832,967	-	-	3,675	9,503,511
Building and housing development	1,197,345	4,459,010	-	16,800	-	5,673,155
Public safety	28,436,434	2,365,532	-	-	-	30,801,966
Public works	5,375,162	-	-	-	912,198	6,287,360
Parks and recreation	3,725,868	205,836	-	-	-	3,931,704
Tourism	-	-	-	97,564	-	97,564
Capital outlay						
Infrastructure	-	-	-	2,245,948	-	2,245,948
Other	-	-	-	4,503,504	-	4,503,504
Debt service						
Principal retirements	764,306	185,000	9,812,151	302,248	-	11,063,705
Interest and fiscal charges	74,203	389,302	686,792	-	-	1,150,297
Total expenditures	48,240,187	8,437,647	10,498,943	7,166,064	915,873	75,258,714
Excess of revenues over (under) expenditures	12,111,113	(345,725)	(10,493,368)	(5,784,971)	63,080	(4,449,871)
Other financing sources (uses)						
Issuance of debt	-	-	-	2,400,000	-	2,400,000
Proceeds from the sale of assets	211,780	-	361,743	-	-	573,523
Transfers in	2,017,497	345,725	8,394,369	4,667,807	-	15,425,398
Transfers out	(15,018,460)	-	(84,887)	(606,160)	(65,590)	(15,775,097)
Total other financing sources (uses)	(12,789,183)	345,725	8,671,225	6,461,647	(65,590)	2,623,824
Net change in fund balances	(678,070)	-	(1,822,143)	676,676	(2,510)	(1,826,047)
Fund balances - beginning of year	14,272,057	-	1,976,214	1,491,167	320,790	18,060,228
Fund balances - end of year	$13,593,987	$ -	$ 154,071	$ 2,167,843	$ 318,280	$16,234,181

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

CITY OF HARRISBURG, PENNSYLVANIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (1,826,047)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	7,564,488	
Depreciation expense	(5,875,758)	1,688,730
In the statement of activities, only the loss on sale of artifacts held for sale is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund blaance by the net book value of the cost of assets sold. Additionally, the artifacts held for sale are to be reported at estimated market value. The adjustment to estimated market value affects only the statement of activities.		
Net book value of artifacts sold	(361,601)	
Adjustment to estimated market value	(182,650)	(544,251)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(169,239)
Governmental funds report guarantee fees and swap fees as revenues. However in the statement of activities, the fees are amortized over the guarantee or swap period and reported as investment income.		
Amortization	620,407	620,407
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Debt issued or incurred	(2,400,000)	
Principal repayments	11,063,705	8,663,705
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Workers' compensation	(676,567)	
Compensated absences	(503,156)	
Post-employment benefits	(12,697,698)	
Accrued litigation settlement	461,501	
Accrued interest	(58,672)	
Amortization of bond issuance costs	(33,165)	
Amortization of bond discounts	(4,617,139)	(18,124,896)
Change in net assets of governmental activities		$ (9,691,591)

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2008

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Proprietary Funds
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,132,568	$ 478,072	$ -	$ 4,610,640
Investments, at fair value	1,091,084	452,475	-	1,543,559
Receivables, net of allowance for uncollectible accounts				
Accounts receivable	2,656,195	528,378	-	3,184,573
Due from other funds	515,000	-	-	515,000
Due from component unit	243,159	-	-	243,159
Prepaid expenses and other assets	655,885	-	265,083	920,968
Total current assets	9,293,891	1,458,925	265,083	11,017,899
Long-term assets				
Restricted assets				
Cash and cash equivalents	-	-	2,159	2,159
Investments, at fair value	-	473,300	9,739,905	10,213,205
Capital assets, not being depreciated	2,526,137	-	6,542,371	9,068,508
Capital assets, less accumulated depreciation and amortization	37,099,595	152,138	186,933	37,438,666
Total long-term assets	39,625,732	625,438	16,471,368	56,722,538
Total assets	48,919,623	2,084,363	16,736,451	67,740,437
LIABILITIES				
Current liabilities				
Accounts payable	238,038	23,102	-	261,140
Accrued expenses	58,112	30,696	84,703	173,511
Due to other funds	16,160	21,618	-	37,778
Amounts due to component units	1,963,009	132,122	-	2,095,131
Current portion of future lease rentals payable to component unit	1,728,016	-	-	1,728,016
Current portion of workers' compensation	15,309	183,567	-	198,876
Current portion of general obligation bonds payable	47,572	-	1,180,000	1,227,572
Current portion of lease rental bonds payable	-	-	225,000	225,000
Current portion of capitalized lease obligations	-	162,583	-	162,583
Current portion of vested compensated absences	11,174	5,240	-	16,414
Total current liabilities	4,077,390	558,928	1,489,703	6,126,021
Long-term liabilities				
Workers' compensation	47,640	571,230	-	618,870
General obligation bonds payable	44,466	-	-	44,466
Lease rental bonds payable	-	-	8,286,510	8,286,510
Capitalized lease obligations	-	504,317	-	504,317
Vested compensated absences	271,507	127,317	-	398,824
Other post-employment benefits	348,916	256,556	-	605,472
Future lease rentals payable to component unit	3,102,400	-	-	3,102,400
Total long-term liabilities	3,814,929	1,459,420	8,286,510	13,560,859
Total liabilities	7,892,319	2,018,348	9,776,213	19,686,880
NET ASSETS				
Invested in capital assets, net of related debt	34,795,316	(41,462)	-	34,753,854
Restricted				
Debt service	-	-	658,397	658,397
Capital projects	-	-	6,386,545	6,386,545
Unrestricted	6,231,988	107,477	(84,704)	6,254,761
Total net assets	$ 41,027,304	$ 66,015	$ 6,960,238	$ 48,053,557

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Proprietary Funds
Operating revenues				
Charges for service	$ 15,054,421	$ 4,204,769	$ 465,113	$ 19,724,303
Operating expenses				
Salaries and wages	1,836,460	829,245	-	2,665,705
Fringe benefits	816,943	1,049,518	-	1,866,461
Communications	24,408	3,035	-	27,443
Professional fees	336,532	5,056	-	341,588
Utilities	1,607,077	1,011	-	1,608,088
Insurance	317,589	54,299	-	371,888
Maintenance and repairs	285,409	137,937	-	423,346
Contracted services	6,350,598	925,062	-	7,275,660
Supplies	730,900	193,186	-	924,086
Depreciation	1,783,175	149,984	37,386	1,970,545
Total operating expenses	14,089,091	3,348,333	37,386	17,474,810
Operating income	965,330	856,436	427,727	2,249,493
Nonoperating revenues (expenses)				
State subsidy	-	137,294	-	137,294
Investment income	50,450	13,473	151,369	215,292
Interest expense	(613,914)	(31,849)	(619,485)	(1,265,248)
Gain (loss) on disposal of capital assets	(390,183)	-	250,000	(140,183)
Amortization of bond issue costs	(292)	-	(20,167)	(20,459)
Total nonoperating revenues (expenses)	(953,939)	118,918	(238,283)	(1,073,304)
Income (loss) before contributions and transfers	11,391	975,354	189,444	1,176,189
Capital contribution	1,025,582	-	-	1,025,582
Transfers in	-	-	1,761,036	1,761,036
Transfers out	-	(1,411,337)	-	(1,411,337)
Change in net assets	1,036,973	(435,983)	1,950,480	2,551,470
Net assets - beginning of year	39,990,331	501,998	5,009,758	45,502,087
Net assets - end of year	$ 41,027,304	$ 66,015	$ 6,960,238	$ 48,053,557

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Proprietary Funds
Cash flows from operating activities				
Received from user charges	$ 15,469,645	$ 4,253,483	$ 465,113	$ 20,188,241
Payments to employees for services	(1,846,049)	(821,367)	-	(2,667,416)
Payments for fringe benefits	(468,027)	(792,962)	-	(1,260,989)
Payments to suppliers for goods and services	(9,368,197)	(1,007,695)	-	(10,375,892)
Net cash provided by operating activities	3,787,372	1,631,459	465,113	5,883,944
Cash flows from noncapital financing activities				
Transfers in	-	-	1,761,036	1,761,036
Transfers out	-	(1,411,337)	-	(1,411,337)
State subsidy	-	137,294	-	137,294
Payment of amounts due to other funds	(20,959)	(22,831)	-	(43,790)
Net cash provided by (used in) noncapital financing activities	(20,959)	(1,296,874)	1,761,036	443,203
Cash flows from capital and related financing activities				
Proceeds from sale of capital asset	-	-	250,000	250,000
Acquisition and construction of capital assets	(80,063)	-	(3,628,452)	(3,708,515)
Interest paid	-	(31,849)	(660,924)	(692,773)
Lease, bond and note payments	(2,200,135)	(194,155)	(1,920,000)	(4,314,290)
Net cash used in capital and related financing activities	(2,280,198)	(226,004)	(5,959,376)	(8,465,578)
Cash flows from investing activities				
Sales (purchases) of investments	(359,831)	(157,938)	3,581,858	3,064,089
Investment income received	50,450	13,473	151,369	215,292
Net cash provided by (used in) investing activities	(309,381)	(144,465)	3,733,227	3,279,381
Net increase (decrease) in cash and cash equivalents	1,176,834	(35,884)	-	1,140,950
Cash and cash equivalents (including restricted cash) - beginning of year	2,955,734	513,956	2,159	3,471,849
Cash and cash equivalents (including restricted assets) - end of year	$ 4,132,568	$ 478,072	$ 2,159	$ 4,612,799

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS (CONT'D)
YEAR ENDED DECEMBER 31, 2008

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Proprietary Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 965,330	$ 856,436	$ 427,727	$ 2,249,493
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	1,783,175	149,984	37,386	1,970,545
Provision for uncollectible accounts	(395,036)	68,634	-	(326,402)
Changes in assets and liabilities				
Accounts receivable	810,260	(19,920)	-	790,340
Other assets	(21,589)	1,834	-	(19,755)
Direct financing lease	268,510	-	-	268,510
Vested compensated absences	(9,589)	7,878	-	(1,711)
Other post-employment benefits	348,916	256,556	-	605,472
Workers' compensation	(125,038)	289,698	-	164,660
Accounts payable and other accrued costs	162,433	20,359	-	182,792
Net cash provided by operating activities	$ 3,787,372	$ 1,631,459	$ 465,113	$ 5,883,944
Noncash investing, capital, and financing activities				
Amortization of deferred bond issuance costs and bond discount	$ -	$ -	$ 24,617	$ 24,617
Capital assets purchased by The Harrisburg Authority on behalf of the Sewer Fund	$ 757,072	$ -	$ -	$ 757,072

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008

	Police Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 1,280,369
Receivables		
Interest and dividends	83,621	-
Total receivables	83,621	-
Investments, at fair value		
Money market funds	4,613,296	-
Fixed income funds	11,471,819	-
U.S. Government obligations	2,090,964	-
U.S. Government agency obligations	3,233,928	-
Corporate bonds	1,022,268	-
Equity funds	18,443,159	-
Common stocks	8,240,470	-
U.S. Government agency obligations - STRIPS	-	1,223,781
Total investments	49,115,904	1,223,781
Total assets	49,199,525	2,504,150
LIABILITIES		
Due to other governments	-	416,222
Escrow liabilities	-	2,087,928
Total liabilities	-	$ 2,504,150
NET ASSETS		
Net assets held in trust for police pension benefits (a summary of funding progress is presented on page 117)	$ 49,199,525	

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - POLICE PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2008

Additions	
Contributions	
Employee	$ 484,514
Employer	285,274
Total contributions	769,788
Investment income	
Interest and dividend income	2,871,970
Net depreciation in fair value of investments	(20,056,173)
Total investment earnings	(17,184,203)
Less investment expense	(235,588)
Net investment income	(17,419,791)
Total additions	(16,650,003)
Deductions	
Pension benefits	3,455,936
Administrative expenses	44,221
Total deductions	3,500,157
Change in net assets	(20,150,160)
Net assets held in trust for pension benefits - January 1	69,349,685
Net assets held in trust for pension benefits - December 31	$ 49,199,525

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

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The Harrisburg Authority

The Harrisburg Authority Component Unit is used to account for the revenues and expenses associated with providing water service to residents and commercial and industrial establishments of the City of Harrisburg (City) and several surrounding municipalities; providing municipal solid waste disposal, subsequent sale of incinerator generated steam to local utility, and the production of electricity for in-house use and sale to a public utility.

Harrisburg Parking Authority

The Harrisburg Parking Authority Component Unit is used to account for the revenues and expenses associated with the ownership and operation of nine parking garages containing approximately 7,421 spaces in the central business district of the City, in addition to funds it receives from on-street parking meter charges and five open lots.

Coordinated Parking Fund

The Coordinated Parking Fund Component Unit (Fund) is used to account for the net operating revenues from the components of the coordinated parking system. The components of the coordinated parking system include nine parking garages owned by the Harrisburg Parking Authority, two of the City's surface lots, and the City's parking meters. The Fund is pledged as security for the debt service payments of the Harrisburg Parking Authority Series N Bonds and is currently used to make the debt service payments for such Bonds.

Redevelopment Authority of the City of Harrisburg

The Redevelopment Authority of the City of Harrisburg Component Unit is incorporated under the provisions of the Commonwealth of Pennsylvania Urban Development Act Number 385 of May 24, 1945, as amended for the purpose of providing redevelopment and other related activities within the City.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2008

ASSETS	The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Redevelopment Authority	Total Component Units
Current assets					
Cash and cash equivalents	$ 4,999,230	$ 2,382,430	$ 1,598,494	$ 1,438,466	$10,418,620
Accounts receivable, net of allowance for uncollectible	5,303,140	138,284	-	153,132	5,594,556
Other receivables	21,800	-	-	-	21,800
Advances and amounts due from primary government	207,436	-	335,208	-	542,644
Prepaid expenses and other assets	-	166,238	-	-	166,238
Current portion of direct financing lease	1,728,016	-	-	-	1,728,016
Total current assets	12,259,622	2,686,952	1,933,702	1,591,598	18,471,874
Restricted assets					
Cash with fiscal agents	3,940,646	12	-	231,073	4,171,731
Investments	72,530,540	11,895,038	-	-	84,425,578
Litigation settlement receivable	5,415,000	-	-	-	5,415,000
Accrued interest receivable	21,509	-	-	-	21,509
Total restricted assets	81,907,695	11,895,050	-	231,073	94,033,818
Advances to primary government	1,798,032	-	-	-	1,798,032
Future lease rentals receivable from primary government	3,102,400	-	-	-	3,102,400
Capital assets, not being depreciated	11,944,856	7,989,505	-	-	19,934,361
Capital assets, less accumulated depreciation	171,285,466	56,601,739	-	4,044,250	231,931,455
Equitable ownership interest	-	14,000,500	-	-	14,000,500
Deferred charges, net of accumulated amortization	15,501,229	6,023,612	-	-	21,524,841
Total assets	297,799,300	99,197,358	1,933,702	5,866,921	404,797,281

(continued)

	The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Redevelopment Authority	Total Component Units
LIABILITIES					
Current liabilities (payable from current assets)					
Accounts payable and accrued liabilities	651,287	1,014,406	2,330	151,526	1,819,549
Advances and amounts due to primary government	325,438	(10,000)	-	-	315,438
Advances and amounts due to component unit	-	(1,149,755)	1,149,755	-	-
Deferred revenue	-	643,096	-	-	643,096
Current portion of bonds payable	-	2,865,000	-	-	2,865,000
Total current liabilities (payable from current assets)	976,725	3,362,747	1,152,085	151,526	5,643,083
Current liabilities (payable from restricted assets)					
Accounts payable	7,334,460	-	-	-	7,334,460
Litigation costs payable	1,834,091	-	-	-	1,834,091
Accrued bond interest payable	5,469,872	1,225,551	-	-	6,695,423
Deferred revenue	-	-	-	256,500	256,500
Current portion of due to other governments	-	-	-	30,000	30,000
Current portion of loan payable	1,275,000	-	-	-	1,275,000
Current portion of revenue bonds payable	6,840,000	-	-	-	6,840,000
Current portion of revenue notes payable	914,977	-	-	500,000	1,414,977
Total current liabilities (payable from restricted assets)	23,668,400	1,225,551	-	786,500	25,680,451
Noncurrent liabilities					
Loans payable	6,958,000	-	-	-	6,958,000
Revenue bonds payable, net of discount	297,455,805	104,196,595	-	41,038,706	442,691,106
Revenue notes payable, net of discount	103,093,321	-	-	-	103,093,321
Due to other governments	-	-	-	140,832	140,832
Due to primary government	607,636	-	-	-	607,636
Deferred revenue	5,465,640	298,181	-	-	5,763,821
Accrued landfill closure and post-closure care liability	2,270,163	-	-	-	2,270,163
Total liabilities	440,495,690	109,083,074	1,152,085	42,117,564	592,848,413
NET ASSETS					
Net assets					
Invested in capital asset, net of related debt	(154,022,947)	(13,646,455)	-	4,044,250	(163,625,152)
Restricted					
Debt service	16,579,776	-	-	-	16,579,776
Construction	3,895,146	-	-	-	3,895,146
Guarantee agreement	295,358	-	-	-	295,358
Water operations	4,091,374	-	-	-	4,091,374
Unrestricted	(13,535,097)	3,760,739	781,617	(40,294,893)	(49,287,634)
Total net assets	$ (142,696,390)	$ (9,885,716)	$ 781,617	$ (36,250,643)	$ (188,051,132)

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

CITY OF HARRISBURG
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2008

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
The Harrisburg Authority	$ 65,884,629	$ 41,127,328	$ -	$ -
Harrisburg Parking Authority	17,769,855	12,967,547	-	-
Coordinated Parking Fund	7,809,802	8,229,232	-	-
Redevelopment Authority	5,029,764	1,528,759	304,897	250,907
Total component units	$ 96,494,050	$ 63,852,866	$ 304,897	$ 250,907

General revenues
Space rental income
Miscellaneous income
Unrestricted investment earnings

Total general revenues and special items

Change in net assets before extraordinary item

Extraordinary item:
Litigation settlement

Change in net assets

Net assets - January 1, 2008

Net assets - December 31, 2008

Net (Expense) Revenue and Changes in Net Assets				
The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Redevelopment Authority	Total
$ (24,757,301)	$ -	$ -	$ -	$ (24,757,301)
-	(4,802,308)	-	-	(4,802,308)
-	-	419,430	-	419,430
-	-	-	(2,945,201)	(2,945,201)
(24,757,301)	(4,802,308)	419,430	(2,945,201)	(32,085,380)
-	-	-	888,014	888,014
-	-	-	54,841	54,841
2,335,284	819,050	30,237	19,798	3,204,369
2,335,284	819,050	30,237	962,653	4,147,224
(22,422,017)	(3,983,258)	449,667	(1,982,548)	(27,938,156)
3,580,909	-	-	-	3,580,909
(18,841,108)	(3,983,258)	449,667	(1,982,548)	(24,357,247)
(123,855,282)	(5,902,458)	331,950	(34,268,095)	(163,693,885)
$ (142,696,390)	$ (9,885,716)	$ 781,617	$ (36,250,643)	$ (188,051,132)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrisburg, Pennsylvania (City) was founded by John Harris II in 1785, established as a borough in 1791 and incorporated as a City on March 19, 1860. The City operates as a Mayor-Council form of government and provides all municipal services to its residents.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

A. *Reporting Entity*

The City used guidance contained in Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity. The criteria used by the City for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the City reviews the applicability of the following criteria. The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City, as defined below:
    - **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
    - **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the entities for which the City is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the City's financial statements are provided in the following paragraphs. Separately published audit reports of the component units and joint venture are available for public inspection in the City's Finance Office.

Blended Component Units

Some component units, despite being legally separate from the primary government (City), are so intertwined with the primary government that they are, in substance, the same as the primary

government and are reported as part of the primary government. The component unit reported in this way is the City of Harrisburg Leasing Authority.

City of Harrisburg Leasing Authority

The City of Harrisburg Leasing Authority was formed pursuant to the Municipal Authority Act in 1986 for the purpose of acquiring and leasing facilities and equipment to the City. The five-member Board of Directors is appointed by the Mayor. The City of Harrisburg Leasing Authority's only financial transaction is the financing of City projects. There was no activity during the year ended December 31, 2008.

Discretely Presented Component Units

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this way are the following:

- The Harrisburg Authority
- Harrisburg Parking Authority
- Coordinated Parking Fund
- Harrisburg Redevelopment Authority

The Harrisburg Authority

The Harrisburg Authority was incorporated in 1957 under the provisions of the Municipal Authority Act. The entire five-member Board of Directors is appointed by City Council. The Harrisburg Authority has purchased the water system and incinerator facility from the City and contracts with the City to manage the water system. The contract requires that the Mayor prepare an operating expenses budget for adoption by the City Council, with final approval by The Harrisburg Authority with the inclusion of such operating expenses in The Harrisburg Authority's annual budget. The Harrisburg Authority incurred $9,103,245 in expenses under this agreement in 2008. Additionally, The Harrisburg Authority has agreed to adopt rates sufficient to pay the operating expenses budget, as approved, plus administrative and debt service expenses. The Harrisburg Authority has contracted with an outside vendor to manage the incinerator facility. The Harrisburg Authority has financed the sewer system for the City with a lease revenue bond transaction for which the City pledged all sewer system revenues to secure the Harrisburg Authority's bonds.

Harrisburg Parking Authority

The Harrisburg Parking Authority (Authority) was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. The five-member Board of Directors is appointed by the Mayor and members can be removed from the Board at will. The Authority owns and operates nine parking garages containing approximately 7,421 spaces in the central business district of the City.

In addition to parking charges, the Authority receives funds from on-street parking meter charges and five open lots. The City receives the benefit of excess parking revenues through a Cooperation Agreement with the Authority and the City has guaranteed all of the Authority's outstanding debt.

Coordinated Parking Fund

The Coordinated Parking Fund (Fund) was established in 1984 through a Cooperation Agreement for the Downtown Coordinated Parking System entered into by the City of Harrisburg, The Harrisburg Redevelopment Authority, Harristown Development Corporation, Harrisburg Parking Authority, The Mayor of Harrisburg, and the Harrisburg City Council. The Harrisburg Parking Authority Board, which is appointed by the Mayor and whose members can be removed from the Board at will, administers the Fund on behalf of the City. The Fund is pledged as security for the debt service payments of the Harrisburg Parking Authority Series N Bonds and is currently used to make the debt service payments for such Bonds.

Harrisburg Redevelopment Authority (Redevelopment Authority)

The Redevelopment Authority was established in 1949 pursuant to the Urban Redevelopment Act of 1945 (Public Law – 991). The Redevelopment Authority is administered by a five-member Board of Directors, all of whom are appointed by the Mayor. The Redevelopment Authority provides a broad range of urban renewal and maintenance programs within the City. The Redevelopment Authority also coordinates efforts to improve the economic vitality, the housing stock, and overall living conditions within the City. The City guarantees some debt of the Redevelopment Authority projects.

Potential Component Units Excluded

City of Harrisburg Housing Authority (Housing Authority)

The Housing Authority was established in 1937 pursuant to the Housing Authorities Law to promote the availability of safe and sanitary dwelling accommodations at affordable rents to families of low income. The Housing Authority is administered by a five-member Board of Directors, all of whom are appointed by the Mayor.

The Housing Authority operates low rent subsidized housing projects established within the City. The Housing Authority manages the acquisition of federal and state funds for the construction of and/or improvements to low income properties and reviews programs with the landlords to ensure compliance with various rules and regulations. The City has no financial accountability over the Housing Authority's operations.

The Housing Authority operates and reports on a calendar year.

Harristown Development Corporation (HDC)

The Harristown Development Corporation was incorporated under the Nonprofit Corporation Law of Pennsylvania in 1974, and owns and operates several facilities within the City. HDC is governed by a 17-member Board of Directors (Board) selected by a nominating committee of the Board. City officials do not serve on the Board or nominating committee. The City does guarantee the debt of an HDC project, but there is no indication of financial accountability.

The HDC operates and reports on a calendar year.

Harrisburg School District

In May 2000, the General Assembly of the Commonwealth passed Act 16 of 2000, entitled the Education Empowerment Act ("Act 16"), which was signed by the Governor. Soon after passage of Act 16, the School District filed a legal challenge to Act 16 as it relates to the Mayor's control of the Harrisburg schools and requested immediate injunctive relief from the Commonwealth Court of Pennsylvania. While Act 16 legal proceedings were pending, in November 2000, the General Assembly of the Commonwealth passed Act 91 of 2000, amending the Education Empowerment Act ("Act 91"), which was signed by the Governor. Soon after passage of Act 91, the School District filed a legal challenge as it relates to the Mayor's control of the Harrisburg schools and requested immediate injunctive relief. On December 15, 2000, the Commonwealth Court of Pennsylvania denied the injunction, thus permitting the implementation of Act 91. Act 91 directed the Mayor of the City to assume control of the School District, which was identified by the General Assembly as one of the most distressed and underachieving in the Commonwealth as of July 2000. Act 91 directs the Mayor to appoint a five-member Board of Directors and an eleven-member Advisory Board to assist him. Act 91 imposes no financial responsibilities on the City with respect to the School District. By an order dated July 22, 2003, the Pennsylvania Supreme Court upheld the amendments to the Pennsylvania Educational Empowerment Act which granted control of the Harrisburg School District to the Mayor, as confirmed. The Harrisburg School District remains under the budgetary control of an elected school board.

The Harrisburg School District operates and reports on a fiscal year ending June 30.

Joint Venture

The City is a participant with other municipalities in a joint venture that provides services to the constituents of all the participants. The City has no financial or equity interest in the joint venture. The following is a summary of the significant facts and circumstances for the joint venture for the year ended June 30, 2008:

Name of Organization	Cumberland-Dauphin-Harrisburg Transit Authority
Services Provided	Bus Service
City Board representation	Two of seven members
Fiscal Year	June 30
Current Assets	$ 3,707,334
Capital Assets, Net	$ 25,605,694
Total Assets	$ 29,372,384
Net Assets	$ 25,885,333
Operating Revenue	$ 6,493,711
Operating Loss	$ (12,911,184)
Change in Net Assets	$ (1,547,141)
City Contribution to Operations	$ 259,413

Related Organizations

The City Council and Mayor are also responsible for appointing the members of several boards, but the City's accountability for these organizations does not extend beyond making appointments. These boards include:

Broad Street Market Authority
Planning Commission
Private Industry Council
Tri-County Regional Planning Commission
Emergency Planning Committee
Board of Health
Historical and Architectural Review Board
Plumbing Board
Harrisburg Economic Development Corporation
Downtown Improvement District, Inc.
Harrisburg Civic Baseball Club
Susquehanna Area Regional Airport Authority
Harrisburg Human Relations Commission
Harrisburg Mayor's Commission on Literacy
License and Tax Appeals
Electrical Code Advisory and Licensing
Building Code Board of Appeals
Housing Code Board of Appeals
Civil Service Board
Zoning Hearing Board
Revolving Loan Review Committee
Harris Com, Inc.

The amounts the City appropriated to these organizations during the year ended December 31, 2008 were immaterial to the basic financial statements.

The City owns the National Civil War Museum and the related artifacts (collectively, the facilities). During 2001, the City entered into an agreement to lease the facilities to a not-for-profit organization (organization) for $1 per year. After five years, the City can notify the organization that it would like to renegotiate the rent payment based on the organization's ability to pay. The mayor is one of twenty-five potential board members of the organization. Effective January 2009, the mayor no longer serves a a board member for the organization. Payments made by the City, on behalf of the organization, for the year ended December 31, 2008, were $40,715.

B. ***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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which 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 to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Real estate, earned income, mercantile, franchise and hotel taxes, intergovernmental revenue, departmental earnings, and investment income are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other governmental fund revenues are recorded as cash is received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Prepaid items and inventory purchases are reported as expenditures in the year when the items are purchased. Expenditures for claims, judgments, compensated absences, and employer pension contributions are reported to the extent that they mature each period.

The City reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

The City reports the following major governmental funds:

General Fund – Accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the general operating fund of the City.

Grant Programs Fund – Accounts for the revenues and expenditures of federal, state, and other grant programs including the Community Development Block Grant Entitlement Program.

Debt Service Fund – Accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs.

Capital Projects Fund – Accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

Sewer Fund - Accounts for the revenues and expenses associated with the provision of sewerage service to the residents and commercial and industrial establishments of the City as well as six municipalities surrounding the City.

Sanitation Fund - Accounts for the revenues and expenses associated with the provision of refuse collection and disposal services to the residents and commercial and industrial establishments of the City.

Harrisburg Senators Fund - Accounts for the revenues and expenses associated with the payment of debt on the purchase of Harrisburg Senators minor league baseball franchise and financing of a new stadium of the Harrisburg Senators, formerly owned by the City.

In addition, the City reports the following fund types:

Pension Trust Fund – Accounts for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of police personnel.

Agency Funds – Account for situations where the City's role is purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations and do not have a measurement focus. The City's agency funds include the school tax collection fund, which is used to account for the collection and payment to the school district of property taxes billed and collected on its behalf, the payroll and other escrow liabilities fund, which is used to account for the collection and payment of miscellaneous escrow liabilities, and the pass-through grant fund, which is used to account for the temporary collection and disbursement of pass-through grants.

The City follows GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* (Statement No. 20), for reporting and disclosure purposes. As permitted by Statement No. 20, the City has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and other

functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. *Cash and Cash Equivalents*

For the purpose of the statement of cash flows, highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

E. *Investments*

The City carries its investments at fair value. The fair value of the City's investments are based upon values provided by external investment managers and quoted market price.

F. *Allowance for Uncollectible Accounts*

The allowance for uncollectible accounts is based upon historical ratios established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

G. *Interfund Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. *Assets Held for Sale*

Assets held for sale consist of certain historical artifacts which City Council has authorized to be sold. The City carries its assets held for sale at estimated fair value. The fair value of the City's assets held for sale are valued at extrapolated appraisal cost, actual sales values, and estimated realizable values.

I. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1982 have been valued by applying an inflation index to current replacement cost to determine estimated historical costs. The cost of such assets amounted to $2,534,451 at December 31, 2008. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Artifacts, totaling $18,649,000, have been recorded at cost in the governmental activities column of the government-wide financial statements and are not being depreciated.

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

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

Buildings and improvements	5 to 100 years
Equipment and furniture	5 to 20 years
Infrastructure	50 to 150 years

J. *Vested Compensated Absences*

Vested compensated absences represent vested portions of accumulated unpaid vacation, sick pay and other employee benefit amounts. It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick pay and other employee benefit amounts, which will be paid to employees upon separation from City service. All vested compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. *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 related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

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

The Harrisburg Authority, and The Harrisburg Parking Authority follow the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. GASB Statement No. 23 requires that the difference between the reacquisition price and the net carrying amount of the defeased debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the amount of the unamortized deferred costs of refunding is reported as a deduction from the new liability. As of December 31, 2008, the unamortized deferred costs of refunding recorded by The Harrisburg Authority and the Harrisburg Parking Authority were $33,290,715 and $4,265,186, respectively.

L. *Interest Rate Swaps*

The City and its component units have entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements. Advance payments to enter into the swap agreements are deferred and amortized over the life of the issue on the government-wide statements.

M. *Fund Equity and Net Assets*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, net assets are classified in the following categories:

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 reduces 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 the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories and their general meanings are as follows:

Reserved Fund Balance – This category represents that portion of fund equity which has been legally segregated for specific purposes.

Unreserved Fund Balance – This category represents that portion of fund equity which is available for appropriation and expenditure in future periods.

The City records two general types of reserves. One type is used to indicate that a portion of fund equity is legally segregated for a specific future use. The second type of reserve is used to indicate that a portion of the fund equity is not appropriable for expenditures. Reserves used by the City are as follows:

Governmental Funds

Reserved for capital outlay – An account used to segregate a portion of fund balance for assets restricted under terms of bond indentures, terms of grant agreements, or City Council appropriation for the acquisition of capital assets.

Reserved for encumbrances – An account used to segregate a portion of fund balance for expenditure upon vendor performance.

Reserved for debt service – An account used to segregate a portion of fund balance for assets restricted to the payment of general long-term obligation principal and interest maturing in future years.

Reserved for workers' compensation – An account used to segregate a portion of fund balance for assets restricted for payment of benefits to claimants in accordance with the provisions of the Pennsylvania Workers' Compensation Act.

Reserved for revolving loan program – An account used to segregate a portion of fund balance for assets restricted for use by the revolving loan program.

N. *Pensions*

All full-time employees of the City, with the exception of police officers, are covered by an agent-multiple employer public employee retirement system, the Pennsylvania Municipal Retirement System (PMRS). Police officers are covered by the Combined Police Pension Plan, a single-employer pension plan. Contributions to the plans are made in amounts sufficient to fund current service costs and to fund prior and past service costs over a forty-year period. Member employees contribute amounts to the plans based on a percentage of salary. The City funds its pension plans on the basis of normal cost plus the amortization of prior service cost over thirty years in accordance with Act 205 - 1984 of the Pennsylvania legislature. Pension expense is based upon normal cost plus the equivalent to interest on the unfunded prior service costs. As of January 1, 2007, the date of the most recent actuarial valuation, the actuarial value of assets exceeded the actuarial accrued pension liability in the Combined Police Pension Plan in the amount of $9,001,535.

O. *Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases

commercial insurance for all risks of loss except those related to injuries to employees. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City is self-insured for workers' compensation. As a self-insurer, the City is required to fund an already established trust fund, dollar for dollar, once the City has passed a total outstanding liability threshold of $3,594,887, as established by the Commonwealth of Pennsylvania. Accordingly, the City has established a trust fund for workers' compensation claims. The City provides coverage for up to a maximum of $500,000 and $400,000 for each workers' compensation claim for uniform and non-uniform employees, respectively, and has purchased commercial coverage for claims in excess of coverage.

In the government-wide financial statements and proprietary fund types in the fund financial statements, the liability for outstanding claims is reported in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. A liability for these amounts is reported in governmental funds only if they have matured. The City has reserved its General Fund balance for the amount of the trust fund. The accrued cost for unpaid claims was $3,999,404 and $817,747 in the governmental activities and business-type activities, respectively, at December 31, 2008. These claims liabilities are discounted to present value at a discount rate of 5% and are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Change in the claims' liability amounts were as follows:

	Governmental Activities	Business-type Activities	2008	2007
Beginning - January 1	$ 2,922,837	$ 653,086	$ 3,575,923	$ 3,811,079
Current year claims and changes in estimates	1,766,101	356,459	2,122,560	1,054,435
Claim payments	(1,089,534)	(191,799)	(1,281,333)	(1,289,591)
Ending - December 31	$ 3,599,404	$ 817,746	$ 4,417,150	$ 3,575,923

P. *Budgets and Budgetary Accounting*

Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, State Liquid Fuels Tax Fund (nonmajor governmental fund), Sewer, and Sanitation Funds. Annual budgets are adopted by ordinances passed by City Council. The City has established the following procedures relating to the preparation and adoption of the annual budget.

1. During August, budget preparation packages are prepared and submitted to the department heads/bureau chiefs for use in developing financial projections for their expenditures for the ensuing year.

2. The budget staff reviews the department heads'/bureau chiefs' expenditure projections and submits a first draft to the Business Administrator. Subsequent to the Business Administrator's review, the draft and recommendations are forwarded to the Mayor.

3. During September, departmental review forms are prepared and submitted to all department heads/bureau chiefs for use in developing financial projections for anticipated revenues for the ensuing year.

4. Mayoral hearings are then held with each department to discuss their budgets as submitted and allow them to substantiate projected expenditures.

5. After hearings, the budget staff again reviews the projections and presents to the Business Administrator options as to the most viable method of financing them.

6. A second draft is then given to the Mayor with the balanced budget prepared as a result of meetings held between the Mayor, the Business Administrator, and the budget staff.

7. On the fourth Tuesday of November, the final Mayoral recommended budget is presented to City Council.

8. Council holds Budget and Finance Committee meetings to substantiate the proposed budget and arrive at any amendments to the budget.

9. By December 31, the budget, as amended by Council, is legally enacted through the passage of an ordinance.

Appropriations are authorized by ordinance at the fund level with the exception of the General Fund, which is appropriated at the functional office or department level except for the Office of Administration, which has separate budgets for administration and general expenditures. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.

The Business Administrator may authorize transfers less than $20,000 within a department or office. While, administratively, City Council approval is required for transfers in excess of $20,000 along budget lines, the City considers budgetary authority to be at the office/departmental level, as it is at this higher level that the budget is legally adopted. In the absence of budgeted financing, City Council may approve a supplemental appropriation from unappropriated fund balances. Therefore, the legal level of control is the department level. There were supplemental appropriations enacted during 2008.

Q. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City records encumbrances as reservations of fund balance in all governmental funds, except grant funds, at year-end. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but reserves are not reported. There were no encumbrances outstanding at December 31, 2008 in the proprietary funds. The subsequent year's appropriations provide authority to complete the transactions as expenditures. Encumbrances outstanding at December 31, 2008 consisted of $2,502,086 in the Grant Programs Fund and are not

reflected on the governmental funds balance sheet, because they relate to funds which have zero fund balances at year-end.

Encumbrances outstanding which are reflected on the governmental funds balance sheet at December 31, 2008, by fund type, are presented below:

General	$	2,688,134
Capital Projects		61,493
	$	2,749,627

R. ***Special and Extraordinary Items***

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. If such items exist during the reporting period, they are reported separately in financial statements.

S. ***Use of Estimates***

Management of the City has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

T. ***Non-Recourse Debt Issue***

The Harrisburg Authority and the Redevelopment Authority participate in various bond issues for which they have limited liability. Acting solely in an agency capacity, the Authorities serve as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the Authorities are a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authorities in the case of default. As such, the corresponding debt is not reflected on the balance sheet of the Authorities. As of December 31, 2008, non-recourse debt issues outstanding of The Harrisburg Authority totaled $133,640,000 including $1,180,000 on behalf of the City. As of December 31, 2008, non-recourse debt issues of the Redevelopment Authority totaled approximately $96,277,000 including approximately $18,700,000 on behalf of the City.

U. ***Pending Changes in Accounting Principles***

In June 2008, GASB issued Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments."* This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The provisions of this Statement are effective for the City's 2010 financial statements.

In February 2009, GASB issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions."* This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the

use of the resources reported in governmental funds. The requirements of this Statement are effective for the City's 2011 financial statements.

The effect of implementation of these statements has not yet been determined.

2. DEPOSITS AND INVESTMENTS

Primary Government

The deposit and investment policy of the City adheres to state statutes and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Permissible investments include direct obligations of the U.S. Treasury and U.S. Governmental agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements not to exceed 30 days, secured by U.S. Government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth of Pennsylvania. This policy is in accordance with applicable Pennsylvania statutes. There were no deposit or investment transactions that were in violation of either state statutes or the policy of the City at December 31, 2008, nor during the year then ended.

Proceeds from debt and other funds, which are held in bank trust accounts in the City's name and administered by trustees for payment of revenue bonds and the enterprise fund portion of general long-term debt, are classified as restricted assets since their use is limited by applicable bond indentures.

Deposits

At December 31, 2008, the deposits of the City of Harrisburg, including component units were as follows:

Reconciliation to statement of net assets:	
Governmental activities	
Unrestricted	$ 10,270,721
Restricted	1,298,399
Business-type activities	
Unrestricted	4,610,640
Restricted	2,159
Fiduciary funds - agency fund	1,280,369
Total primary government	$ 17,462,288
Component units	
Unrestricted	$ 10,418,620
Restricted cash	4,171,731
Total component units	$ 14,590,351

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no policy, other than as presented above, that further limits its custodial credit deposit risk. As of December 31, 2008, the City's book balance

was $17,462,288 and the bank balance was $18,504,119. Of the bank balance, $1,319,446 was covered by federal depository insurance and $17,009,790 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The remaining bank balance of $174,883 was invested in an external investment pool with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT separately issues audited financial statements which are available to the public. The fair value of the City's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania is the formal external regulatory oversight for the external investment pool.

Component units

The Harrisburg Authority

The deposit and investment policy of The Harrisburg Authority adheres to state statutes, prudent business practices, and the applicable trust indentures, which are more restrictive than existing state statutes. Deposits are maintained in demand deposits and certificates of deposit.

The deposits of The Harrisburg Authority at December 31, 2008 were as follows:

Cash and cash equivalents	
Unrestricted	$ 4,999,230
Restricted under trust indentures and guarantee agreements	3,940,646
	$ 8,939,876

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Harrisburg Authority does not have a deposit policy for custodial credit risk. As of December 31, 2008, The Harrisburg Authority's book balance was $8,939,876 and the bank balance was $9,296,904. Of the bank balance, $508,076 was covered by federal depository insurance and $8,788,828 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

Harrisburg Parking Authority and Coordinated Parking Fund

The Parking Authority Law limits the Authority to the type of deposits it may make. Allowable deposits include deposits with banks or savings associations that, to the extent not insured, are secured by a pledge of direct obligations of the U.S. Government, Commonwealth of Pennsylvania, or the City having an aggregate market value at least equal to the balance of such deposits.

The Authority maintains a separate operating account for each component of the coordinated parking system and for the Coordinated Parking Fund. Amounts deposited into these accounts are combined into one account for investment by the Authority. Interest earned from the investment account is

allocated to the operating accounts, including the Coordinated Parking Fund's operating account, based on the monthly investment balance.

Custodial credit risk. At December 31, 2008, the non-pooled book balances of the Authority were $864,993 and the bank balances were $876,534. Of the non-pooled bank balances, $250,000 was covered by federal depository insurance at December 31, 2008. The remainder of the non-pooled bank balance at December 31, 2008 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

The Authority pools certain of its deposits with the Coordinated Parking Fund. At December 31, 2008, the pooled account had a book and bank balance of $3,115,943. Of this balance $2,671,244 was held in certificates of deposit purchased through a third party, all of which were covered by federal depository insurance held in the name of the Authority. The remaining balance of $444,699 was invested in a money market fund which carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2008, the Authority's position in the pool was $1,517,449 and the Coordinated Parking Fund's position in the pool was $1,598,494.

Redevelopment Authority

Custodial Credit Risk. As of December 31, 2008, the Redevelopment Authority's cash and restricted cash balances were $1,669,539 and its bank balances were $1,671,926. Of those bank balances, $1,238,404 was collateralized with securities held by pledging financial institutions, or by their trust departments or agents, but not in the Redevelopment Authority's name.

Investments

At December 31, 2008, the investments of the City of Harrisburg were as follows:

Primary Government	
Unrestricted investments	
Money market funds	$ 1,165,348
External investment pool	4,764,616
Total unrestricted investments	5,929,964
Restricted investments	
Money market funds	13,878,027
Total restricted investments	13,878,027
Fiduciary funds	
Money market funds	4,613,296
Fixed income funds	11,471,819
U.S. Government obligations	2,090,964
U.S. Government agency obligations	4,457,709
Corporate bonds	1,022,268
Equity funds	18,443,159
Common stocks	8,240,470
Total fiduciary funds	50,339,685
Total primary government	$ 70,147,676

Component Units	
Restricted investments	
Money market funds	$ 50,992,276
U.S. Government obligations	215,633
U.S. Government agency obligations	15,096,712
Commercial paper	8,382,609
Municipal bonds	9,738,348
Total component units restricted investments	$ 84,425,578

For financial statement purposes, the City's balance held in PLGIT, an external investment pool, is disclosed as a deposit.

Primary Government

Custodial credit risk. Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The City has no policy, other than as presented above, that further limits its custodial credit investment risk. Of the City's total investments of $70,147,676, $19,807,991 was held by the counterparty's trust department or agent not in the City's name.

The City uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for the City's funds. These funds are invested in the Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits (INVEST) which separately issues audited financial statements which are available to the public. The fair value of the City's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight of the pool.

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. At December 31, 2008, there were no investments that represent more than 5 percent of the City's total investments.

Credit risk. The City does not have a formal policy relating to credit risk of investments. The City's money market, external investment pool, and fixed income investments had the following level of exposure to credit risk as of December 31, 2008:

	Fair Value	Rating
Money market funds	$ 18,491,323	AAA
Money market funds	$ 1,165,348	Unrated
External investment pools	$ 4,764,616	AAA
Fixed income funds	$ 11,471,819	AA+
U.S. Government agency obligations	$ 4,457,709	AAA
Corporate bonds	$ 241,352	A+
Corporate bonds	$ 177,701	A
Corporate bonds	$ 340,063	A-
Corporate bonds	$ 263,152	BBB+

Interest rate risk. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a

list of the City's money market, external investment pool, and fixed income investments and their related average maturities:

		Investment Maturity (in Years)			
Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Money market funds	$ 19,656,671	$ 19,656,671	$ -	$ -	$ -
External investment pool	4,764,616	4,764,616	-	-	-
Fixed income funds	11,471,819	-	11,471,819	-	-
U.S. Government obligations	2,090,964	-	1,493,464	342,950	254,550
U.S. Government agency obligations	4,457,709	303,204	920,577	1,466,425	1,767,503
Corporate bonds	1,022,268	-	671,486	350,782	-
Total	$ 43,464,047	$ 24,724,491	$ 14,557,346	$ 2,160,157	$ 2,022,053

Workers' Compensation

In accordance with the provisions of the Pennsylvania Workers' Compensation Act, the City has secured an exemption from the necessity of insuring its workers' compensation liability and has elected to maintain a separate fund to provide a reserve for claimants entitled to benefits. Since inception, a total of $600,000 has been deposited in a bank trust account through December 31, 2008. Interest of $1,515,348 has been earned on the deposits and claims of $700,000 have been paid from the trust account from inception through December 31, 2008. During 2006, the City withdrew $1,300,000 to fund operating deficits of the General Fund. At December 31, 2006, the City had deposited $1,050,000 back into the fund, giving the City total assets held as reserves of $1,165,348 at December 31, 2008, of which $151,650 is included in the General Fund, $734,528 is included in the Sewer Fund and $279,170 is included in the Sanitation Fund as investments at December 31, 2008.

Component Units

The Harrisburg Authority

The restricted investments of the Authority at December 31, 2008 were as follows:

Money market funds	$ 43,535,048
U.S. Government agency obligations	15,096,712
U.S. Government obligations	215,633
Corporate bonds	3,944,799
Municipal bonds	9,738,348
Total	$ 72,530,540

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets, because their use is limited by applicable trust indentures or other agreements.

Custodial Credit Risk. The Harrisburg Authority does not have a formal investment policy for custodial credit risk. All of The Harrisburg Authority's investments are held by the counterparty's trust department or agent not in The Harrisburg Authority's name.

Concentration of Credit Risk. The Harrisburg Authority places no limit on the amount The Harrisburg Authority may invest in any one issuer. More than five percent of The Harrisburg Authority's investments are held as follows:

	Fair Value	% of Total
Federal National Mortgage Association	$ 8,286,911	11.43%
Resolution Funding Corporation - STRIPS	$ 6,215,801	8.57%
General Obligation Pension Bonds - Illinois State	$ 5,534,172	7.63%
American General Finance	$ 3,944,799	5.44%

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

	Fair Value	Rating
Money market funds	$ 43,535,048	AAA
U.S. Government agency obligations - STRIPS	$ 6,215,801	AAA
U.S. Government agency obligations	$ 8,880,911	AAA
Corporate bonds	$ 3,944,799	Unavailable
Municipal bonds	$ 6,653,979	AA
Municipal bonds	$ 812,080	A
Municipal bonds	$ 2,272,289	Unavailable

Interest Rate Risk. The Harrisburg 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 Harrisburg Authority's money market and fixed income investments and their related average maturities:

		Investment Maturity (in Years)			
	Fair Value	Less than 1 year	1-5 years	6-10 years	Greater than 10 years
Money market funds	$ 43,535,048	$ 43,535,048	$ -	$ -	$ -
U.S. government agency obligations	15,096,712	8,637,419	-	-	6,459,293
U.S. government obligations	215,633	215,633	-	-	-
Corporate bonds	3,944,799	3,944,799	-	-	-
Municipal bonds	9,738,348	-	-	1,931,887	7,806,461
Total	$ 72,530,540	$ 56,332,899	$ -	$ 1,931,887	$ 14,265,754

Harrisburg Parking Authority

The bond indentures related to the Authority's parking revenue bonds and the purchase agreement executed between the Authority and Allegheny Electric Cooperative, Inc. (AEC) in 1987 (Purchase Agreement) required the establishment of various funds and accounts. The unexpended amounts in these funds and accounts as of December 31, 2008, and the related interest receivable are restricted for designated purposes under the bond indentures and the Purchase Agreement.

Allowable investments as outlined in the Authority's internal investment policy include certificates of deposit, repurchase agreements with financial institutions having assets in excess of $500,000,000, direct obligations of the U.S. Government, or as permitted in the individual trust indentures.

Custodial Credit Risk. The Authority does not have a formal investment policy for custodial credit risk. The securities are held by the counterparty, not in the Authority's name.

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

	Fair Value	Percent of Investments
Restricted:		
Commercial paper:		
General Electric Capital Corporation	$ 2,632,797	22.13%
Yorktown Capital, LLC	$ 1,805,013	15.17%

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

	Fair Value	Rating
Restricted:		
Money market funds	$ 7,457,228	AAA
Commercial paper	$ 4,437,810	A1

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. At December 31, 2008, the Authority's money market and fixed income investments have an average maturity of less than one year.

3. PROPERTY TAXES

Based upon assessed valuations provided by the County of Dauphin (the County), the City bills and collects its own property taxes. Delinquent accounts are turned over to the County which collects the taxes on behalf of the City. The schedule for property taxes levied for 2008 is as follows:

January 1, 2008	- lien date
January 31, 2008	- original levy date
January 31 – March 31, 2008	- 2% discount period
April 1 – May 31, 2008	- face payment period
June 1 – December 31, 2008	- 10% penalty period
January 1, 2009	- turned over to County for collection

The City is permitted by the Third Class City Code to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general City purposes. However, under an order of court dated December 20, 1982, the City was authorized to exceed the statutory general millage rate, up to a maximum of 30 mills.

The real property tax imposed by the City in 2008 was 4.78 mills on improvements and 28.67 mills on land. Both land and improvements are assessed at 100% of market value, with an effective combined equivalent single millage rate of 10.0898 mills.

Property taxes are recorded as of the date levied. Amounts not collected within sixty days after the end of the year are deferred in the governmental funds.

In addition, City taxes may be paid in four installments due on or before January 31, March 31, May 31 and July 31 of the tax year with no discount period allowed. Any delinquent installment is subject to a penalty of 10%.

4. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at December 31, 2008 is as follows:

Primary Government	Due from Other Funds	Due to Other Funds
General Fund	$ 1,570,801	$ 1,150,564
Grant Programs Fund	685,564	429,599
Capital Projects Fund	185,998	606,475
Nonmajor governmental funds	-	732,947
Total governmental funds	2,442,363	2,919,585
Sewer Fund	515,000	16,160
Sanitation Fund	-	21,618
Total proprietary funds	515,000	37,778
Total primary government	$ 2,957,363	$ 2,957,363

These amounts represent short-term receivables and payables for unsettled transactions and short-term borrowings between funds for the purposes of cash flow.

Component Units	Due from Primary Government/ Component Units	Due to Component Units/ Primary Government	Advances to Primary Government/ Component Units	Advances from Component Units/ Primary Government
Primary Government				
General Fund	$ 21,854	$ -	$ -	$ 387,667
Capital Projects Fund	800,183	-	-	-
Sewer Fund	243,159	-	-	1,963,009
Sanitation Fund	-	-	-	132,122
Component Units	-	1,065,196	2,482,798	-
Total	$ 1,065,196	$ 1,065,196	$ 2,482,798	$ 2,482,798

The composition of interfund transfers for the year ended December 31, 2008 is as follows:

Primary Government	Transfers In	Transfers Out
General Fund	$ 2,017,497	$ 15,018,460
Grant Programs Fund	345,725	-
Debt Service Fund	8,394,369	84,887
Capital Projects Fund	4,667,807	606,160
Nonmajor governmental funds	-	65,590
Total governmental funds	15,425,398	15,775,097
Sanitation Fund	-	1,411,337
Harrisburg Senators Fund	1,761,036	-
Total proprietary funds	1,761,036	1,411,337
Total primary government	$ 17,186,434	$ 17,186,434

Interfund transfers were made primarily to fund debt service and to move excess cash, per budgeted transfers, to provide for capital project fund expenditures.

5. INTERGOVERNMENTAL REVENUE, RECEIVABLES, AND PAYABLES

The General Fund intergovernmental revenue for the year ended December 31, 2008 is as follows:

Commonwealth of Pennsylvania, Pension System Aid	$ 2,590,486
Harrisburg Parking Authority, excess parking revenue	4,750,000
Commonwealth of Pennsylvania, Capital fire protection	1,253,000
Utilities payments in lieu of taxes from other governments	36,288
	$ 8,629,774

The City also participates in a number of state and federal grant programs. Revenues from these programs are as follows:

Grant Programs Fund	
Community Development Block Grant	$ 3,030,791
Lead Based Paint Grant	326,500
HOME Program	690,560
Redevelopment Assistance Grant	553,123
Federal Emergency Management Agency grants	1,834,501
Capital improvement grants	507,242
Other state/federal grants	293,358
	$ 7,236,075

The Grant Programs Fund had deferred revenue of $3,973,025 at December 31, 2008, representing payments received in advance for various grant programs. The remaining deferred revenues of $3,811,201 represent deferred loans receivable.

6. RESTRICTED ASSETS

Revenue Bond and General Obligation Note Proceeds

Proceeds from debt and other funds, which are held in bank trust accounts and administered by trustees, are classified as restricted assets in the enterprise funds since their use is limited by applicable bond indentures.

7. ASSETS HELD FOR SALE

City Council passed a resolution requiring the administration to develop a plan by February 2007, to sell certain historical artifacts owned by the City. At a minimum, the plan was to include a timeframe for the sale of the artifacts, all of which were to be liquidated no later than December 15, 2008; the process used by the administration to determine the value and accomplish the sale of the artifacts; provide for quarterly reporting by the City Treasurer of the artifacts sold, original purchase price, and the amounts received from the sale of the artifacts; ensure that all funds received from the sale of the artifacts were deposited with a local financial institution and used to pay off the interest and principal of the City's Revenue Bonds, Series of 2006; and provide a detailed listing of all costs and expenses associated with the sale of the artifacts.

The cost of the artifacts to be sold amounted to $7,843,648. At December 31, 2008, the City has sold artifacts with an approximate cost of $2.1 million. The proceeds of the sale, through December 31, 2008, amounted to approximately $1.7 million.

Additionally, artifacts bought by the City from a certain vendor have been deemed to be inauthentic. The City is currently pursuing damages against this vendor. Such artifacts had a cost value of approximately $2.1 million. An appraisal of a portion of the artifacts was extrapolated to the entire population purchased from this vendor. This extrapolation resulted in decreasing the estimated fair value of these artifacts to $73,000.

Finally, the City has determined, through consultation with industry experts, that the remaining artifacts have a value of approximately 40% of the remaining cost. This valuation resulted in a decrease in the estimated fair value of the remaining artifacts in the amount of approximately $2 million.

8. CAPITAL ASSETS

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

Primary Government

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 6,518,271	$ 139,825	$ -	$ 6,658,096
Artifacts	18,649,000	-	-	18,649,000
Total capital assets, not being depreciated	25,167,271	139,825	-	25,307,096
Capital assets, being depreciated				
Buildings	64,012,532	-	-	64,012,532
Improvements	16,299,157	222,056	-	16,521,213
Equipment and furniture	26,676,717	4,544,214	-	31,220,931
Infrastructure	90,667,310	2,658,393	-	93,325,703
Total capital assets, being depreciated	197,655,716	7,424,663	-	205,080,379
Less accumulated depreciation for:				
Buildings	(25,147,664)	(1,587,372)	-	(26,735,036)
Improvements	(5,390,932)	(369,830)	-	(5,760,762)
Equipment and furniture	(24,549,743)	(1,119,014)	-	(25,668,757)
Infrastructure	(55,508,894)	(2,799,542)	-	(58,308,436)
Total accumulated depreciation	(110,597,233)	(5,875,758)	-	(116,472,991)
Total capital assets, being depreciated, net	87,058,483	1,548,905	-	88,607,388
Governmental activities, capital assets, net	$ 112,225,754	$ 1,688,730	$ -	$ 113,914,484

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 361,421	$ -	$ -	$ 361,421
Construction in progress	4,749,427	4,347,843	(390,183)	8,707,087
Total capital assets, not being depreciated	5,110,848	4,347,843	(390,183)	9,068,508
Capital assets, being depreciated				
Buildings	35,262,349	-	-	35,262,349
Improvements	2,685,962	-	-	2,685,962
Equipment and furniture	40,071,066	117,745	-	40,188,811
Infrastructure	13,790,448	-	-	13,790,448
Total capital assets, being depreciated	91,809,825	117,745	-	91,927,570
Less accumulated depreciation for:				
Buildings	(17,575,603)	(676,090)	-	(18,251,693)
Improvements	(723,277)	(28,286)	-	(751,563)
Equipment and furniture	(28,157,042)	(1,131,833)	-	(29,288,875)
Infrastructure	(6,062,436)	(134,337)	-	(6,196,773)
Total accumulated depreciation	(52,518,358)	(1,970,546)	-	(54,488,904)
Total capital assets, being depreciated, net	39,291,467	(1,852,801)	-	37,438,666
Business-type activities, capital assets, net	$ 44,402,315	$ 2,495,042	$ (390,183)	$ 46,507,174

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 1,408,497
Building and housing development	109,187
Public safety	1,030,748
Public works	2,684,162
Parks and recreation	643,164
Total depreciation expense - governmental activities	$ 5,875,758
Business-type activities:	
Sewer	$ 1,783,175
Sanitation	149,984
Harrisburg Senators	37,387
Total depreciation expenses - business-type activities	$ 1,970,546

Component Units

	Beginning of Year	Additions/ Transfers In	Retirements/ Transfers Out	End of Year
The Harrisburg Authority:				
Capital assets, not being depreciated:				
Artifacts	$ 351,865	$ -	$ -	$ 351,865
Construction in progress	3,264,265	11,592,990	(3,264,264)	11,592,991
Total capital assets, not being depreciated	3,616,130	11,592,990	(3,264,264)	11,944,856
Capital assets, being depreciated:				
Land improvements	1,223,614	-	-	1,223,614
Buildings and improvements	116,757,412	3,264,264	-	120,021,676
Furniture and fixtures	328,075	44,477	-	372,552
Machinery and equipment	99,680,847	1,020,965	(26,786)	100,675,026
Total capital assets being depreciated	217,989,948	4,329,706	(26,786)	222,292,868
Less accumulated depreciation	(44,513,471)	(6,509,237)	15,306	(51,007,402)
Total accumulated depreciation	(44,513,471)	(6,509,237)	15,306	(51,007,402)
Total capital assets being depreciated, net	173,476,477	(2,179,531)	(11,480)	171,285,466
The Harrisburg Authority, capital assets, net	$ 177,092,607	$ 9,413,459	$ (3,275,744)	$ 183,230,322

	Beginning of Year	Additions/ Transfers In	Retirements/ Transfers Out	End of Year
Harrisburg Parking Authority:				
Capital assets, not being depreciated:				
Land	$ 6,939,212	$ -	$ -	$ 6,939,212
Construction in progress	245,038	956,224	(150,969)	1,050,293
Total capital assets, not being depreciated	7,184,250	956,224	(150,969)	7,989,505
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	85,497,406	307,919	(1,328,850)	84,476,475
Furniture and fixtures	322,291	4,240	-	326,531
Machinery and equipment	2,218,452	3,528	-	2,221,980
Total capital assets being depreciated	88,166,071	315,687	(1,328,850)	87,152,908
Less accumulated depreciation	(27,366,868)	(3,192,501)	8,200	(30,551,169)
Total accumulated depreciation	(27,366,868)	(3,192,501)	8,200	(30,551,169)
Total capital assets being depreciated, net	60,799,203	(2,876,814)	(1,320,650)	56,601,739
Harrisburg Parking Authority, capital assets, net	$ 67,983,453	$ (1,920,590)	$ (1,471,619)	$ 64,591,244

	Beginning of Year	Additions/ Transfers In	Retirements/ Transfers Out	End of Year
Harrisburg Redevelopment Authority:				
Capital assets, not being depreciated:				
Construction in progress	$ 3,853,765	$ 294,184	$ (4,147,949)	$ -
Total capital assets, not being depreciated	3,853,765	294,184	(4,147,949)	-
Capital assets, being depreciated:				
Buildings and improvements	-	4,147,949	-	4,147,949
Total capital assets being depreciated	-	4,147,949	-	4,147,949
Less accumulated depreciation for:				
Buildings and improvements	-	(103,699)	-	(103,699)
Total accumulated depreciation	-	(103,699)	-	(103,699)
Total capital assets being depreciated, net	-	4,044,250	-	4,044,250
Harrisburg Redevelopment Authority, capital assets, net	$ 3,853,765	$ 4,338,434	$ (4,147,949)	$ 4,044,250

9. LONG-TERM LIABILITIES

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

Primary Government

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Governmental activities:						
Workers' compensation claims	$ 2,922,837	$ 1,766,101	$ -	$ (1,089,534)	$ 3,599,404	$ 875,375
Bonds payable (Note 10)	52,081,318	-	2,451,329	(7,201,002)	47,331,645	6,133,365
Notes payable (Note 12)	47,109,546	2,400,000	2,165,810	(1,662,116)	50,013,240	2,266,815
Capital lease obligations (Note 14)	11,244,437	-	-	(2,200,587)	9,043,850	2,259,913
Vested compensated absences	8,383,383	4,449,381	-	(3,756,888)	9,075,876	2,284,108
Governmental activities Long-term liabilities	$ 121,741,521	$ 8,615,482	$ 4,617,139	$ (15,910,127)	$ 119,064,015	$ 13,819,576

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Business-type activities:						
Workers' compensation claims	$ 653,086	$ 356,459	$ -	$ (191,799)	$ 817,746	$ 198,876
Bonds payable (Note 10)	11,739,267	-	11,969	(1,967,688)	9,783,548	1,452,572
Capital lease obligations (Note 14)	861,055	-	-	(194,155)	666,900	162,583
Vested compensated absences	416,949	379,989	-	(381,700)	415,238	16,414
Lease rental payable (Note 14)	6,219,694	-	-	(1,389,278)	4,830,416	1,728,016
Business-type activities Long-term liabilities	$ 19,890,051	$ 736,448	$ 11,969	$ (4,124,620)	$ 16,513,848	$ 3,558,461

Workers' compensation claims and compensated absences typically have been liquidated by the general fund and the enterprise funds.

Component Units

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
The Harrisburg Authority:						
Loans payable (Note 13)	$ -	$ 8,233,000	$ -	$ -	$ 8,233,000	$ 1,275,000
Bonds payable (Note 10)	325,170,000	69,420,000	-	(61,870,000)	332,720,000	6,840,000
Notes payable (Note 12)	106,501,072	-	-	(866,773)	105,634,299	914,977
Total bonds and notes payable	431,671,072	77,653,000	-	(62,736,773)	446,587,299	9,029,977
Less:						
Deferred loss on refunding	(24,969,795)	(14,341,493)	2,732,973	3,287,600	(33,290,715)	-
Unamortized premium	1,733,787	(382,393)	1,889,125	-	3,240,519	-
The Harrisburg Authority Long-term liabilities	$ 408,435,064	$ 62,929,114	$ 4,622,098	$ (59,449,173)	$ 416,537,103	$ 9,029,977

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Harrisburg Parking Authority:						
Bonds payable (Note 10)	$ 112,830,000	$ -	$ -	$ (2,175,000)	$ 110,655,000	$ 2,865,000
Less:						
Deferred loss on refunding	(4,693,267)	-	428,081	-	(4,265,186)	-
Unamortized premium	765,657	-	(93,876)	-	671,781	-
Harrisburg Parking Authority Long-term liabilities	$ 108,902,390	$ -	$ 334,205	$ (2,175,000)	$ 107,061,595	$ 2,865,000
Redevelopment Authority:						
Bonds payable (Note 10)	$ 93,590,000	$ -	$ -	$ -	$ 93,590,000	$ -
Notes payable (Note 12)	500,000	-	-	-	500,000	500,000
Due to other governments	170,832	-	-	-	170,832	30,000
Total long-term liabilities	94,260,832	-	-	-	94,260,832	530,000
Less:						
Unamortized discount	(54,794,855)	-	2,243,561	-	(52,551,294)	-
Redevelopment Authority Long-term liabilities	$ 39,465,977	$ -	$ 2,243,561	$ -	$ 41,709,538	$ 530,000

10. BONDS PAYABLE

Bonds payable at December 31, 2008 are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
Bonds payable	$ 47,331,645	$ 9,842,038	$ 57,173,683
Unamortized discount	-	(58,490)	(58,490)
Total bonds payable	$ 47,331,645	$ 9,783,548	$ 57,115,193

	Component Units			
	The Harrisburg Authority	Harrisburg Parking Authority	Redevelopment Authority	Total Component Units
Bonds payable	$ 332,720,000	$ 110,655,000	$ 93,590,000	$ 536,965,000
Deferred loss on refunding	(33,290,715)	(4,265,186)	-	(37,555,901)
Unamortized premium (discount)	4,866,520	671,781	(52,551,294)	(47,012,993)
Total bonds payable	$ 304,295,805	$ 107,061,595	$ 41,038,706	$ 452,396,106

Bonds payable are accounted for in the following activities:

	Governmental Activities	Business-type Activities	Total Primary Government
General Obligation Bonds			
Series A and B of 1995	$ 7,253,644	$ 92,038	$ 7,345,682
Series A-1 of 1997	-	1,180,000	1,180,000
Series D of 1997	34,796,691	-	34,796,691
Total general obligation bonds	42,050,335	1,272,038	43,322,373
Revenue Bonds			
Senators Revenue Bonds			
Series A-2 of 2005	-	8,570,000	8,570,000
Less: Unamortized discount	-	(58,490)	(58,490)
Lease Revenue Bonds			
Series of 2006	5,281,310	-	5,281,310
Total revenue bonds	5,281,310	8,511,510	13,792,820
Total bonds payable	$ 47,331,645	$ 9,783,548	$ 57,115,193

Bonds payable are accounted for in the following component unit:

	The Harrisburg Authority	Harrisburg Parking Authority	Total Redevelopment Authority	Total Component Units
Revenue Bonds:				
Water Revenue Bonds, Series of 2008	$ 69,420,000	$ -	$ -	$ 69,420,000
Water Revenue Bonds, Series A of 2004	37,045,000	-	-	37,045,000
Water Revenue Bonds, Series A, B, C and D of 2002	48,825,000	-	-	48,825,000
Water Revenue Bonds, Series A of 2001	4,785,000	-	-	4,785,000
Sewer Revenue Refunding, Series of 1992	6,925,000	-	-	6,925,000
Sewer Revenue Refunding, Second and Third Series of 1989	6,925,000	-	-	6,925,000
Resource Recovery Facility Bonds, Series A, D, E and F of 2003	147,555,000	-	-	147,555,000
Resource Recovery Facility Bonds, Series A of 1998	11,240,000	-	-	11,240,000
Office and Parking Revenue Bonds:				
Series K of 2000	-	11,800,000	-	11,800,000
Series J of 2001	-	28,290,000	-	28,290,000
Series N of 2003	-	5,265,000	-	5,265,000
Series O of 2003	-	11,820,000	-	11,820,000
Series P of 2005	-	16,625,000	-	16,625,000
Series R of 2007	-	16,965,000	-	16,965,000
Series T of 2007	-	19,890,000	-	19,890,000
Guaranteed Revenue Bonds, Series A and B of 1998	-	-	93,590,000	93,590,000
Less: Deferred loss on refunding and unamortized premium (discount)	(28,424,195)	(3,593,405)	(52,551,294)	(84,568,894)
Total bonds payable	$ 304,295,805	$ 107,061,595	$ 41,038,706	$ 452,396,106

Under the terms of its respective debt agreements, the City is required to maintain certain balances in restricted trust accounts, to make timely payments to the trustee or to a sinking fund for principal and interest, and to insure and maintain assets acquired with the proceeds of the debt.

Management believes that the City has complied in all material respects with the terms of its respective debt agreements. However, under the continuing disclosure undertaking, the City has covenanted to file its secondary market disclosures within 270 days of the end of their fiscal year. Additionally, the various trust indentures require the City to submit its audited financial statements to the trustee within 180 days. The financial statements were not completed by either date. In addition, there is ongoing litigation regarding the City's obligation under certain guarantees of The Harrisburg Authority's debt, as discussed in Note 25.

The composition of bonds outstanding included in the primary government at December 31, 2008 is as follows:

General Obligation Bonds	
5.6%-6.84%, General Obligation Bonds, Series A and B of 1995, dated December 15, 1995, principal payable in annual installments of $3,539,892 to $3,805,790 through April 1, 2010, to be serviced through general revenues of the city and through sewer operating revenues and State Liquid Fuels Funds, issued to fund the City's unfunded actuarial accrued pension liability.	$ 7,345,682
7.75%, Federally Taxable General Obligation Bonds, Series A-1 of 1997, dated January 5, 1998, principal payable in a final annual installment of $1,180,000 on September 1, 2009. These bonds are included in the City's enterprise fund and are to be serviced through fund operations, issued to retire the General Obligation Note, Series A of 1996, which was originally issued to acquire the Harrisburg, Senators, an AA minor league baseball team, and construct the scoreboard and various stadium improvements.	1,180,000
5.15%-5.52%, General Obligation Refunding Bonds, Series D of 1997, dated December 30, 1997, principal payable in semi-annual installments of $781,538 to $3,904,684 through September 15, 2022, to be serviced through general revenues of the City, issued to advance refund the City's General Obligation Bonds, Series B-1 of 1997, which was originally issued to fund certain capital projects of the City.	34,796,691
Revenue Bonds	
4.25% -5.29%, Senators Revenue Bonds, Series A-2 of 2005, dated January 2005 Series A 2 matures at various amounts from 2006 through 2030, issued to renovate the baseball stadium.	8,570,000
5.00%-6.95%, Revenue Bonds, Series of 2006, dated December 2006, principal payable in annual installments of $660,164 through May 2016, to be serviced through general revenues of the City, issued to finance the lease payments of the McCormick Public Service Center.	5,281,310
Total primary government bonds payable	57,173,683
Less: unamortized discount	(58,490)
Net primary government bonds payable	$ 57,115,193

The composition of bonds outstanding included in the component units at December 31, 2008 is as follows:

The Harrisburg Authority	
Revenue Bonds	
4.88%-5.25%, Water Revenue Bonds, Series of 2008 dated August 2008. Series of 2008 matures at various amounts from 2025 through 2031.	$ 69,420,000
1.5%-5.0%, Water Revenue Bonds, Series A of 2004 dated August 2004. Series A matures at various amounts from 2005 through 2023.	37,045,000
4.50%-6.00%, Water Revenue Bonds, Series A,B,C, and D of 2002 dated July 3, 2002. Series A matures at various amounts from 2023 through 2029. Series B matures at various amounts from 2011 through 2017. Series C matures in 2029. Series D matures at various amounts from 2010 through 2011.	48,825,000
3.40%-5.75%, Water Revenue Bonds, Series A of 2001, dated May 2001. The bonds mature at various amounts from 2002 through 2015.	4,785,000
6.0%-6.8%, Sewer Revenue Refunding Bonds, Series of 1992 dated March 3, 1992, principal payable in various amounts through 2012 and are collateralized by lease rentals paid by the City to the Authority.	6,925,000
6.8%-7.15%, Sewer Revenue Refunding Bonds, Second and Third Series of 1989. The first Series matured on January 1, 2002 and the Second and Third Series mature at various amounts through 2012.	6,925,000
4.45%-6.25%, Resource Recovery Revenue Bonds, Series A,D,E and F of 2003. Series A mature at various amounts from 2018 through 2034. Series D mature at various amounts from 2017 to 2033. Series E and F mature at various amounts from 2009 to 2017.	147,555,000
4.45%-5.00%, Resource Recovery Revenue Bonds, Series A of 1998. Series A mature at various amounts from 2006 through 2021.	11,240,000
Total The Harrisburg Authority	332,720,000
Less: deferred loss on refunding and unamortized premium	(28,424,195)
Net The Harrisburg Authority	$ 304,295,805

Harrisburg Parking Authority	
Revenue Bonds	
Variable rate, Series K Bonds, dated June 1, 2000, consisting of term bonds maturing December 2023 and December 2024. The interest rate varies approximately at SIFMA and was 2.03% at December 31, 2008.	$ 11,800,000
2.8%-5.00%, Series J Bonds, dated September 1, 2001, consisting of serial bonds maturing from September 1, 2003 to September 1, 2022 in annual installments of various amounts.	28,290,000
2.5%-4.3%, Series N Bonds, dated October 28, 2003, consisting of serial bonds maturing from November 15, 2004 to November 15, 2016 in annual installments of various amounts.	5,265,000
1.5%-5.00%, Series O Bonds, dated November 18, 2003, consisting of serial bonds maturing from August 1, 2004 to August 1, 2016 in annual installments of various amounts.	11,820,000
3.30%-5.70%, Series P Bonds, dated July 15, 2005, consisting of serial bonds maturing from September 1, 2007 to September 1, 2027 in annual installments of various amounts.	16,625,000
3.60%-5.00%, Series R Bonds, dated January 11, 2007, consisting of serial bonds maturing from May 15, 2010 to May 15, 2036 in annual installments of various amounts.	16,965,000
3.50%-4.50%, Series T Bonds, dated December 15, 2007, consisting of serial bonds maturing from May 15, 2009 to May 15, 2030 in annual installments of various amounts.	19,890,000
Total Harrisburg Parking Authority	110,655,000
Less: deferred loss on refunding and unamortized premium	(3,593,405)
Net Harrisburg Parking Authority	$ 107,061,595
Redevelopment Authority	
Revenue Bonds	
Series A and B Bonds, dated December 19, 1998, consisting of term bonds maturing from 2016 to 2033 in annual installments of various amounts.	$ 93,590,000
Less: unamortized discount	(52,551,294)
Net Redevelopment Authority	$ 41,038,706
Total component unit bonds payable	$ 452,396,106

The Harrisburg Authority

The Harrisburg Authority has entered into seven derivative product agreements, which consist of debt service forward delivery agreements with a financial intermediary that result in a forward swap of interest earned on amounts placed in debt service sinking fund and swap agreements. In exchange for cash payments to The Harrisburg Authority at the inception of the agreements totaling approximately $5,188,198, at December 31, 2008, the financial intermediary has the right, under the debt service forward delivery agreement, to invest the funds on hand in the sinking fund and retain the investment earnings. The amounts received were recorded as deferred revenue in The Harrisburg Authority's financial statements because the substance of these agreements effectively is to pay The Harrisburg Authority currently for interest that normally would be earned in later years. The deferred revenue resulting from these transactions of $3,595,328 at December 31, 2008, is being amortized over the respective life of each agreement under a method that approximates the interest method.

On August 22, 2008, The Harrisburg Authority issued Water Revenue Refunding Bonds, Series of 2008 (2008 Bonds) in the amount of $69,420,000. The proceeds of the 2008 Bonds, together with available monies, will be applied to: (i) currently refund the outstanding balance of The Harrisburg Authority's Variable Rate Water Revenue Refunding Bonds, Series A of 2003, (ii) fund a swap termination payment payable to Societe Generale pursuant to an outstanding interest rate swap agreement on the 2003 Water Revenue Bonds, Series A (previously referred to as the LIBOR Swap and the SIFMA Swap), (iii) fund a deposit to the 2008 Debt Service Reserve Fund Account, and (iv) pay the costs and expenses associated with the issuance of the 2008 bonds. The Harrisburg Authority's current refunding increased its total debt service payments through the year 2031 by $30.7 million and created an economic loss (difference between the present values of the old and new debt service payments) of $10.3 million. This comparison of the 2008 Bonds (use to refund the 2003A Bonds and terminate the related fixed payor swaps) to the variable rate 2003A Bonds (for purposes of this calculation assuming a 3.5% variable bond rate) plus the estimated swap cash flows assumed a 3.5 swap receipt.

Harrisburg Parking Authority

In February 2000, the Authority entered into (i) a debt service reserve fund forward purchase agreement with Lehman for investment of monies in the Series F Debt Service Reserve Account securing the Series F Bonds, (ii) a debt service reserve forward delivery agreement with Bank of America, N.A. (BofA) for the investment of moneys in the Series G and H Debt Service Reserve Fund securing the Authority's Series G Bonds and Series H Bonds, and (iii) a debt service reserve forward delivery agreement with BofA for the Series I Debt Service Reserve Fund securing the Series I Bonds. The Authority received fees of $68,584, $280,000, and $210,000 respectively, when it entered into the agreements. In September 2001, the Authority refunded the Series I Bonds with its Series J Bonds, and the Series I debt reserve fund agreement was amended to apply to the Series J Debt Service Reserve Account securing the Authority's Series J Bonds. Similarly, the Series G and H debt reserve fund agreement was amended to apply to the Series O Bonds issued to refund or otherwise retire the Series G and H Bonds. In connection with that November 2003 amendment, BofA paid the Authority an additional fee of $252,000. The Series F debt reserve fund agreement was amended in February 2004 to apply to the debt service reserve fund securing the Series N Bonds issued to refund the Series F Bonds. The deferred revenue is being amortized over the respective life of the agreement under a method that approximates the interest method. Amortization for the year ended December 31, 2008, totaled $51,121.

The debt service requirements for Series F Bonds are payable solely from and are secured by a pledge of (1) all the right, title, and interest of the Authority in and to the Coordinated Parking Fund, (2) all amounts on deposit and investment securities in any fund or account established under the related bond indenture, (3) a guaranty by the City, and (4) a municipal bond insurance policy. Amounts on deposit in the Coordinated Parking Fund are to be transferred to the Debt Service Fund created under the bond indenture and used to make required debt service payments on the Series F Bonds. These Bonds have been defeased through the issuance of "Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series N of 2003."

Debt service on the Series G and Series H Bonds was payable from certain Capital Replacement Reserve Funds held by the Authority established under the Cooperation Agreement.

The Series G and Series H Bonds were also secured by a pledge of (1) all amounts on deposit and investment securities in any fund established under the related bond indenture, (2) the City's guaranty, and (3) a municipal bond insurance policy. The annual payment of debt service on the Series G and Series H Bonds is subordinated to provision of funds to cover 130% of the debt service on the Authority Series F Bonds. The Series H Bonds have been defeased through the issuance of the Authority "Guaranteed Parking Revenue Bonds, Series O of 2003."

The City has guaranteed the payment of debt service on a majority of the Authority's bonds and notes pursuant to certain Guaranty Agreements. Concurrent with the execution of the Guaranty Agreements, the Authority also executed certain Reimbursement Agreements with the City whereby the Authority agreed to reimburse the City for any payments made by the City under the aforementioned Guaranty Agreements.

The Authority bond indentures contain certain financial and reporting covenants. At December 31, 2008, the Authority was in compliance with such covenants.

The annual requirements to amortize all bonds outstanding as of December 31, 2008, using interest rates in effect at December 31, 2008 for variable rate issues, are as follows:

	General Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Primary Government						
2009	$ 6,700,773	$ 290,677	$ 885,164	$ 728,029	$ 7,585,937	$ 1,018,706
2010	5,788,415	601,585	895,164	633,578	6,683,579	1,235,163
2011	3,904,684	590,316	905,164	589,875	4,809,848	1,180,191
2012	3,706,528	793,472	920,164	545,362	4,626,692	1,338,834
2013	3,511,400	988,600	930,164	500,042	4,441,564	1,488,642
2014-2018	14,884,166	7,585,834	3,530,490	1,859,072	18,414,656	9,444,906
2019-2023	4,826,407	4,386,112	1,990,000	1,267,922	6,816,407	5,654,034
2024-2028	-	-	2,565,000	678,242	2,565,000	678,242
2029-2030	-	-	1,230,000	65,860	1,230,000	65,860
	43,322,373	15,236,596	13,851,310	6,867,982	57,173,683	22,104,578
Less unamortized discount	-	-	(58,490)	-	(58,490)	-
Primary Government, net	$ 43,322,373	$ 15,236,596	$ 13,792,820	$ 6,867,982	$ 57,115,193	$ 22,104,578
Harrisburg Authority						
2009	$ -	$ -	$ 6,840,000	$ 17,514,277	$ 6,840,000	$ 17,514,277
2010	-	-	9,240,000	17,659,227	9,240,000	17,659,227
2011	-	-	9,490,000	14,799,897	9,490,000	14,799,897
2012	-	-	9,875,000	13,045,894	9,875,000	13,045,894
2013	-	-	6,865,000	12,734,199	6,865,000	12,734,199
2014-2018	-	-	49,980,000	60,193,001	49,980,000	60,193,001
2019-2023	-	-	76,930,000	47,356,274	76,930,000	47,356,274
2024-2028	-	-	77,730,000	29,569,578	77,730,000	29,569,578
2029-2033	-		78,570,000	10,310,747	78,570,000	10,310,747
2034	-	-	7,200,000	450,000	7,200,000	450,000
	-	-	332,720,000	223,633,094	332,720,000	223,633,094
Less deferred loss on refunding and unamortized premium	-	-	(28,424,195)	-	(28,424,195)	-
The Harrisburg Authority, net	$ -	$ -	$ 304,295,805	$ 223,633,094	$ 304,295,805	$ 223,633,094
Harrisburg Parking Authority						
2009	$ -	$ -	$ 2,865,000	$ 4,789,799	$ 2,865,000	$ 4,789,799
2010	-	-	3,710,000	4,683,324	3,710,000	4,683,324
2011	-	-	3,525,000	4,546,472	3,525,000	4,546,472
2012	-	-	3,665,000	4,410,379	3,665,000	4,410,379
2013	-	-	3,805,000	4,272,617	3,805,000	4,272,617
2014-2018	-	-	23,210,000	18,510,296	23,210,000	18,510,296
2019-2023	-	-	31,790,000	12,529,610	31,790,000	12,529,610
2024-2028	-	-	28,925,000	5,568,192	28,925,000	5,568,192
2029-2033	-		7,075,000	1,363,837	7,075,000	1,363,837
2034-2036	-	-	2,085,000	94,838	2,085,000	94,838
	-	-	110,655,000	60,769,364	110,655,000	60,769,364
Less deferred loss on refunding and unamortized premium	-	-	(3,593,405)	-	(3,593,405)	-
Harrisburg Parking Authority, net	$ -	$ -	$ 107,061,595	$ 60,769,364	$ 107,061,595	$ 60,769,364

Redevelopment Authority						
2014-2018	$ -	$ -	$ 18,470,000	$ -	$ 18,470,000	$ -
2019-2023	-	-	37,430,000	-	37,430,000	-
2024-2028	-	-	21,270,000	-	21,270,000	-
2029-2033	-	-	16,420,000	-	16,420,000	-
	-	-	93,590,000	-	93,590,000	-
Less unamortized discount	-	-	(52,551,294)	-	(52,551,294)	-
Redevelopment Authority, net	$ -	$ -	$ 41,038,706	$ -	$ 41,038,706	$ -
Total	$ 43,322,373	$ 15,236,596	$ 466,188,926	$ 291,270,440	$ 509,511,299	$ 306,507,036

11. DEFEASANCE OF DEBT

The City and its component units defeased general obligation and other bonds in prior years by placing the proceeds of net bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2008, the following bonds outstanding are considered defeased:

City of Harrisburg	
General Obligation Bonds, Series A of 1995	$ 35,415,000
The Harrisburg Authority	
Water Revenue Bonds, Series A of 1999	4,510,000
Resource Recovery Revenue Bonds, Series A of 1998	17,400,000
Resource Recovery Revenue Bonds, Series B of 1998	7,415,000
Resource Recovery Revenue Bonds, Series C of 1998	3,315,000
Seventh Street Office & Parking Revenue Bonds, Series A of 1998	12,605,000
Seventh Street Office & Parking Revenue Bonds, Series B of 1998	6,185,000
Resource Recovery Revenue Notes, Series A of 2000	4,195,000
Resource Recovery Revenue Notes, Series B of 2000	3,050,000
Harrisburg Parking Authority	
Guaranteed Parking Revenue Bonds, Series 2001 Bonds	16,540,000
	$ 110,630,000

12. NOTES PAYABLE

The City of Harrisburg entered into various promissory notes under Section 108 of the Housing and Community Development Act of 1974 (Public Law 93-383), as amended. The proceeds from the notes are provided to administer acquisition, relocation, and clearance of City properties.

As collateral, the City of Harrisburg pledged all grants approved or for which the City may become eligible under Title I of the Housing and Community Development Act of 1974, as amended, and program income derived from disposition by sale or lease of any real property to the extent acquired or rehabilitated with the guaranteed loan funds, including any interest earned on such disposition proceeds.

Interest payments are required to be made to the Federal Financing Bank on the daily unpaid principal balances.

The composition of promissory notes outstanding under Section 108 (included in governmental activities) at December 31, 2008 is as follows:

6.15%, Section 108 Note, dated May 13, 2000, interest payable semiannually and principal payable in annual installments of $195,000 to $335,000, through August 1, 2019, to be serviced through general revenues of the City.	$ 2,850,000
5.34%, Section 108 Note, dated September 14, 2006, interest payable semiannually and principal payable in annual installments of $210,000 to $225,000, through August 1, 2026, to be serviced through general revenues of the City.	3,795,000
	6,645,000

The composition of notes payable included in the primary government at December 31, 2008 is as follows:

5.15% - 5.52%, General Obligation Refunding Notes, Series F of 1997, dated December 31, 1997, principal payable in annual installments of $1,599,709 to $3,751,786 beginning September 15, 1999 through September 15, 2022, to be serviced through general revenues of the City, issued to currently refund the City's General Obligation Bonds, Series of 1995, which was originally issued to pay for certain capital projects of the City.	40,638,419
1.59% - 4.13%, Pennsylvania Infrastructure bank loans, principal payable through March 26, 2018, to be serviced through general revenues of the City, used to fund City street resurfacing projects.	2,729,821
	43,368,240
Total primary government notes payable	$ 50,013,240

During February 2008, the City issued a Pennsylvania Infrastructure bank loan in the principal amount of $2,400,000 to be used for sundry purposes. The loan bears interest at 4.125% and is payable though 2018.

The composition of notes payable included in the component units at December 31, 2008 is as follows:

The Harrisburg Authority	
1.536% - 3.071%, The Harrisburg Authority, 1998 Guaranteed Sewer Revenue Notes, Series A and B, payable through 2018, to finance projects related to the sewer collection system.	$ 1,959,299
5.72%, The Harrisburg Authority, 2002 Guaranteed Resource Recovery Notes, Series A payable through 2022, to fund acquisition of equipment and engineering studies and working capital.	15,620,000
3.70% - 5.0%, The Harrisburg Authority, 2003 Guaranteed Resource Recovery Notes, Series B and C payable beginning 2025 through 2034, to advance refund a portion of the 1998 Series A Bonds, all of the outstanding 1998 Series B and C Bonds, all of the outstanding 2000 Series A and B Notes.	53,370,000
4.50%, The Harrisburg Authority, 2007 Guaranteed Resource Recovery Limited Obligation Notes, Series C payable in 2010, to fund the working capital component of the Retrofit Completion Project.	23,920,000
6.0%, The Harrisburg Authority, 2007 Guaranteed Resource Recovery Limited Obligation Notes, Series D payable in 2010, to fund the Reimbursement Project.	10,765,000
Total The Harrisburg Authority	105,634,299
Less: unamortized discount	(1,626,001)
Net The Harrisburg Authority	$ 104,008,298
Redevelopment Authority	
3.75%, 2000 Infrastructure Bank Loan, for bridge financing of the Transportation Center improvements until grant money is received and is payable in annual installments through and on December 31, 2009.	$ 500,000
Total component units notes payable	$ 104,508,298

The annual requirements to amortize all notes payable outstanding as of December 31, 2008, using interest rates in effect at December 31, 2008 for variable rate issues, are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
Primary Government		
2009	$ 2,266,815	$ 566,522
2010	2,758,547	675,344
2011	4,338,156	980,350
2012	4,162,197	1,129,981
2013	4,006,198	1,273,933
2014-2018	17,629,636	8,239,275
2019-2023	14,206,691	12,926,408
2024-2026	645,000	75,026
	$ 50,013,240	$ 25,866,839

Component Units:

Year Ending December 31,	The Harrisburg Authority	
	Principal	Interest
2009	$ 914,977	$ 3,246,784
2010	35,648,253	3,198,699
2011	1,021,597	3,264,418
2012	1,080,014	3,212,781
2013	1,139,506	3,153,804
2014-2018	6,669,952	14,796,001
2019-2023	5,790,000	12,897,922
2024-2028	17,725,000	11,076,735
2029-2033	28,985,000	5,979,470
2034	6,660,000	333,000
	105,634,299	61,159,614
Less: unamortized discount	(1,626,001)	-
	$ 104,008,298	$ 61,159,614

	Redevelopment Authority	
	Principal	Interest
2009	$ 500,000	$ 18,806

13. LOANS PAYABLE

The composition of loans payable included in the component units at December 31, 2008 is as follows:

The Harrisburg Authority

4.00% - 8.00%, The Harrisburg Authority, 2008 Covanta Construction Loan, payable through 2018, to perform the Retrofit completion work at the Resource Recovery Facility	$ 8,233,000

During 2007, the Authority entered into a First Amendment and Management and Professional Services Agreement with a waste management facility operator (operator). As part of that agreement, the operator agreed to advance the costs incurred in the retrofit completion up to $25,500,000. At December 31, 2008, the Authority had drawn down $8,233,000. This loan constitutes subordinate debt of the Authority pursuant to the provisions of the Authority's various debt indentures. No interest accrues until July 1, 2010, at which time simple interest begins to accrue at the rate of 4% per annum until July 1, 2011 and at a rate of 8% per annum thereafter. Interest is payable beginning August 1, 2011 and continuing thereafter in quarterly installments due and payable on the first day of each calendar quarter. Principal is to be paid beginning on July 1, 2009 in quarterly installments due and payable on the first day of each calendar quarter based on a 10-year, mortgage-style amortization schedule. This loan is guaranteed by the City.

The annual requirements to amortize all loans payable outstanding as of December 31, 2008 are as follows:

Component Units:

Year Ending December 31,	The Harrisburg Authority	
	Principal	Interest
2009	$ 1,275,000	$ -
2010	1,912,500	-
2011	1,339,590	75,410
2012	271,539	288,461
2013	293,922	266,078
2014-2018	1,875,539	924,461
2019-2021	1,264,910	144,226
	$ 8,233,000	$ 1,698,636

14. LEASES

Future Lease Rentals Payable to Component Unit

On October 1, 1984, the City entered into a supplemental lease agreement pursuant to the refunding of The Harrisburg Authority's Guaranteed Sewer Revenue Bonds, Series of 1978. The 1984 Second Supplemental Agreement of Lease provides for rental payments in an amount sufficient to retire bonds issued to finance the cost of major construction improvements to the sewage conveyance and treatment system. Also included are interest and administrative costs of The Harrisburg Authority.

On January 15, 1988, the City entered into a Third Supplemental Agreement of Lease and a Collection System Lease pursuant to the issuance of The Harrisburg Authority's Sewer Revenue Bonds, Series A and B of 1988. The Third Supplemental Agreement of Lease was entered into providing for rental payments in an amount sufficient to retire bonds issued to finance the Series A Project relating to the sewage conveyance and treatment system. The Collection System Lease was entered into providing for rental payments in an amount sufficient to retire bonds issued to finance the Series B Project relating to the sewage collection system.

In accordance with the lease agreements, the City is required to make the following minimum annual lease rental payments:

Lease year ending December 31,	Basic Lease Rental	Authority Administrative Expense	Total
2009	$ 1,858,081	$ 160,000	$ 2,018,081
2010	1,861,382	250,000	2,111,382
2011	1,855,496	250,000	2,105,496
Total minimum lease payments	5,574,959	$ 660,000	$ 6,234,959
Less amount representing interest	(744,543)		
Present value of net minimum lease payments	4,830,416		
Current portion	1,728,016		
Long-term portion	$ 3,102,400		

The net book value of equipment held under capital leases included in capital assets was $14,559,669 at December 31, 2008. Capital improvements to these systems under the lease agreements were $757,072 during 2008.

The City is required under the terms of the Second Supplemental Agreement of Lease, the Third Supplemental Agreement of Lease and Collection System Lease to make additional rental payments within 190 days after the end of each year, equal to excess funds in the Sewer Fund as defined in the respective lease agreements. There were no excess funds at December 31, 2008 and, accordingly, no additional payment was due.

Capitalized Lease Obligations

The City leased certain equipment under long-term lease agreements which were classified as capital leases. During the year ended December 31, 2004, the City refinanced all of the then existing capital leases into a consolidated master capital lease. Additional capital leases were issued during the years ended December 31, 2005 and 2007. As of December 31, 2008, the governmental activities and the business-type activities included equipment and furniture under capital leases had a net book value of $6,817,369 and $454,129, respectively.

The future minimum payments under capital leases and the present value of the minimum lease payments at December 31, 2008 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2009	$ 2,584,794	$ 187,065	$ 2,771,859
2010	2,195,962	165,952	2,361,914
2011	1,831,641	146,420	1,978,061
2012	1,537,049	130,794	1,667,843
2013	730,599	41,786	772,385
2014	730,598	41,785	772,383
2015	125,962	7,205	133,167
2016	125,963	7,204	133,167
2017	125,937	7,223	133,160
Total minimum lease payments	9,988,505	735,434	10,723,939
Less amount representing interest	(944,655)	(68,534)	(1,013,189)
Present value of future minimum lease payments	$ 9,043,850	$ 666,900	$ 9,710,750

Transportation Center Lease Income

The Redevelopment Authority, through the Transportation Center Fund, leases space to a commercial rail company and other tenants with lease ending dates varying through 2013. These leases are noncancellable operating leases. Minimum rentals on noncancellable leases through 2013 are as follows:

Lease year ending December 31,	
2009	$ 656,337
2010	580,833
2011	502,377
2012	483,517
2013	484,552
Total minimum lease payments	$ 2,707,616

Operating Lease

The Redevelopment Authority leases space from a commercial rail company through 2013. The minimum lease payments for the term of the lease are as follows:

Lease year ending December 31,		
2009	$	134,838
2010		134,838
2011		134,838
2012		134,838
2013		134,838
Total minimum lease payments	$	674,190

The lease is adjusted annually on January 1 for the National Consumer Price Index. The above amounts do not reflect the annual CPI increase. Management does not anticipate a significant increase in the above amounts. Total rental expenses for the year ended December 31, 2008 approximated $134,838.

15. INTEREST RATE SWAPS

Component Units

The Harrisburg Authority

Variable Rate Issues and Interest Rate Swaps

In connection with its incurrence of long-term indebtedness, The Harrisburg Authority, from time to time, has issued several series of variable rate bonds and notes and entered into related interest rate swap and cap agreements with respect to certain of these variable rate issues. A description of the variable rate issues and, where applicable, the related interest rate swap or swaps, and cap follows.

2003 Water Revenue Bonds, Series A

Objective of the interest rate swaps. In October 1999, The Harrisburg Authority entered into a contract with Societe Generale, New York Branch (Societe Generale), obligating The Harrisburg Authority to issue on June 11, 2003, its fixed rate, Water Revenue Refunding Bonds, Series A of 2003 in the principal amount of $49,725,000 (2003 Series A Fixed Rate Bonds). Proceeds of the 2003 Series A Fixed Rate Bonds were to be applied to redeem in July 2003 The Harrisburg Authority's 1993 Water Revenue Bonds, Series B, then outstanding. To reduce the amount of debt service to be paid on the 2003 Series A Fixed Rate Bonds, The Harrisburg Authority by agreement reached with Societe Generale on April 12, 2002, terminated its obligation to issue the 2003 Series A Fixed Rate Bonds and agreed to pay Societe Generale a termination payment of $6,175,000. To fund the termination payment and the current refunding of the 1993 Water Revenue Bonds, Series B, The Harrisburg Authority on April 12, 2002 entered into a forward bond purchase agreement to issue its Variable Rate Water Revenue Refunding Bonds, Series A of 2003 (2003 Water Revenue Bonds, Series A) on or about July 10, 2003.

On April 12, 2002, The Harrisburg Authority, in order to lock in fixed borrowing costs for its 2003 Water Revenue Bonds, Series A, also entered into a forward interest swap agreement with Societe Generale; on that date, Societe Generale paid The Harrisburg Authority an upfront payment of $1,415,000. Under the swap agreement, Societe Generale agreed to pay to The Harrisburg Authority (i) amounts calculated at a floating rate per annum based on 67 percent of one-month LIBOR, on a notional amount equal to a specified portion of the scheduled principal amount of the 2003 Water Revenue Bonds, Series A, and (ii) amounts calculated at a floating rate per annum determined under the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) on a notional amount equal to another specified portion of the scheduled principal amount of the 2003 Water Revenue Bonds, Series A. The Harrisburg Authority is obligated to pay Societe Generale amounts calculated at respective agreed-upon fixed rates based upon the separate notional amounts described above, and which fixed rates were determined in April 2002 and were calculated to take into account the upfront payment of $1,415,000 paid by Societe Generale to The Harrisburg Authority. The forward interest rate swap agreement was scheduled to become effective on or about July 10, 2003, the anticipated issue date of the 2003 Water Revenue Bonds, Series A. The purpose of entering into the forward interest rate swap was to hedge against the risk of interest rate changes with respect to the 2003 Water Revenue Bonds, Series A, and to fix its effective borrowing costs with respect to the 2003 Water Revenue Bonds, Series A hedged by the forward interest rate swap agreement. The forward interest rate swap agreement became effective on July 11, 2003, the date on which The Harrisburg Authority issued the 2003 Water Revenue Bonds, Series A, in the principal amount of $56,535,000.

Terms. As described above, the interest rate swap agreement which The Harrisburg Authority entered into with respect to its 2003 Water Revenue Bonds, Series A consisted of two separate components, a LIBOR-based swap with $25,275,000 of outstanding principal amount of 2003 Water Revenue Bonds, Series A as the notional amount (LIBOR Swap) and a SIFMA-based swap with $25,605,000 of outstanding principal amount of 2003 Water Revenue Bonds, Series A as the notional amount (SIFMA Swap). Under the LIBOR Swap, The Harrisburg Authority paid Societe Generale interest on the corresponding notional amount at a fixed rate of 4.710% per annum, and received from Societe Generale interest on such notional amount at a floating rate equal to 67% of one-month LIBOR. Under the SIFMA Swap, The Harrisburg Authority paid Societe Generale interest on the corresponding notional amount at a fixed rate of 5.105% per annum, and received in return interest at a floating rate equal to the SIFMA Index. Under the LIBOR Swap and the SIFMA Swap, The Harrisburg Authority had effectively hedged $50,880,000 principal amount of its 2003 Water Revenue Bonds, Series A, while $5,655,000 principal amount of such Bonds remains unhedged. The fixed rates payable by The Harrisburg Authority under the LIBOR Swap and the SIFMA Swap were determined in April 2002 when The Harrisburg Authority entered into the forward interest rate swap agreement with Societe Generale and take into account Societe Generale's upfront payment of $1,415,000 paid to The Harrisburg Authority in April 2002. The notional amount of each of the LIBOR Swap and the SIFMA Swap decreased as the outstanding principal amount of the corresponding 2003 Water Revenue Bonds, Series A decreases through mandatory sinking fund redemption.

Termination Event. Both the LIBOR Swap and the SIFMA Swap were terminated with the issuance of The Harrisburg Authority's Water Revenue Refunding Bonds, Series of 2008 (2008 Water Revenue Bonds), issued on August 22, 2008. A portion of the 2008 Water Revenue Bonds were used to pay a $9,742,000 termination fee.

Objective of the interest rate swaps. In August 2006, The Harrisburg Authority entered into two Constant Maturity Swaps with Deutsche Bank AG, New York Branch (Deutsche Bank) to enhance the 2003A interest rate swap agreements with the objective to increase the expected cash flows and

effectively lower the over all cost of borrowing of the 2003 Water Revenue Bonds, Series A by converting the tenor of the interest rate on the Societe Generale payment leg of each of the underlying swaps from receiving a short-term rate to a long-term rate. The Constant Maturity Swaps became effective on July 15, 2007 and have been transferred to the 2008 Water Revenue Bonds.

Terms. The Constant Maturity Swaps, which The Harrisburg Authority entered into with respect to its 2008 Water Revenue Bonds, consist of two separate components, a LIBOR-based Constant Maturity Swap with $25,275,000 of outstanding principal amount of 2008 Water Revenue Bonds as the notional amount (LIBOR CMS) and a SIFMA-based Constant Maturity Swap with $25,020,000 of outstanding principal amount of 2008 Water Revenue Bonds as the notional amount (SIFMA CMS). Under the LIBOR CMS, The Harrisburg Authority receives interest on the corresponding notional amount at a floating rate of 60.15% of the ten-year USD-ISDA-Swap Rate (ten-year LIBOR swap rate) and pays Deutsche Bank a floating rate based on 67% of one-month LIBOR. Under the SIFMA CMS, The Harrisburg Authority receives interest on the corresponding notional amount at a floating rate of 85.44% of USSMQ10 (ten-year SIFMA swap rate) and pays Deutsche Bank a floating rate based on the SIMFA Index. The notional amount of each of the LIBOR CMS and SIFMA CMS decreases as the outstanding principal amount of the corresponding 2008 Water Revenue Bonds decreases through mandatory sinking fund redemption. Effective November 17, 2008, both the LIBOR CMS and SIFMA CMS were suspended until January 15, 2011. For executing these suspensions, The Harrisburg Authority received a total of $1.25 million from Deutsche Bank.

Fair value. As of December 31, 2008, it would cost The Harrisburg Authority $163,447 to terminate the LIBOR CMS and it would cost the Counterparty $54,042 to terminate the SIFMA CMS with Deutsche Bank. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Where applicable, future payments are adjusted taking into account volatilities, time, and other variables.

Credit risk. As of December 31, 2008, The Harrisburg Authority was not exposed to credit risk, with respect to the LIBOR CMS, because the swap had a negative fair value. However, should interest rates change and the fair value of the LIBOR CMS become positive, The Harrisburg Authority would be exposed to credit risk in the amount of the respective LIBOR CMS agreement's fair value. As of December 31, 2008, The Harrisburg Authority was exposed to credit risk in the amount of the SIFMA CMS agreement's fair value. Deutsche Bank was rated A+ by Standard & Poor's and Aa1 by Moody's Investors Service as of December 31, 2008. To mitigate the potential for credit risk, if Deutsche Bank's credit rating falls below A/A2, the parties agree to negotiate in good faith a credit support annex to the Constant Maturity Swap Agreement, which would require Deutsche Bank to collateralize its obligations with a combination of cash, Treasury Securities, and Agency Notes.

Termination risk. The Harrisburg Authority or Deutsche Bank may terminate the Constant Maturity Swap Agreement if the other party defaults under the terms of the agreement. If at the time of termination, the Constant Maturity Swaps have negative fair values, The Harrisburg Authority would be liable to Deutsche Bank for a payment equal to the swap's fair value.

Yield Curve Risk. The Constant Maturity Swaps expose The Harrisburg Authority to yield curve risk should the following occur: (i) 67% of one-month LIBOR minus 60.15% of the ten-year USD-ISDA-Swap rate become positive and/or (ii) the SIFMA Index minus 85.44% of the ten-year SIFMA Swap Rate (USSMQ10) become positive. The negative effects of the yield curve risk are caused by an inversion of the associated yield curve resulting in The Harrisburg Authority paying a higher overall cost of borrowing.

Swap payments and associated debt. Effective November 19, 2008, both the LIBOR CMS and SIFMA CMS were suspended until January 15, 2011, for a payment to The Harrisburg Authority in the amount of $1,250,000.

Subsequent Event. As of November 20, 2009, it would cost the Counterparty $996,751 and $750,769 to terminate the LIBOR CMS and SIFMA CMS with The Harrisburg Authority, respectively.

Deutsche Bank was rated A+ by Standard & Poor's and Aa1 by Moody's Investor Service as of November 20, 2009.

Series of 2004, Water Revenue Refunding Bonds

Objective of the interest rate swaps. In August 2004, The Harrisburg Authority issued Series of 2004, Water Revenue Refunding Bonds, in the principal amount of $37,455,000 (2004 Water Revenue Bonds). The Series of 2004 Bonds bear interest at a fixed rates ranging from 1.5% to 5%. In an effort to lower The Harrisburg Authority's net interest cost on the 2004 Water Revenue Bonds, The Harrisburg Authority entered into the 2005 Basis Swap, on the then outstanding bonds, in the notional amount of $37,360,000.

In August 2006, The Harrisburg Authority amended the 2005 Basis Swap with Bank of America (formerly Merrill Lynch) with the objective to enhance the 2005 Basis Swap by increasing the expected cash flows on the Basis Swap and effectively lowering the overall cost of borrowing of the 2004 Water Revenue Refunding Bonds. The amendment coverts the tenor of the interest rate on Bank of America's payment leg of the Basis Swap from a short-term rate to a long-term rate.

Terms. Under the 2005 Basis Swap, The Harrisburg Authority periodically pays an amount to Bank of America equal to interest on an amount corresponding to the then outstanding aggregate principal amount of the 2004 Water Revenue Bonds computed on the basis of the then applicable SIFMA Municipal Swap Index (SIFMA Index) and Bank of America periodically pays an amount to The Harrisburg Authority equal to interest on the Notional Amount computed on the basis of 50 basis points plus 67% of the monthly LIBOR Index. The notional amount of the 2005 Basis Swap decreases as the outstanding principal amount of the corresponding 2004 Water Revenue Bonds decreases through maturing principal.

The 2006 amendment coverts The Harrisburg Authority's receipt rate from 67% of one-month LIBOR plus a spread of 50 basis points to 69% of the five-year USD-ISDA-Swap Rate (five-year LIBOR Swap Rate). The amendment became effective on July 15, 2007.

Fair value. As of December 31, 2008, it would cost The Harrisburg Authority $1,553,847 to terminate the 2005 Basis Swap, as amended, with Bank of America. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments

required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

Credit risk. As of December 31, 2008, The Harrisburg Authority was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, The Harrisburg Authority would be xposed to credit risk in the amount of the swap agreement's fair value. Bank of America was rated A by Standard & Poor's and A2 by Moody's Investors Service as of December 31, 2008. To mitigate the potential for credit risk, if Bank of America's credit rating falls below A2/A, the parties agree to negotiate in good faith a credit support annex to the swap agreement, which would require Bank of America to collateralize its obligations with a combination of cash, Treasury Securities, and Agency Notes.

Basis risk. The amended 2005 Basis Swap exposes The Harrisburg Authority to basis risk because The Harrisburg Authority is receiving payments based on 69% of the five-year LIBOR Swap Rate from July 15, 2007 to the Termination Date of July 15, 2023 while making payments to Bank of America based on the SIFMA index. The Harrisburg Authority is receiving payments based on a taxable rate which may be different from the amount The Harrisburg Authority pays to Bank of America, which is based on the SIFMA Index, a tax-exempt rate. As of December 31, 2008, the interest rate The Harrisburg Authority was paying under the 2005 Basis Swap was .9 percent, where as the interest The Harrisburg Authority was receiving at 69% of the five-year LIBOR Swap Rate was 1.48 percent.

Termination risk. The Harrisburg Authority or Bank of America may terminate the swap agreement if the other party defaults under the swap agreement. The swap may be terminated by The Harrisburg Authority if Bank of America's credit quality rating falls below "A-" as reported by Standard & Poor's or "A3" as reported by Moody's Investors Service. If at the time of termination the swap has negative fair value, The Harrisburg Authority would be liable to Bank of America for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of December 31, 2008, debt service requirements of the 2004 Water Revenue Bonds and net swap payments, assuming current interest rates and floating rates under the swap agreement remain the same for their term, were as follows. As these rates vary, net payments under the 2005 Basis Swap agreement on the 2004 Water Revenue Bonds will vary.

Fiscal Year Ending December 31,	2004 Water Revenue Bonds		Swap Agreement Payments, Net	Total
	Principal	Interest		
2009	$ 125,000	$ 1,833,498	$ (214,861)	$ 1,743,637
2010	125,000	1,829,748	(214,136)	1,740,612
2011	125,000	1,825,060	(213,411)	1,736,649
2012	135,000	1,820,872	(212,686)	1,743,186
2013	140,000	1,816,080	(211,903)	1,744,177
2014-2018	6,170,000	8,984,500	(1,045,131)	14,109,369
2019-2023	30,225,000	4,408,750	(511,415)	34,122,335
	$ 37,045,000	$ 22,518,508	$ (2,623,543)	$ 56,939,965

Subsequent Event. As of November 20, 2009, it would cost the Counterparty $1,255,967 to terminate the 2005 Basis Swap, as amended, with Bank of America.

Bank of America was rated A by Standard & Poor's and A2 by Moody's Investor Service as of November 20, 2009.

2003 Guaranteed Resource Recovery Revenue Bonds, Series D1 and D2

Objective of the interest rate swaps. The Harrisburg Authority's asset/liability strategy is to have a combination of fixed and variable-rate debt. On December 30, 2003, The Harrisburg Authority issued its $96,480,000 Guaranteed Resource Recovery Facility Revenue Bonds, Series D of 2003 (2003 Resource Recovery Bonds, Series D) consisting of $31,480,000 Subseries D-1 (2003 D-1 Bonds) and $65,000,000 Subseries D-2 (2003 D-2 Bonds). The 2003 D-1 Bonds initially bear interest at a fixed rate of 4.00% to December 1, 2008, and the 2003 D-2 Bonds at a 5.00% fixed rate to December 1, 2013. After the expiration of these respective initial rate periods, the 2003 D-1 and D-2 Bonds are subject to conversion to different interest rates for different interest rate periods. To convert the interest rate on the 2003 D-1 and 2003 D-2 Bonds to a synthetic variable rate, The Harrisburg Authority entered into fixed-to-floating interest rate swaps, thereby achieving a variable rate while eliminating the need for a liquidity facility and annual remarketing services, and avoiding basis risk associated with the weekly remarketing of its variable rate debt, had it issued the 2003 D-1 Bonds and 2003 D-2 Bonds as weekly floating rate bonds.

Terms. With respect to its 2003 Resource Recovery Bonds, Series D, The Harrisburg Authority entered into an interest rate swap agreement with Royal Bank of Canada (RBC), which swap agreement consists of two components: (i) a swap with the outstanding principal amount of the 2003 D-1 Bonds to December 1, 2008 as the notional amount (D-1 Swap) and (ii) a swap with the outstanding principal amount of the 2003 D-2 Bonds to December 1, 2013 as the notional amount (D-2 Swap). Under the D-1 Swap, which terminated on December 1, 2008, The Harrisburg Authority pays RBC floating amounts calculated by applying a floating rate per annum determined by reference to the SIFMA Index, and The Harrisburg Authority receives fixed amounts calculated by applying a fixed rate of 2.66% per annum on the notional amount under the D-1 Swap. Under the D-2 Swap, scheduled to terminate on December 1, 2013, The Harrisburg Authority pays interest on the notional amount under the D-2 Swap at a floating rate determined by reference to the SIFMA Index, and receives interest on such notional amount at a rate of 3.37% per annum.

The D-1 Swap contains an embedded interest rate cap, providing that the floating rate to be paid by The Harrisburg Authority shall not exceed 12% to June 1, 2006, and shall not exceed 6% from June 1, 2006 to the D-1 Swap termination date of December 1, 2008. The D-2 Swap contains a similar embedded cap, capping at 12% the floating rate to be paid by The Harrisburg Authority to June 1, 2006, and providing a 6% cap from June 1, 2006 to December 1, 2013, the termination date of the D-2 Swap. The Harrisburg Authority also entered into an interest rate cap agreement (D-1/D-2 Cap) with RBC, which was to become effective on December 1, 2008. The D-1/D-2 Cap provided that RBC would pay the excess, if any, between the SIFMA Index and 6% on a notional amount equal to the scheduled principal amount of the D-1 Bonds and the D-2 Bonds outstanding after December 1, 2008 and December 1, 2013, respectively. In May 2004, The Harrisburg Authority and RBC amended the D-1/D-2 Cap to provide for RBC to pay the excess between 68% of LIBOR and 6%, rather than the excess between SIFMA and 6%. The Harrisburg Authority received $1,106,000 as a result of this amendment.

On August 31, 2005, The Harrisburg Authority elected to supplement the D-1 and D-2 Swaps in order to effectively fix the interest rate on its obligations through the final maturity date of the 2003D Bonds scheduled to be outstanding from time to time (initially $96,480,000). The new agreement (2005 Swap), which The Harrisburg Authority entered into with RBC, with a notional amount equal to the principal amount of the 2003D Bonds, $96,480,000, consists of a variable to fixed interest rate swap. The 2005 Swap provides, effective June 1, 2006 and continuing until December 1, 2033, The Harrisburg Authority pay a fixed rate not exceeding 3.35% and (i) receive from June 1, 2006 to May 31, 2008 the same SIFMA-based variable rate and (ii) receive from June 1, 2008 to December 1, 2033 a LIBOR-based variable rate equal to 68% of one month LIBOR.

On April 28, 2006, The Harrisburg Authority terminated the portion of the 2005 Swap from June 1, 2011 through December 21, 2033. Under the revised agreement, effective June 1, 2006, The Harrisburg Authority pays a fixed rate not exceeding 3.35% through June 1, 2011 and (i) receives SIFMA-based variable rate through June 1, 2008 and (ii) receives 68% of one-month LIBOR from June 1, 2008 to June 1, 2011. As a result of the partial termination, The Harrisburg Authority received $4,027,000.

On December 1, 2008, The Harrisburg Authority remarketed and converted $31,280,000 Guaranteed Resource Recovery Facility Revenue Bonds, Subseries D-1 of 2003, to a long-term rate period of December 1, 2008 to December 1, 2010 with a coupon rate of 6.75% with a yield rate of 5.5% and a price of 102.337%.

Fair value. As of December 31, 2008, it would cost the Counterparty $4,558,958 to terminate the D-2 Swap and the embedded D-2 Cap. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

As of December 31, 2008, it would cost The Harrisburg Authority $6,403,158 to terminate the D-1/D-2 Cap. The Harrisburg Authority is obligated to make semi-annual payments of $284,616 beginning December 1, 2006 to and including December 1, 2033 for a total obligation of $11,707,282 as payment for the D-1/D-2 Cap.

As of December 31, 2008, it would cost The Harrisburg Authority $5,624,156 to terminate the 2005 Swap.

Credit risk. As of December 31, 2008, The Harrisburg Authority was not exposed to credit risk on the D-1/D-2 Cap, or the 2005 Swap, because they had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, The Harrisburg Authority would be exposed to credit risk in the amount of the swap agreement's fair value. The Harrisburg Authority is exposed to credit risk on the D-2 Swap and the embedded D-2 Cap in the amount of the swap agreement's fair value. As of December 31, 2008, RBC was rated Aaa by Moody's Investors Service and AA- by Standard & Poor's. To mitigate credit risk, if RBC's rating falls below A3 by Moody's Investors Service or A- by Standard & Poor's, the D-2 Swap and the 2005 Swap will terminate.

Interest rate risk. The Harrisburg Authority has interest rate risk after June 1, 2011 because the 2005 Swap has been terminated from that date to the final maturity of the 2003 Resource Recovery Bonds,

Series D. The Harrisburg Authority has no interest rate risk with regard to the 2003 Resource Recovery Bonds, Series D prior to June 1, 2011.

Termination risk. The Harrisburg Authority or RBC may terminate the D-2 Swap if the other party defaults under the D-2 Swap. In addition, The Harrisburg Authority may terminate the D-2 Swaps agreement without cause at any time on 20 days notice, at fair market value. If at the time of termination the D-2 Swap has a negative fair value, The Harrisburg Authority would be liable to RBC for that payment.

Swap payments and associated debt. Using interest rates as of December 31, 2008, principal and interest requirements of the 2003 D-1 Bonds and 2003 D-2 Bonds fixed-rate debt and net swap payments through the swap termination dates were as follows. As rates set forth in the D-1 and D-2 Swaps agreement vary, net swap payments will vary.

Basis risk. The Harrisburg Authority is subject to basis risk, because the interest on the variable rate arm of the 2005 Swap is based on one month LIBOR and the variable rate interest rate on the D-2 Swap is based on SIFMA. Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect The Harrisburg Authority's calculated payment, and as a result, cost savings or synthetic interest rates may not be realized.

Fiscal Year Ending	D-1 Bonds		2005	
December 31,	Principal	Interest	Swap *	Total
2009	$ -	$ 2,124,900	$ 961,210	$ 3,086,110
2010	-	2,124,900	961,210	3,086,110
2011	-	1,023,100	480,605	1,503,705
	$ -	$ 5,272,900	$ 2,403,025	$ 7,675,925

*Computed: (3.35%-.2967%) x $31,480,000 through June 1, 2011

Fiscal Year Ending	D-2 Bonds			2005	
December 31,	Principal	Interest	D-2 Swap *	Swap **	Total
2009	$ -	$ 3,250,000	$ (1,605,500)	$ 1,984,710	$ 3,629,210
2010	-	3,250,000	(1,605,500)	1,984,710	3,629,210
2011	-	3,250,000	(1,605,500)	992,355	2,636,855
2012	-	3,250,000	(1,605,500)	-	1,644,500
2013	-	3,250,000	(1,605,500)	-	1,644,500
	$ -	$ 16,250,000	$ (8,027,500)	$ 4,961,775	$ 13,184,275

*Computed: (.9%-3.37%) x $65,000,000

**Computed: (3.35%-.2967%) x $65,000,000 through June 1, 2011

Subsequent Event.– As of November 20, 2009, it would cost the Counterparty $5,438,379 to terminate the D-2 Swap and the embedded D-2 Cap. As of November 20, 2009, it would cost The Harrisburg Authority $4,719,654 to terminate the D-1/D-2 Cap. As of November 20, 2009, it would cost The Harrisburg Authority $5,669,373 to terminate the 2005 Swap.

RBC was rated AA- by Standard & Poor's and Aaa by Moody's Investor Service as of November 20, 2009.

2003 Guaranteed Resource Recovery Revenue Notes, Series B

These Notes bear interest at a fixed rate of 3.70 percent through June 15, 2010. Thereafter, it is expected that the Notes will bear interest at a tax-exempt weekly rate equal to the SIFMA index plus 75 basis points on each date of determination. The debt service schedule on the previous pages uses a rate of 4.1 percent for debt service requirements subsequent to June 15, 2010.

2002 Water Revenue Bonds, Series B

These Bonds bear interest at a tax-exempt weekly rate, 4.5 percent at December 31, 2008.

2002 Water Revenue Bonds, Series C

These Bonds bear interest at a taxable weekly rate, 6 percent at December 31, 2008.

1998 Guaranteed Sewer Revenue Notes, Series A

These Notes bear interest at a variable rate, 2.4375 percent at December 31, 2008.

16. PENSION PLAN

Plan Description

The City has four defined benefit pension plans. Two of the plans, Non-uniformed Employees' Plans A and B, are controlled by provisions of Ordinance-Bill No. 49-1984, adopted pursuant to Act 15. On January 2, 2002, the assets of Plans A and B were combined, but the requirements for eligibility and benefits remain separate. The Combined Firefighters' Plan is controlled by provisions of Ordinance-Bill No. 44-2002. For these plans, the City contributes to the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer Public Employees Retirement System (PERS). The remaining plan, the Combined Police Pension Plan, was established January 1, 1999 under Ordinance-Bill No. 44-1998. This ordinance withdrew the Police Officers' Plan A and Police Officers' Plan B from PMRS, and established an amended and restated pension plan for police officers of the City. The combined Police Pension Plan is a single-employer pension plan and is controlled by a separate independent board of trustees.

The plans have been established to cover substantially all full-time employees. Employees become eligible for participation in a plan immediately upon employment and become fully vested after 20 years of service for City A plans, 10 years for City B and Combined Firefighters' Plans and 20 years for the Combined Police Pension Plan. The plans have been established by City ordinance in accordance with the authority for municipal contributions required by Act 205-1984 (Act 205) of the Pennsylvania legislature, as amended by Act 189-1990. The plans require covered employees to contribute a percentage of total compensation.

PMRS issues publicly available financial reports that include financial statements and required supplementary information. The PMRS report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

In addition, the City of Harrisburg Police Pension Board issues a separate publicly available financial report that includes financial statements and required supplementary information for the Combined Police Pension Fund. That report may be obtained by writing to the City of Harrisburg Police Pension Board, The Reverend Dr. Martin Luther King, Jr. City Government Center, 10 North Second Street, Harrisburg PA 17101 or by calling 717-255-6507.

The benefits provided by the plans differ by employment group and are based upon average compensation and length of service. Normal benefits are calculated at 2.5% per year of credited service multiplied by the final average annual salary for the Non-uniformed Employees' A and Combined Firefighters' plan. In no case may the benefit exceed 50% of the final average annual salary. The benefits provided by the Non-uniformed Employees' B plan are calculated at 2.0% per year of credited service multiplied by the final average annual salary. In no case may the benefit exceed 75% of the final average annual salary. For members who complete 20 or more years of service, the benefits provided by the Combined Police plan are calculated at 50% of the participant's average monthly compensation, plus an incremental pension equal to 2.5% of the average monthly compensation for each complete year of service over 20 years, up to a maximum of 65% of average compensation. Additionally, members who have attained 27 or more years of service shall receive 70% of average compensation.

The plans provide retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plans.

In addition, Non-uniformed Employees' Plan A is closed to new entrants.

Funding Policy

Act 205 requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's bi-annual actuarial valuation.

Contributions by the City are determined under the entry age normal method. Unfunded past service liability is amortized over the average future service of active participants.

Employee contributions to the plan are based on a percentage of compensation. Non-uniformed employees are required to contribute 4.0-6.0% and 5.0% of annual compensation for plans A and B, respectively. Fire employees contribute 5% of annual compensation, while police employees contribute 5% of annual compensation plus $1 per month. An interest rate of 6.0% is applied to the non-uniformed and fire employees accounts. Employees' accumulated contributions plus interest (if applicable) will be returned upon termination or death if no other benefits are payable under the plan. The plans are also eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

The Commonwealth of Pennsylvania allocates foreign fire and casualty insurance premium collections to aid individual municipalities. The monies received must be contributed to the pension plans or used to pay debt service on unfunded pension liability bonds. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the annually required contribution. State aid received in excess of the City's statutory funding requirement was not deposited to the pension plans but was utilized to fund debt service on the City's

unfunded pension liability general obligation bonds issued in 1995 in accordance with Act 205 as amended.

The City had been participating in Level III of the State Act 205 Pension Plan Recovery Program, utilizing the 15-year delayed implementation of funding standard provision and amortizing the unfunded actuarial accrual liabilities under its pension plans established at January 1, 1985, over 40 years on the basis of level percentage of future payroll amortization. Prior to 1996, the allocation of general municipal pension system state aid the City received under Act 205 was based upon the City's costs of its pension plans, since this amount was less than the amount determined under the unit value calculation.

In an effort to increase the amount of general municipal pension system state aid received by the City for its pension plans, the City passed a resolution in December 1995, to rescind its prior election to amortize the unfunded actuarial accrued liabilities of its plans established at January 1, 1985, over 40 years using level percentage of payroll amortization, and began amortizing these amounts over 30 years using level dollar amortization. The January 1, 1996 actuarial valuation of the pension plan was prepared on the basis of 30-year level dollar amortization. The 1996 State aid received by the City was based upon the January 1, 1995 actuarial valuation reports, which reflected 40-year level percentage of payroll amortization. The 1997 State aid received by the City was based upon the January 1, 1996 actuarial valuation reports using 30-year level dollar amortization.

Also, the City contributed $60,626 in 1995 in addition to its statutory funding requirement, or MMO payments, in order to satisfy the full MMO for each plan in 1995 without regard to the 15-year phase-in provision. This allowed the City to determine the MMOs for its plans for 1996 without utilizing the delayed implementation of funding standard provision that required that the City make a contribution in 1996 to each plan, which was at least equal to the contribution made by the City to each plan during 1995. This reduced the total MMO for each of the City's "A" plans beginning in 1996.

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan and funded through investment earnings. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

Actuarial Assumptions

The information presented was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

	Non-Uniformed Employees'		Firefighters'	Police Officers'
	Plan A	Plan B	Combined	Combined
Actuarial valuation date	1/1/07	1/1/07	1/1/07	1/1/07
Actuarial cost method	Entry age Normal	Entry age normal	Entry age normal	Entry age Normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	14 years	14 years	11 years	13 years
Asset valuation method	Fair value	Fair value	Fair value	Fair value
Actuarial assumptions				
Investment rate of return	6.0% net of expenses	6.0% net of expenses	6.0% net of expenses	8.0% net of expenses
Projected salary increases	4.5%	4.5%	4.5%	5.0%

Annual Required Contribution and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Plans at December 31, 2008 are as follows:

	Non-Uniformed Employees'		Firefighters'	Police Officers'
	Plan A	Plan B	Combined	Combined
Annual required contribution	$ -	$ -	$ -	$ 285,274
Contributions made	-	-	-	285,274
Change in net pension obligation	-	-	-	-
Net pension obligation – beginning of year	-	-	-	-
Net pension obligation – end of year	$ -	$ -	$ -	$ -

Three Year Trend Information

Non-Uniformed Employees' – Plan A	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2006	$ -	- %	$ -
December 31, 2007	-	-	-
December 31, 2008	-	-	-

Non-Uniformed Employees' – Plan B	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2006	$ -	- %	$ -
December 31, 2007	-	-	-
December 31, 2008	-	-	-

Firefighters' Combined	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2006	$ -	- %	$ -
December 31, 2007	-	-	-
December 31, 2008	-	-	-

Police Officers' – Combined	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2006	$ 512,593	100 %	$ -
December 31, 2007	523,803	100	-
December 31, 2008	285,274	100	-

The annual required contribution for the current year was determined as part of the January 1, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions for the Non-Uniformed Employees' Plan and Combined Firefighters' Plan include (a) a 6.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.50% per year. The actuarial assumptions for the combined Police Pension Fund include (a) an 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. The assumptions do not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value is determined using market values determined by the trustee.

Certain pension information and calculations are based upon actuarial valuations performed as of January 1, 2007. The next actuarial valuation will be performed as of January 1, 2009 and will take into account subsequent declines in market value of investments being held in the pension plans. While the exact impact is not known, it is expected that the market declines will negatively impact the funding status of the pension plans and increase the future funding requirements of the pension plans.

17. OTHER POST-EMPLOYMENT BENEFITS

The City adopted GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension,"* prospectively for the year ended December 31, 2008.

Plan Descriptions

In addition to the pension benefits described in Note 16, the City provides certain post-employment healthcare benefits to its retirees through one single-employer, defined benefit other post-employment

benefit (OPEB) plan. However, within this one plan, there are four groups of employees with different types of benefits. A separate financial statement is not issued for the plan.

Police

Section 9 of the Basic Labor Agreement between the City of Harrisburg and the Fraternal Order of Police, Capital City Lodge No. 12, effective January 1, 2004, establishes retiree's eligibility for post-retirement life insurance and medical benefits.

Retired prior to December 31, 1991:

Benefits: The health care coverage currently includes medical, prescription drugs, dental and vision. The City would pay the cost of coverage for the retiree, including spouse and dependents, from retirement until the retiree's Medicare eligibility. If retiree dies, coverage for spouse and dependents continues until the spouse reaches Medicare eligibility. Currently, two retirees have been "grandfathered" and the City continues to pay for coverage after Medicare age. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retire after January 1, 1992:

Eligibility: Any officer that is eligible for the Police Pension Plan benefits

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision and life insurance. The City would pay the full premium for paid-up life insurance in the amount of $5,000 for the retiree only. The City would pay the cost of coverage medical, prescription drug, dental, and vision for the retiree, including spouse and dependents. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Firefighters

Article 14, Section 2a and 2b and Article 15 of the Collective Bargaining Agreement between Local Union No. 428 of the International Association of Firefighters (AFL-CIO), effective January 1, 2006, establishes retiree's eligible for post-retirement medical and life insurance benefits, respectively.

Retired prior to December 31, 1986:

Benefits: The health care coverage currently includes medical, prescription drugs, dental and vision. The retiree would pay the cost of coverage for the retiree and his or her spouse. If the retiree dies, the spouse may continue coverage. In such case, the spouse would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retired between January 1, 1987 and December 31, 1992:

Benefits: The health care coverage currently includes medical, prescription drugs, dental and vision. The City would pay the cost of coverage for the retiree. The retiree must pay for any additional coverage for his or her spouse and dependents. . If the retiree dies, the spouse may

continue coverage, in which case the spouse would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retire after January 1, 1993:

Eligibility: Any firefighter that is eligible for the Fire Pension Plan A or Plan B benefits

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision and life insurance. The City would pay the full premium for paid-up life insurance in the amount of $5,000 for the retiree only. The City would pay the cost of coverage medical, prescription drug, dental, and vision for the retiree, including spouse through Medicare eligibility. Once Medicare eligible, the City will reimburse the retiree for the Medicare Part B premium. If the retiree dies, the City continues full coverage for the spouse and eligible dependents. If the firefighter dies in the line of duty, the City continues full coverage for the spouse and eligible dependents. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Non-uniformed management employees:

An inter-office memo, distributed by the Mayor to City management employees, establishes retirees' eligibility for post-employment medical benefits.

Retire prior to August 4, 2002:

Benefits: The health care coverage currently includes medical, prescription drugs, dental and vision. The retiree would pay the full cost of coverage for the retiree and his or her spouse. If the retiree dies, the spouse may continue coverage. In such case the spouse and any eligible dependents would pay for the full cost of coverage. Currently, four retirees have been "grandfathered" and the City continues to pay the cost full coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retire after August 5, 2002 and hired prior to January 31, 2008:

Eligibility: Any non-uniform management employee who is eligible for the Non-uniform Pension Plan benefits.

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision, and life insurance. The City would pay the full premium for paid-up life insurance in the amount of $5,000 for the retiree only. The City would pay the cost of coverage for medical and prescription drug for the retiree and spouse. The retiree would pay for any additional coverage for eligible dependents. Retiree would pay for dental and vision coverage. If retiree dies, full coverage for spouse and eligible dependents continues. In such case, the City would pay the full medical and prescription drug premium for the spouse and the spouse would pay for coverage for any eligible dependents. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retire after August 5, 2002 and hired after February 1, 2008:

Eligibility: Any non-uniform management employee who is eligible for the Non-uniform Pension Plan benefits.

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision, and life insurance. The City would pay the full premium for paid-up life insurance in the amount of $5,000 for the retiree only. The City would pay the cost of coverage for medical coverage for the retiree. The retiree would pay for any additional coverage for spouse and any eligible dependents. Retiree would pay for prescription drug, dental, and vision coverage. If retiree dies, full coverage for spouse and eligible dependents continues. In such case, the spouse and eligible dependents would pay the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Non-uniformed union employees:

Articles X, XI and XII of the Collective Bargaining Agreement between the City and the Local 521 American Federation of State, County and Municipal Employees District Council 90, effective January 1, 2007, establish retirees' eligibility for post-retirement life insurance and medical benefits.

Retire prior to December 31, 1996:

Benefits: The health care coverage currently includes medical, prescription drugs, dental, and vision. The retiree would pay the cost of coverage for the retiree and his or her spouse and eligible dependents. If the retiree dies, the spouse may continue coverage. In such case, the spouse and any eligible dependents would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retire between January 1, 1997 and December 31, 2001:

Benefits: The health care coverage currently includes medical, prescription drugs, dental, and vision. The City would pay fifty percent of the premium for single coverage. The retiree would pay the remaining fifty percent of the premium for single coverage. For any coverage other than single coverage, the retiree would pay the difference. Retiree would pay full premiums for prescription drug, dental, and vision. If retiree dies, full coverage for spouse and eligible dependents continues. In such case, the spouse and eligible dependents would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retired between January 1, 2002 and May 30 2007, except between January 1, 2004 and April 30, 2004:

Benefits: The health care coverage currently includes medical, prescription drugs, dental, and vision. The City would pay sixty percent of the premium for single coverage. The retiree would pay the remaining forty percent of the premium for single coverage. For any coverage other than single coverage, the retiree would pay the difference. Retiree would pay full premiums for prescription drug, dental, and vision. If retiree dies, full coverage for spouse and

eligible dependents continues. In such case, the spouse and eligible dependents would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retired between January 1, 2004 and April 30, 2004:

Benefits: The health care coverage currently includes medical, prescription drugs, dental, and vision. The City would pay the cost of coverage for the retiree. Retiree would pay for additional premiums for coverage for his or her spouse and eligible dependents. The City would pay for seventy-five percent of the coverage for prescription drug for the retiree. Retiree would pay for the remaining twenty-five percent of the coverage for prescription drug and for any additional coverage for his or her spouse and any eligible dependents. Retiree must pay for full coverage for dental and vision coverage. If retiree dies, full coverage for spouse and eligible dependents continues. In such case, the spouse and eligible dependents would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Retire after June 1, 2007:

Eligibility: Non-uniform union employee must be eligible for the Non-Uniform Pension Plan benefits.

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision, and life insurance. The City would pay the full premium for paid-up life insurance in the amount of $5,000 for the retiree only. The City would pay the full cost single coverage or a percentage thereof based on the retiree's age and years of service. Otherwise, the retiree would pay the full cost of coverage. For any coverage other than single, the retiree would pay the difference in the premiums. Retirees would pay for prescription drug, dental, and vision coverage. If retiree dies, full coverage for spouse and eligible dependents continues. In such case, the spouse and eligible dependents would pay for the full cost of coverage. Eligibility is suspended if the retiree has available coverage from a subsequent employer or through the spouse's employer.

Funding Policy and Annual OPEB Costs

The City's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the City contributed $4,533,440 to the OPEB Plan.

The City has opted to not fully fund the OPEB contributions and will continue to fund the annual OPEB costs on a pay-as-you-go basis.

The City would pay the cost of coverage for the police, fire, non-uniform management and non-uniform union retirees (including dependents) based on the various criteria described above.

The City's annual OPEB costs are 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 to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimate are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Information as of the latest actuarial valuation follows:

Valuation date	1/1/2008
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions	
Interest rate	4.5%
Salary increases	5.0%
Amortization period	30 year open period
Healthcare cost trend rate	8.5%

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB costs and net OPEB obligations to the Plan for the year ended December 31, 2008 were as follows:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	$ 17,068,863	$ 767,747	$ 17,836,610
Contribution made	(4,371,165)	(162,275)	(4,533,440)
Change in Net OPEB Obligation	12,697,698	605,472	13,303,170
Net OPEB Obligation, beginning	-	-	-
Net OPEB Obligation, ending	$ 12,697,698	$ 605,472	$ 13,303,170

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2008	$ 17,836,610	25.42%	$ 13,303,170
2007	N/A	N/A	N/A
2006	N/A	N/A	N/A

N/A - Not Applicable; 2008 is implementation year for GASB Statement No. 45.

Funded Status and Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2008	$ -	$ 184,123,955	$ 184,123,955	0.00%	$ 29,200,000	630.56%

Note: Valuation as of 1/1/2008 represents the initial valuation for the Plan as required under GASB Statement No. 45.

18. SEGMENT INFORMATION

The Harrisburg Authority supports two separate segments. The Water Segment accounts for the provision of basic water service to customers of the Harrisburg Water System. The Resource Recovery Segment accounts for the activities at the Harrisburg Resource Recovery and Steam Generating Facility (Resource Recovery Facility), which converts waste into energy. Selected segment information as of and for the year ended December 31, 2008, is as follows:

CONDENSED STATEMENT OF NET ASSETS	Water Fund	Resource Recovery Fund
Assets		
Current assets		
Other current assets	$ 5,755,005	$ 3,400,438
Due from (to) other funds	236,105	(621,929)
Due from the City of Harrisburg	42,459	-
Total current assets	6,033,569	2,778,509
Restricted assets	35,037,620	29,659,195
Capital assets	68,513,184	114,365,273
Other noncurrent assets	5,309,991	10,135,212
Total assets	114,894,364	156,938,189
Liabilities		
Current liabilities		
Other current liabilities	3,354,769	820,892
Due to the City of Harrisburg	162,339	163,099
Total current liabilities	3,517,108	983,991
Liabilities payable from restricted assets	3,989,487	15,979,154
Noncurrent liabilities	139,305,279	260,433,087
Due to the City of Harrisburg	551,202	56,434
Total liabilities	147,363,076	277,452,666
Net assets		
Invested in capital assets, net of related debt	(36,560,086)	(117,814,726)
Restricted	2,126,115	3,580,909
Unrestricted	1,965,259	(6,280,660)
Total net assets	$ (32,468,712)	$ (120,514,477)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	Water Fund	Resource Recovery Fund
Operating revenues	$ 17,713,499	$ 22,198,705
Operating expenses		
Operating	9,121,374	20,492,707
Administration	300,000	212,175
Depreciation	2,160,812	4,348,425
Total operating expenses	11,582,186	25,053,307
Operating income (loss)	6,131,313	(2,854,602)
Nonoperating revenues (expenses)		
Investment income	965,645	777,242
Miscellaneous revenue (expense)	(674,025)	84,252
Interest expense	(9,798,083)	(14,301,588)
Amortization of bond issuance costs	(436,398)	(1,201,515)
Total nonoperating expenses	(9,942,861)	(14,641,609)
Change in net assets before extraordinary item	(3,811,548)	(17,496,211)
Extraordinary item	-	3,580,909
Change in net assets	(3,811,548)	(13,915,302)
Net assets - January 1, 2008	(28,657,164)	(106,599,175)
Net assets - December 31, 2008	$ (32,468,712)	$ (120,514,477)

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by operating activities	$ 9,007,354	$ 4,720,845
Net cash provided by (used in) investing activities	(3,200,823)	13,182,864
Net cash used in capital and related financing activities	(6,502,765)	(16,969,923)
Net increase (decrease) in cash and cash equivalents	(696,234)	933,786
Cash and cash equivalents, January 1, 2008	5,395,896	1,852,529
Cash and cash equivalents, December 31, 2008	$ 4,699,662	$ 2,786,315

19. EXTRAORDINARY ITEM

The Harrisburg Authority has pursued standard civil litigation against the original designer and contractor of the Resource Recovery Facility's retrofit project. On October 28, 2009, a settlement was entered into by all parties. Pursuant to the settlement, The Harrisburg Authority is to receive approximately $5.4 million in settlement payments, with $1.8 million due to the attorneys representing The Harrisburg Authority in this matter.

20. ACCUMULATED DEFICITS

Harrisburg Parking Authority

The Authority, a component unit, has an accumulated deficit of $9,885,716. The deficit resulted from losses on the extinguishment of debt in the amount of $2,549,981 and $992,836 in 1994 and 1993, respectively. This loss is essentially the cost of carrying old bonds during the escrow period, and is increased by cumulative net loss of $6,342,899.

The Harrisburg Authority

The rate covenant calculation required under applicable trust indentures pertaining to The Harrisburg Authority's Resource Recovery Facility financing has not been met for the year ended December 31, 2008. If the facility fails to generate sufficient revenues to pay debt service on the Resource Recovery Facility Revenue Bonds, Series A, D, E, and F of 2003, the Resource Recovery Facility Revenue Notes, Series B and C of 2003, the Resource Recovery Facility Subordinate Variable Rate Revenue Notes, Series A of 2002 or the Resource Recovery Facility Revenue Bonds, Series A of 1998, or ceases revenue generating operations, or if other monies set aside for such purposes are insufficient, the City will be required to pay principal and interest on such bonds and notes when due pursuant to respective Guaranty Agreements among the City, The Harrisburg Authority, and the respective trustees for the bonds and notes. The County of Dauphin (County) has provided a secondary guarantee of the Resource Recovery Facility Revenue Bonds, Series D and E of 2003, collectively, in the maximum aggregate principal amount not to exceed $113,000,000 by entering into a County Bond Guaranty Agreement with The Harrisburg Authority and the trustee for such bonds. The Resource Recovery segment has incurred substantial accumulated losses, which have caused the segment to experience cash flow difficulties.

The Water and Resource Recovery segments of The Harrisburg Authority have accumulated deficits at December 31, 2008 of $32,468,712 and $120,514,477, respectively. The deficits are primarily due to The Harrisburg Authority not charging enough to cover depreciation expense incurred since acquisition and not funding amortization of bond discounts, deferred bond issuance costs and deferred losses on refundings. Management anticipates that the deficits will be reduced in the Water segment through future profitability improvements.

The incinerator, operated as a component of the Resource Recovery Facility of The Harrisburg Authority, as required by the Environmental Protection Agency, was temporarily closed so that The Harrisburg Authority could undertake a modernization program. A significant financing was completed in December 2003 to fund the costs of the project. Additionally, the Resource Recovery Fund has experienced significant operating losses, has an accumulated deficit of $120,514,477 at December 31, 2008, and is in violation of certain covenants under the trust indentures. The Authority has issued

multiple notices of material events with respect to certain bonds of the Resource Recovery Facility. Many of the above items were due to delays and incompletion of the facility as originally anticipated.

In the fall of 2007, The Harrisburg Authority developed a recovery plan for the Resource Recovery Facility that requires completion of construction of the facilities to bring the three burners on line and up to operating efficiently. The Harrisburg Authority engaged Covanta Energy, Inc. (Covanta) to manage and operate the Facility and to provide professional services. Included in Covanta's Agreement with The Harrisburg Authority is a construction management agreement to oversee the completion of construction. The recovery plan also included increased disposal fees and tipping fees and infusion of capital for construction and working capital. The Harrisburg Authority's recovery plan was presented and approved by the City and County in November 2007.

The completion of the retrofit project and correction of design flaws caused by the original contractor are funded by a loan from Covanta to pay for such work. Payment of the debt service on the Covanta loan will be from revenue generated from the facility when all three burners are operating (although the Covanta loan is subordinate in payment to The Harrisburg Authority's prior debt relating to the Resource Recovery Facility) and from the City's guaranty to pay debt service in the event of insufficient revenues being generated from the facility to pay principal of and interest on the Covanta loan.

The Harrisburg Authority also obtained funding for a working capital loan to cover costs and debt service during the expected time period for completion of the retrofit project by the issuance of capital appreciation notes. Such notes for the working capital loan were issued in December of 2007 and will mature on December of 2010. Revenues from the Resource Recovery Facility were not pledged as security for the working capital loan. The working capital loan was guaranteed by the City and the County on the assumption that the working capital loan would be refinanced into long term debt prior to or, at the latest, by December 2010. At the time of closing on the working capital loan, it was anticipated that the City and the County would guarantee any long term debt issued to take out the working capital loan.

Due to delays in completing construction in that resulted in a revenue shortfall, the project has not met debt covenant coverage requirements. The covenant requirements will be closely monitored during the construction phase and following completion of construction.

In 1993, The Harrisburg Authority purchased the Resource Recovery Facility from the City. In consideration, The Harrisburg Authority paid the City approximately $30 million. The Agreement of Sale allows for a maximum purchase price of $55 million, with the final purchase price to be based on the financial capability of the Resource Recovery Facility. The balance of the purchase price is to be paid to the City only after The Harrisburg Authority completes financing of the improvements to the Facility described earlier, in such amount as is set forth in a report of The Harrisburg Authority's consulting engineer certifying that facility revenues upon completion of such improvements is sufficient to pay all operating expenses, debt service, and any other facility funding requirements. There were no additional payments required during the year ended December 31, 2008.

Harrisburg Redevelopment Authority

The Redevelopment Authority net asset (deficit) at December 31, 2008 is related to the 1998 Series A and B bond issuances. Since no asset is recorded related to these debt issuances, the total debt outstanding reduces unrestricted net assets. The outstanding debt on these issuances is $41,387,706.

These debt issuances reduced the governmental activities net assets from a positive $744,456 to the deficit balance of $40,294,250. The City of Harrisburg guarantees the payment of those bond issuances. In addition, the Redevelopment Authority will gain title to certain buildings in the year 2016 in relation to the issuance of these bonds.

Funds sufficient to provide for the Redevelopment Authority's Transportation Center deficits are to be made from future activities according to management. In addition, a reservation of fund balance has been made in the Redevelopment Authority's General Fund in the amount of $22,262. The reservation in the amount of $231,073 in the Redevelopment Authority's Transportation Center Fund is assets held from a debt issuance to be used for construction expenses or repayment of debt.

21. COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services.

Federal and State

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Construction Commitments

Primary Government

The City has contractual commitments for construction, engineering and licensing related to the City properties of approximately $806,354.

Component Units

The Harrisburg Authority

The Harrisburg Authority entered into an Administrative Services and Interim Operation and Maintenance Agreement (Interim Agreement) with a Covanta for operation and management of the Resource Recovery Facility effective January 2, 2007 through March 31, 2007. During the interim agreement period, Covanta provided all day-to-day administrative services, provided a Construction Plan and coordinated all construction, start-up performance testing, operation and maintenance services for the Facility. The Harrisburg Authority deposited $100,000 with Covanta, which was used to pay for the first arising reimbursable expenses under the Agreement. On the 15th and 30th day of each month, The Harrisburg Authority paid Covanta 1/24th of the annual amount set forth in the estimated operating budget. Each month, Covanta reconciled the actual reimburseable expenses to the payments made by the Authority. For all reimburseable expenses incurred during the month in excess of such payments, Covanta submitted an invoice for such excess by the 10th day of the following month, which was to be paid by the Authority within 30 days. Reimbursable expenses are defined in the agreement. The Harrisburg Authority also paid an administrative service charge to Covanta in the amount of 11% of reimbursable expenses. The Interim Agreement was extended, on a month to month basis, through January 31, 2008.

The Harrisburg Authority entered into a Management and Professional Services Agreement with Covanta to provide construction and operations management services for a period of ten years and the Retrofit Completion work. The terms and conditions of this agreement are substantially the same as the Interim Agreement, except that the management fee is $875,000 per month, escalated annually each calendar year. As of December 2008, Covanta has asserted a claim against The Harrisburg Authority for approximately $1.3 million for reimbursable expenses and management fees, a substantial portion of which was incurred during the year ended December 31, 2008 and is included in accounts payable of The Harrisburg Authority at December 31, 2008.

During the year ended December 31, 2008, The Harrisburg Authority entered into various construction contracts related to the construction of the Resource Recovery Facility. The original amount of the contracts, including change orders, was $8,700,560. At December 31, 2008, the balance remaining under these contracts was $4,333,460, with $3,204,997 recorded in accounts payable.

Harrisburg Parking Authority

On February 25, 2005, the Authority executed an agreement with PSEA, whereby the Authority agreed to acquire PSEA property in order to construct the South Street Garage. The consideration for the PSEA real property is the long-term parking rights in sixty-four parking spaces, which have a final determination value of $13,750 per parking space upon the completion of the parking garage. The initial option period to acquire these parking rights commenced on the date the South Street Garage was completed and made available for use by PSEA and expires on the fifth anniversary of such date. In addition to this option, the Authority also agreed to lease to PSEA up to eighty-nine parking spaces at the South Street Garage. At its option, PSEA may extinguish the discounted lease rate at the River Street Garage, on some or all of its discounted leased spaces, in exchange for the remaining term of the discount as per the agreement between PSEA and the Authority dated August 25, 1999. When all sixty spaces at the River Street Garage for which PSEA has a right to a discount has been extinguished, no further discounts will accrue or be available to PSEA. All rights to discounts will expire based upon the expiration of the term of discount available to PSEA at the River Street Garage. The period of the agreement is for twenty-five years. In March 2008, PSEA exercised this option and acquired sixty parking rights at $13,750 each, totaling $825,000.

On January 11, 2007, the Authority entered into an agreement with Harrisburg University of Science and Technology (University), whereby the Authority intends to purchase a condominium unit in a building to be constructed by the University. The condominium unit will consist of seven floors of parking facilities which will include approximately 392 parking spaces. The total purchase price of this unit is $14,000,000, which was financed through the issuance of the Guaranteed Parking Revenue Bonds, Series R of 2007. The agreement required an earnest money deposit in the amount of $100,000 payable upon execution of the agreement and twenty-four equal monthly payments of $579,167, commencing January 2007. As of December 31, 2008, $14,000,500 represents the Authority's portion of equitable ownership interest in the property. All required payments have been made as of December 31, 2008.

In addition to the aforementioned agreement, the Authority also entered into an Option to Purchase agreement with the University on January 11, 2007, whereby the Authority agrees to lease three hundred parking permits to the University for the right to park in the condominium unit. The agreement commences when the construction of the garage is complete and when the legal title to the parking units has been conveyed to the Authority. The first year's rent for the leased spaces shall be the fair market rate, multiplied by 300 for parking spaces located within the central business district

parking garages owned and operated in the City by the Authority. The Authority also grants the University a total of five options to purchase the parking units, the first option commencing on January 11, 2017, and the remaining options commencing on each succeeding five-year anniversary date. The options shall be exercisable with at least six months advance written notice by the University to the Authority. The period of this agreement is thirty years.

Downtown Coordinated Parking Fund

Parking revenue generated from nine parking garages, on-street parking meters and City-owned surface lots, net of expenses, are deposited to the Downtown Coordinated Parking Fund (CPF). The "Cooperation Agreement for Downtown Coordinated Parking System," dated June 27, 1984, as amended and restated on December 3, 1991, as further amended on March 16, 1994, requires the Harrisburg Parking Authority (HPA) to deposit, at least quarterly, the new revenues from the garages, parking meters, city lots and any unrestricted administrative fund balance into the Coordinated Parking Fund. The CPF currently secures the HPA Series N Bonds of 2003. Any excess fund balance is transferred to the City of Harrisburg annually. During the year, the City received a refund of $4,750,000 representing excess amounts deposited into the system for 2008.

Guarantees

The City is contingently liable under various agreements which guarantee debt of entities not included in the primary government's financial statements aggregating $447,931,843 at December 31, 2008, and maturing at various dates through 2034. Of the $447,931,843, $441,118,870 is for guarantees of component unit debt.

Capital Area Transit (CAT) entered into an agreement to receive federal matching funds for the purchase of 30 new replacement buses and for the enhancement of its service, through the addition of new bus routes and expansion of existing routes. CAT authorized and issued its Revolving Revenue Note of 2003 (CAT 2003 Note) in the amount of $1,400,000. As an inducement to CAT to undertake the authorization and issuance of the CAT 2003 Note, the City of Harrisburg, Cumberland County and Dauphin County agreed to make certain annual payments to CAT through December 31, 2011. These payments are to be utilized to pay the debt service on the CAT 2003 Note. The City of Harrisburg agreed to pay $243,168 to CAT on an annual basis.

The Harrisburg Authority guaranteed a line-of-credit on behalf of the National Civil War Museum. The maximum amount available under the line-of-credit is $500,000. As required by the agreement, $250,000 has been placed in a separate account and this amount is included on the Statement of Net Assets as restricted cash and cash equivalents.

Landfill Closure and Post-closure Care Costs

State and federal laws and regulations require The Harrisburg Authority to properly close and place a final impermeable cover on its Ash Residue Disposal Landfills when they no longer accept waste and to perform certain ongoing maintenance and monitoring activities at the site for up to thirty years after closure. The original estimated total cost of closure and post-closure care costs was $1,670,206, based on an agreement with the Commonwealth of Pennsylvania pursuant to state regulations and was subject to change with inflation, deflation, technology, or applicable laws and regulations. During 2007, under the original closure and post closure agreement, The Harrisburg Authority was required by state regulations and its permit to make quarterly payments of $30,014 to the Consolidated Closure Trust.

On December 31, 2007, the original consolidated trust was terminated and a new account was established. At that time, The Harrisburg Authority estimated the closure and post-closure costs to be $1,442,617. A variable rate promissory note (Line of Credit) was entered into with a financial institution for $1,442,617. The line of credit supports the Letter of Credit #1805 issued to the Pennsylvania Department of Environmental Protection. On May 5, 2008, this promissory note was amended to $2,355,713 based on a revised closure and post-closure cost estimate.

In an effort to extend the life of the landfill, in April 2008, The Harrisburg Authority began mining the ash to recover ferrous and nonferrous metals contained in the ash residue. Beginning in August 2008, the ash from the processed metal was removed from the landfill and taken offsite. This resulted in reduced ash volume thereby further extending the life of the landfill area. To maintain continued ash disposal operations, a plan was prepared to extend the site life of the landfill until an expansion can be permitted and constructed. It is expected to take four years to complete the permitting and initial construction process. During that four-year period, mining and off-site disposal of processed ash will continue, as well as off-site transportation of ash generated by the facility.

The Harrisburg Authority has accrued $2,270,163 for landfill closure and post-closure care costs as of December 31, 2008, which represents the use of 96.4% of the estimated capacity of the disposal area. Based on the annual usage at December 31, 2008, the estimated remaining life of the landfill is approximately six months. Under the new closure and post-closure agreement, The Harrisburg Authority is required by state regulations and its permit to make quarterly payments of $170,000 to the Consolidated Closure Trust. The Harrisburg Authority is in compliance with those requirements at December 31, 2008.

As of December 31, 2008, cash and investments of $1,511,097 are held for closure and post-closure care expenses. Those funds are reported as restricted assets on the Statement of Net Assets.

During 2009, The Harrisburg Authority received a landfill permit extension for another four years. The capacity will last that long, if The Harrisburg Authority continues to remove ash from the landfill for disposal/beneficial use at another landfill, as fast as it is generated at the Harrisburg landfill.

22. COMPLIANCE

Primary Government

Management of the City believes that the City has complied, in all material respects, with all applicable finance related legal and contractual provisions including applicable covenants of bond indentures. However, under the continuing disclosure undertaking, the City has covenanted to file its secondary market disclosures within 270 days of the end of their fiscal year. Additionally, the various trust indentures require the City to submit its audited financial statements to the trustee within 180 days. The financial statements were not completed by either date. In addition, there is ongoing litigation regarding the City's obligation under certain guarantees of The Harrisburg Authority's debt, as discussed in Note 25.

Component Units

The Harrisburg Authority

Resource Recovery Facility

The rate covenant calculation required under applicable trust indentures pertaining to The Harrisburg Authority's Resource Recovery Facility financing has not been met for the year ended December 31, 2008.

Additionally, under the continuing disclosure undertaking, The Harrisburg Authority has covenanted to file its secondary market disclosures within 270 days of the end of their fiscal year. Additionally, the various trust indentures require The Harrisburg Authority to submit its audited financial statements to the trustee within 180 days. The financial statements were not completed by either date.

Under the trust indentures, The Harrisburg Authority is required to maintain certain minimum balances in the Resource Recovery operating reserve fund. At December 31, 2008, The Harrisburg Authority's balance in the Resource Recovery operating reserve fund was $219 and the reserve requirement was $3,763,974. The trust indenture states that if the balance in the Resource Recovery operating reserve fund becomes deficient, The Harrisburg Authority is to restore the balance with twelve substantially equal installments. There has been no replenishment of the Resource Recovery operating reserve fund through the date of this report.

The Resource Recovery Facility's 2008 and 2009 budgets were approved by the Board of Directors in December 2007 and June 2009, respectively. As required under the trust indentures, the budgets are required to be approved 30 days prior to the end of the calendar year. Additionally, the 2008 and 2009 consulting engineers' reports, which are due, per the trust indenture, 90 days prior to the end of the calendar year, were not received by The Harrisburg Authority until 2009. Finally, management has not instituted a system to calculate the rate covenant requirement noted earlier.

Water Fund

The Water Facility's 2008 and 2009 budgets were approved by the Board of Directors in March 2008 and June 2009, respectively. As required under the trust indenture, the budget is required to be approved 30 days prior to the end of the calendar year and provided to the bond insurer within 120 days of year-end. Additionally, the 2008 consulting engineers' report, which is due, per the trust indenture, within 90 days prior to the end of the calendar year, was not received by the Authority until July 2009. Finally, management has not instituted a system to calculate the rate covenant requirement.

23. LITIGATION

The City is involved in several lawsuits arising in the normal course of business. Management believes that none of the litigation outstanding against the City will have a material adverse effect on the financial position of the City at December 31, 2008, except as discussed in Note 25.

On December 31, 2003, The Harrisburg Authority entered into the Non-Exclusive Technology Sub-Licensing Agreement and Technology Purchase Agreement with the original contractor of the Resource Recovery Facility retrofit project. The original contractor granted The Harrisburg Authority a

license to utilize the Combustion Technology at the Facility. The Sub-License Agreement is to continue in effect until the date on which the Combustion Technology is no longer used at the Facility.

To raise the funds necessary to complete the project, the original contractor sold its Technology License to CIT - Newcourt Capital (CIT) for $25 million. In turn, The Harrisburg Authority and original contractor entered into a First Amended and Restated Nonexclusive Technology Sublicensing Agreement and Technology Purchase Agreement (Amended Purchase Agreement) granting continued right to The HarrisburgAuthority to make full use of the Combustion Technology for all intended purposes under the Equipment Agreement, and for no other purpose; provided, that The Harrisburg Authority may expand or increase the number of units at the Facility without the consent of the Licensor and without payment of any additional fees. This Amended Purchase Agreement has since been assigned to CIT.

Under the sublicense, The Harrisburg Authority will pay to CIT the following fees:

Base Fee - For each calendar quarter ending prior to January 1, 2026, The Harrisburg Authority will pay to Licensor/Seller, on or prior to the first business day of the immediately following calendar quarter (base fee) an amount equal to:

- For calendar quarters ending March 31, 2006 and June 30, 2006, $500,000;
- For each calendar quarter thereafter prior to the calendar quarter during which the $25 million is repaid, $750,000; and
- For each calendar quarter following the calendar quarter during which the $25 million has been repaid occurs and prior to the calendar quarter in which the Purchase Date occurs, $.50 per ton of waste processed through each Combustion Unit during the applicable calendar quarter.

Supplemental Fee - For each calendar year ending on or after December 31, 2006 and prior to the repayment of the $25 million, The Harrisburg Authority will pay to CIT an amount equal to 95% of the excess revenues (defined as funds available after the payment of facility expenses defined as actual expenses incurred by The Harrisburg Authority in the operation, maintenance and ownership of the Facility: such expenses to include all operating and debt service expenses and mandated governmental fees and costs, and payments required to be made from the revenue fund into the following trust funds: the debt service fund, the debt service reserve fund, the operating reserve fund, the renewal and replacement fund, and any other specified funds into which mandatory deposits or transfers are required under the terms of the existing authority indenture documents, but excluding the surplus fund and the redemption fund and disregarding amounts paid into and disbursed out of the purchase and remarketing fund).

During the year ended December 31, 2006, The Harrisburg Authority paid the base fee of $2.5 million to CIT under the Amended Purchase Agreement. There were no supplemental fees due for the year ended December 31, 2006. There were no payments made under this agreement in 2007 or 2008.

CIT is asserting that, pursuant to one of the many agreements signed on or about January 11, 2006, the Authority is required to repay this obligation because of the ensuing bankruptcy of Barlow, the original designer and contractor of the Resource Recovery Facility's retrofit project. CIT has given notice of default and intention to institute suit in November, whereupon The Harrisburg Authority filed a complaint with the Dauphin County Court for declaratory judgment alleging, among other things, that the agreements upon which CIT was asserting its claims constituted ultra vires acts of The Harrisburg Authority, based upon its lack of power to guaranty a debt of its contractor, as well as the fact that it

had already paid for the full cost of construction, including the license fee for Barlow's technology. Additionally, there were several other defenses presented, including a lack of consideration for the agreements.

The declaratory judgment action was filed in January of 2008, in the Court of Common Pleas of Dauphin County. CIT and Aireal filed an Answer with Counterclaim, as well as a Motion to Transfer the case to the U.S. District Court for the Middle District of Pennsylvania. The case is presently in federal court in an extended discovery phase. Thousands of documents have been reviewed and over 15 depositions have been taken in the case. The case does not have a trial date at this point, as discovery issues are being resolved by the Court. It is expected that following resolution of discovery disputes, all parties will file dispositive motions and, barring resolution through motions, will proceed to trial.

The management of The Harrisburg Authority has responded to the litigation by authorizing counsel to contest the counterclaim vigorously, and also to pursue vigorously the declaratory judgment that would void and invalidate the agreements upon which CIT relies.

The Harrisburg Authority believes it has a reasonable and valid basis upon which to defend against the claims of CIT and Aireal, as well as reasonable and valid basis, in the event of an adverse verdict in favor of CIT, to successfully pursue a claim for reimbursement or indemnification from the professionals who negligently advised it on the transactions.

There are two pending cases before the Dauphin County Court of Common Pleas in which subcontractors of Barlow, unable to collect from Barlow for work performed at the Resource Recovery Facility, have sued The Harrisburg Authority, basically for proceeding without payment bonds or other adequate security for payment and based on unjust enrichment. Only one of the two subcontractors is actively pursuing the claim as of October 2009 and this claim, which dates from May 2006, is in the amount of $529,550 plus interest, costs, etc.

The Harrisburg Authority is involved in litigation involving malfunction of the steam turbine at the Resource Recovery Facility. The claims stem from The Harrisburg Authority's purchase of a steam-turbine generator. Two incidents occurred involving a power outage which, after subsequent failures of the back-up lubrication system, resulted in severe damage to moving parts within the turbine generator and other property, including the rotor. Additionally, an inspection of the turbine blades conducted during the repairs revealed a defect in the eighth stage blade, which occurred during the manufacturing process of the steam turbine generator. The Harrisburg Authority is involved in the assertion of a claim against the manufacturer, which was filed in April 2009. In November 2009, the manufacturer filed an amended counter-claim versus The Harrisburg Authority for breach of contract. The manufacturer asserts that The Harrisburg Authority has not paid approximately $450,000 in repair bills that were submitted to The Harrisburg Authority. The Harrisburg Authority's management is currently investigating the facts underlying the counterclaim.

The Redevelopment Authority filed suit against a tenant of the Transportation Center for non-payment of rent. The tenant filed a counterclaim for damages due to the Redevelopment Authority taking possession of a portion of the Transportation Center from the lessee. The outcome of this claim and counterclaim can not be determined; therefore, no liability, if any, as a result of the outcome of this claim has been reflected in the financial statements.

24. TRANSACTIONS WITH COMPONENT UNIT

In accordance with the respective Articles 5 of the Second Supplemental Agreement of Lease, as amended by the Third Supplemental Agreement of Lease and the Collection System Lease between The Harrisburg Authority and the City of Harrisburg, Pennsylvania, the City is, at the end of each lease year, required to accumulate amounts in the sewer revenue accounts, after withdrawals for operating expense obligations, until the balance is such that the reserve shall equal the sum of (1) one-half of the lease rental due under the next lease year, and (2) one-half of the annual operating expenses as estimated by the consulting engineers, for the next succeeding lease year. Additionally, after the required reserve balance is attained, the City is required to pay any excess funds to The Harrisburg Authority within 190 days after the end of the year. The City may withdraw funds from the reserve account to satisfy lease payments as required by the Collection System Lease agreement. The City's required reserves in excess of funds available at December 31, 2008 were $4,576,897.

25. SUBSEQUENT EVENTS

In the fall of 2008, The Harrisburg Authority suggested a rate increase for the City and County. The City's rate increase went into effect on January 1, 2009. The County rejected The Harrisburg Authority's request and became the subject of arbitration proceedings in January 2009. The arbitrator's decision resulted in The Harrisburg Authority's inability to comply with the bond indenture's rate covenants and loss of projected 2009 revenue in the amount of $13.1 million.

On March 20, 2009, The Harrisburg Authority issued a notice of material event with respect to The Harrisburg Authority's Series A Bonds of 1998. The 1998 Series A, B, and C Debt Service Account did not have sufficient funds to pay the scheduled interest payment of $280,908 due on the 1998 Series A Bonds on March 1, 2009. The amount of $86,662 was on deposit with the Trustee with respect to the 1998 Series A Bonds resulting in a deficiency of $195,346. Pursuant to terms of the trust indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiency in the 1998 Series A, B, and C Debt Service Account. Accordingly, the City transferred monies to the Trustee to address the deficiency. Although a material event notice has not been filed, The Harrisburg Authority was unable to make the September 1, 2009 debt service payment with respect to the 1998 Series A Bonds in the amount of $315,908. The City transferred monies to the Trustee to address the deficiency in the amount of $213,863.

On June 22, 2009, The Harrisburg Authority issued a notice of material event with respect to The Harrisburg Authority's Series A Notes of 2002. The 2002 Debt Service Account did not have sufficient funds to pay the scheduled interest payment of $446,732 due on the 2002 Series A Notes on May 1, 2009. The amount of $5,749 was on deposit with the Trustee with respect to the 2002 Series A Notes resulting in a deficiency of $440,983. Pursuant to terms of the trust indenture and the City Note Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiency in the 2002 Debt Service Account. Accordingly, the City transferred monies to the Trustee to address the deficiency. The City has also funded a portion of the November 1, 2009 payment due on the Series A Notes of 2002 in the amount of $395,732. The balance of the November 1, 2009 payment, in the amount of $801,000, was paid from The Harrisburg Authority's Debt Service Reserve Fund.

On March 20, 2009, The Harrisburg Authority issued a notice of material event with respect to The Harrisburg Authority's Series A, B, and C Bonds of 2003. The Series of 2003 Debt Service Accounts did not have sufficient funds to pay the scheduled interest payments in the amount of $647,262, $538,073, and $607,125 due on the Series A, B, and C of 2003 Bonds, respectively, on March 1, 2009.

The amount of $16,612, $16,581, and $16,596 was on deposit with the Trustee with respect to the Series A, B, and C of 2003 Bonds, respectively, resulting in a deficiency of $630,650, $521,492, and $590,529. Pursuant to terms of the trust indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiency in the Series of 2003 Debt Service Accounts. Accordingly, the City transferred monies to the Trustee to address the deficiency. Although a material event notice has not been filed, The Harrisburg Authority was unable to make the September 1, 2009 debt service payment with respect to the Series A, B, and C Bonds of 2003 in the amount of $1,792,460. The City transferred monies to the Trustee to address the deficiency.

On July 16 and July 22, 2009, The Harrisburg Authority issued a notice of material event with respect to The Harrisburg Authority's Series D-1, D-2, E, and F Bonds of 2003. The Series of 2003 D-1, D-2, E, and F Retrofit Debt Service Accounts did not have sufficient funds to pay the scheduled interest payments in the amount of $1,062,450, $1,625,000, $353,030, and $344,895 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on June 1, 2009. The amount of $200,982, $34, $3, and $72,636 was on deposit with the Trustee with respect to the Series D-1, D-2, E, and F Bonds of 2003, respectively, resulting in a deficiency of $861,468, $1,624,966, $353,027, and $272,259. The trust indenture and the City Bond Guaranty Agreement provide that if there are insufficient revenues available from the operation of The Harrisburg Authority's Resource Recovery Facility to pay debt service on the Series D-1, D-2, E, and F Bonds, then the Trustee is to draw upon the City Bond Guaranty as such term is defined in the City Bond Guaranty Agreement for the monies for debt service. Pursuant to terms of the trust indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiency in the Series of 2003 D-1, D-2, E, and F Retrofit Debt Service Accounts. However, the City notified the Trustee that the City was not able to transfer funds for the debt service payment due on the Series D-1, D-2, E, and F Bonds on June 1, 2009. Upon the failure of the City to advance monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $861,468, $1,624,966, $353,027, and $272,259, respectively, from the 2003D, E, and F Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund on May 26, 2009 in accordance with the trust indenture and transferred such amount to the Retrofit Debt Service Account to address the deficiency in such account for the payment of interest on the Series D-1, D-2, E, and F Bonds on June 1, 2009. The City has also funded a portion of the December 1, 2009 payment due on the Series D-1, D-2, E, and F Bonds in the amount of $832,850. The balance of the December 1, 2009 payment, in the amount of $5,282,525, was paid from The Harrisburg Authority's Debt Service Reserve Fund.

Deficiencies in the Debt Service Reserve Accounts are to be repaid in not more than 12 substantially equal monthly payments on the first day of the month after the occurrence of such deficiency. As of November 2009, The Harrisburg Authority has not made any payments to replenish the Debt Service Reserve Accounts, whose total deficiency is approximate $11 million.

Additionally, the County made payments in the amount of $284,195 and $491,458 on June 1, 2009 under the County Guaranty with respect to the Series D-1 and D-2 Cap agreement and the Series D-1 and D-2 Swap agreement, respectively. The County has also funded the December 1, 2009 payments in the amount of approximately $1.5 million. The City made payments in the amount of $637,500 during July 2009 and again in October 2009 under the guaranty with respect to construction loan from Covanta. It is anticipated that the January 2010 payment will need to be funded by the City.

In July 2009, the County initiated a suit against The Harrisburg Authority, the City and the individual officials, City Council members and the Mayor of Harrisburg. The County is seeking reimbursement of its payment made on June 1, 2009, in the amount of $775,653, pursuant to its guaranty obligations

under the County Swap Guaranty agreement. The County further seeks to compel The Harrisburg Authority to pay the amount of $2,795,386 to replenish a Debt Service Reserve Fund pursuant to a Retrofit Indenture and the Reimbursement Agreement. In addition, the County seeks an equitable accounting by The Harrisburg Authority, disclosure of information, and an order compelling The Harrisburg Authority to make all future swap payments and payments under the Retrofit Indenture in a complete and timely manner. In December 2009, the County made another payment under this guaranty in the amount of approximately $1.5 million which may also become the subject of further action on behalf of the County.

The Harrisburg Authority has indicated that it will contest the County's lawsuit. The relevant documents in this case require that The Harrisburg Authority reimburse the County and City for payments each makes under the relevant guaranty agreements. But these agreements place the County in a subordinate position of priority where they are paid after all debt service is paid and are only paid with revenues generated by the Resource Recovery Facility. The Harrisburg Authority will vigorously contest any effort by the County to ignore the documents and the priority they dictate. Additionally, The Harrisburg Authority has been strained in meeting its obligations under the Swap Agreement, and its ability to replenish a debt service reserve fund, due to the County's refusal to negotiate or agree to an increased tipping fee. The Harrisburg Authority asserts that the County has frustrated The Harrisburg Authority's ability to comply with its contractual undertakings.

The City has indicated that it is contesting the County's lawsuit. The relevant documents in this case require that the City reimburse the County for payments the County made under its guaranty agreement relevant to the 2003 Swap agreement.

During 2009, The Harrisburg Authority has entered into various construction contracts in the amount of approximately $4.4 million.

The Harrisburg Authority is a party to several debt service forward delivery agreements with Lehman Brothers Special Financing, Inc. (Lehman Special Financing) in connection with certain bonds or notes relating to The Harrisburg Authority's Water System and Resource Recovery Facility. In the fall of 2008, Lehman Special Financing filed for bankruptcy protection under the U. S. Bankruptcy Code. As of the date hereof, neither The Harrisburg Authority not Lehman Special Financing has terminated the outstanding debt service forward delivery agreements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY (NON-GAAP) BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2008
REQUIRED SUPPLEMENTARY INFORMATION

	Budget		Variance of Original with Final Budget Positive (Negative)	Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts			
Revenues					
Taxes	$ 25,796,950	$ 25,796,950	$ -	$ 26,744,584	$ 947,634
Licenses and permits	534,000	534,000	-	531,042	(2,958)
Intergovernmental revenue	8,756,000	8,756,000	-	8,629,774	(126,226)
Departmental earnings	19,500,976	19,500,976	-	19,692,158	191,182
Fines and forfeits	1,726,000	1,726,000	-	2,101,557	375,557
Investment income	290,400	290,400	-	442,924	152,524
Miscellaneous	856,000	856,000	-	1,228,339	372,339
Total revenues	57,460,326	57,460,326	-	59,370,378	1,910,052
Expenditures					
General government					
Elected and appointed offices					
City Council	489,085	489,085	-	382,111	106,974
Mayor	448,703	448,703	-	409,043	39,660
City Controller	245,918	245,918	-	235,155	10,763
City Treasurer	743,230	743,230	-	580,455	162,775
City Solicitor	346,796	373,796	(27,000)	367,153	6,643
Office of City Engineer	1,753,765	1,753,765	-	1,509,188	244,577
Human Relations Commission	196,470	196,470	-	140,992	55,478
Mayor's Office of Economic Development	509,293	509,293	-	399,311	109,982
Total elected and appointed offices	4,733,260	4,760,260	(27,000)	4,023,408	736,852
Office of administration					
Administration	3,432,639	3,405,639	27,000	3,065,512	340,127
General expenditures	3,155,940	3,101,440	54,500	2,795,239	306,201
Total general government	11,321,839	11,267,339	54,500	9,884,159	1,383,180
Building and housing development	1,029,949	1,084,449	(54,500)	1,062,359	22,090
Public safety	29,249,723	29,249,723	-	28,222,527	1,027,196
Public works	5,981,999	5,981,999	-	5,527,585	454,414
Parks and recreation	2,900,332	2,900,332	-	2,781,023	119,309
Total expenditures	50,483,842	50,483,842	-	47,477,653	3,006,189
Excess of revenues over (under) expenditures before other financing sources (uses)	6,976,484	6,976,484	-	11,892,725	4,916,241
Other financing sources (uses)					
Transfers in	1,411,337	1,411,337	-	821,245	(590,092)
Transfers out	(10,384,905)	(10,384,905)	-	(14,162,835)	(3,777,930)
Total other financing sources (uses)	(8,973,568)	(8,973,568)	-	(13,341,590)	(4,368,022)
Net change in fund balance	(1,997,084)	(1,997,084)	-	(1,448,865)	548,219
Fund balances - beginning of year, budgetary basis	1,997,084	1,997,084	-	12,335,864	10,338,780
Fund balances - end of year, budgetary basis	$ -	$ -	$ -	$ 10,886,999	$ 10,886,999

1. BUDGETARY DATA

Annual budgets are legally adopted for the General Fund, Debt Service Fund, State Liquid Fuels Tax Fund (nonmajor governmental fund), and for the Sewer (net of applicable activity of The Harrisburg Authority) and Sanitation Funds. Budgets for governmental funds are prepared on a cash basis with respect to revenues and on an item voucher basis with respect to expenditures. Specific funds exempted from legally adopted budgetary requirements include:

- Grant Programs Fund
- Capital Projects Fund
- Parks and Property Improvement Fund (nonmajor governmental fund)
- Harrisburg Senators Fund

Over 30 different grant programs, which are accounted for in the grant programs fund, are administered under project budgets determined by contracts with state and federal grantor agencies. Effective expenditure control is achieved in the Capital Projects Fund through bond indenture provisions. Controls over spending in the Parks and Property Improvement Fund (a nonmajor fund) is achieved by the use of internal spending limits.

The actual results of operations presented in accordance with accounting principles generally accepted in the United States of America differ from the budgetary basis used in preparation of the 2008 budget for governmental funds. The budget for the General Fund was prepared on a cash basis with respect to revenues and on an item voucher basis with respect to expenditures. For the purpose of preparing the Budgetary Comparison Schedule – Budgetary (Non-GAAP) Basis – General Fund, the actual results of operations have been presented on a budgetary basis consistent with the City's budgeted revenues and expenditures.

A reconciliation of the differences between the budgetary basis and GAAP basis financial statements of the General Fund is as follows:

	Fund Balance, Beginning of Year	Revenues	Expenditure	Financing Sources (Uses) and Equity Transfer	Fund Balance, End of Year
Budgetary basis	$ 12,335,864	$ 59,370,378	$ (47,477,653)	$ (13,341,590)	$ 10,886,999
Taxes receivable	6,493,460	230,697	-	-	6,724,157
Accounts Receivable	267,435	(32,027)	-	-	235,408
Other assets	107,951	-	(32,160)	-	75,791
Accounts payable, net of items vouchered	874,908	300	(311,556)	-	563,652
Accrued liabilities	(765,594)	-	11,002	-	(754,592)
Advances and amounts due to other funds and component units	(274,439)	(541,541)	274,244	606,160	64,424
Deferred revenue	(9,967,131)	594,600	-	-	(9,372,531)
Other assets	5,199,603	728,893	(704,064)	(53,753)	5,170,679
GAAP basis	$ 14,272,057	$ 60,351,300	$ (48,240,187)	$ (12,789,183)	$ 13,593,987

2. BUDGET TO ACTUAL COMPARISONS

The General Fund's budget comparison is presented in the Other Required Supplementary Information section. The State Liquid Fuels Tax Fund (a nonmajor fund) and major debt service fund budget comparisons are presented in the combining section. On the bottom of these comparisons is a demonstration of the adjustments necessary to reconcile to the GAAP change in fund balance/net assets.

Schedule of Funding Progress 01/01/96-01/01/07

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (FAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of covered Payroll (c/e)
01/01/96	$26,770,732	(2) $25,442,689	$ (1,328,043)	105.22 %	$ 14,837,644	(8.95) %
01/01/97	30,465,751	27,447,774	(3,017,977)	111.00	15,125,782	(19.95)
01/01/98	34,019,246	28,867,727	(5,151,519)	117.85	15,636,652	(32.95)
01/01/99	39,353,200	29,978,847	(9,374,353)	131.27	16,583,243	(56.53)
01/01/00	45,531,632	32,927,232	(12,604,400)	138.28	17,016,237	(74.07)
01/01/01	51,841,303	36,252,370	(15,588,933)	143.00	18,441,260	(84.53)
01/01/02	54,063,426	37,487,414	(16,576,012)	144.22	18,399,410	(90.09)
01/01/03	56,946,711	44,367,335	(12,579,376)	128.35	19,970,077	(62.99)
01/01/05	63,053,150	52,154,704	(10,898,446)	120.90	17,639,572	(61.78)
01/01/07	67,814,104	55,904,700	(11,909,404)	121.30	16,465,482	(72.33)

Schedule of Required Employer Contributions and Other Contributing Entities 1999-2008

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution	(h) State Aid	Percentage Contribution [(g+h)/f]
1999	$ 331,115	01/01/97	$ - (3)	$ 331,115	100.00 %
2000	267,206	01/01/98	-	267,206	100.00
2001	-	01/01/99	-	-	-
2002	-	01/01/00	-	-	-
2003	-	01/01/01	-	-	-
2004	-	01/01/02	-	-	-
2005	-	01/01/03	-	-	-
2006	-	01/01/04	-	-	-
2007	-	01/01/05	-	-	-
2008	-	01/01/07	-	-	-

(1) 1999-2008 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.

(2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited $5,900,000 to materially satisfy the unfunded actuarial accrued liability for the Non-Uniformed Employee's Pension Plan "A". Additionally, the employer contribution includes $9,835 in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.

(3) 1999-2000 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

Schedule of Funding Progress 01/01/96-01/01/07

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (FAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of covered Payroll (c/e)
01/01/96	$24,525,663	(2) $23,642,933	$ (882,730)	103.73 %	$ 3,859,094	(22.87) %
01/01/97	28,010,066	25,124,396	(2,885,670)	111.49	4,159,387	(69.38)
01/01/98	31,292,069	25,039,429	(6,252,640)	124.97	3,979,412	(157.12)
01/01/99	35,998,739	27,297,560	(8,701,179)	131.88	4,246,322	(204.91)
01/01/00	41,417,147	27,847,384	(13,569,763)	148.73	4,223,595	(321.28)
01/01/01	46,998,856	30,136,310	(16,862,546)	155.95	4,711,683	(357.89)
01/01/02	49,385,139	37,980,915	(11,404,224)	130.03	5,001,240	(228.03)
01/01/03	52,137,632	39,968,500	(12,169,132)	130.45	4,898,162	(248.44)
01/01/05	61,270,530	50,101,540	(11,168,990)	122.29	5,251,910	(212.67)
01/01/07	60,115,728	50,833,300	(9,282,428)	118.26	5,091,469	(182.31)

Schedule of Required Employer Contributions and Other Contributing Entities 1999-2008

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution	(h) State Aid	Percentage Contribution [(g+h)/f]
1999	$ 223,568	01/01/97	$ -	(3) $ 223,568	100.00 %
2000	167,966	01/01/98	-	167,966	100.00
2001	188,199	01/01/99	-	188,199	100.00
2002	145,716	01/01/00	-	145,716	100.00
2003	107,728	01/01/01	-	107,728	100.00
2004	-	01/01/02	-	-	-
2005	-	01/01/03	-	-	-
2006	-	01/01/04	-	-	-
2007	-	01/01/05	-	-	-
2008	-	01/01/07	-	-	-

(1) 1999-2008 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.

(2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited $12,000,000 to satisfy the unfunded actuarial accrued liability for the Firefighter's Pension Plan "A". Additionally, the employer contribution includes $13,050 in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.

(3) 1999-2003 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

Schedule of Funding Progress 01/01/96-01/01/07

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (FAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of covered Payroll (c/e)
01/01/96	$33,462,010	(2) $33,081,005	$ (381,005)	101.15 %	$ 7,162,027	(5.32) %
01/01/97	38,558,258	35,147,819	(3,410,439)	109.70	7,436,274	(45.86)
01/01/98	43,280,978	36,683,332	(6,597,646)	117.99	7,889,242	(83.63)
01/01/99	49,828,312	39,413,195	(10,415,117)	126.43	8,272,417	(125.90)
01/01/00	57,143,147	36,876,195	(20,266,952)	154.96	7,968,452	(254.34)
01/01/01	57,189,470	39,086,593	(18,102,877)	146.31	8,008,858	(226.04)
01/01/02	55,690,061	47,122,954	(8,567,107)	118.18	8,210,921	(104.34)
01/01/03	48,588,557	50,541,728	1,953,171	96.14	9,007,242	21.68
01/01/05	61,438,353	55,244,375	(6,193,978)	111.21	9,206,031	(67.28)
01/01/07	68,875,536	59,874,001	(9,001,535)	115.03	9,138,604	(98.50)

Schedule of Required Employer Contributions and Other Contributing Entities 1999-2008

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution	(h) State Aid	Percentage Contribution [(g+h)/f]
1999	$ 466,435	01/01/97	$ -	(3) $ 466,435	100.00 %
2000	469,959	01/01/98	-	469,959	100.00
2001	310,040	01/01/99	-	310,040	100.00
2002	-	01/01/00	-	-	-
2003	-	01/01/01	-	-	-
2004	285,823	01/01/02	-	285,823	100.00
2005	1,303,069	01/01/03	-	1,303,069	100.00
2006	512,593	01/01/04	-	512,593	100.00
2007	523,803	01/01/05	523,803	-	100.00
2008	285,274	01/01/07	285,274	-	100.00

(1) 1999-2008 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.

(2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited $15,950,085 to materially satisfy the unfunded actuarial accrued liability for the Police Officer's Pension Plan. Also includes a $37,741 contribution in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.

(3) 1999-2001 and 2004-2006 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

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COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

State Liquid Fuels Tax Fund

The State Liquid Fuels Tax Fund is used to account for state aid revenue used primarily for building and improving City roads and bridges in accordance with policies and procedures of the County Liquid Fuels Tax Act of 1981 and Liquid Fuels Act 655.

Parks and Property Improvement Fund

The Parks and Property Improvement Fund is used to account for contributions that have been designated for improvements to specific parks and properties in the City.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Special Revenue		
	State Liquid Fuels Tax Fund	Parks and Property Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 9,684	$ 330,406	$ 340,090
Investments	281,830	594,170	876,000
Total assets	$ 291,514	$ 924,576	$ 1,216,090
LIABILITIES AND FUND BALANCE			
Accounts payable	$ 88,206	$ 76,657	$ 164,863
Due to other funds	-	732,947	732,947
Total liabilities	88,206	809,604	897,810
Fund balance			
Unreserved undesignated	203,308	114,972	318,280
Total fund balance	203,308	114,972	318,280
Total liabilities and fund balance	$ 291,514	$ 924,576	$ 1,216,090

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	Special Revenue		
	State Liquid Fuels Tax Fund	Parks and Property Improvement Fund	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental revenue	$ 963,451	$ -	$ 963,451
Department earnings and program revenue	-	4,266	4,266
Investment income	11,236	-	11,236
Total revenues	974,687	4,266	978,953
Expenditures			
Current			
General government	-	3,675	3,675
Public works	912,198	-	912,198
Total expenditures	912,198	3,675	915,873
Excess of revenues over (under) expenditures	62,489	591	63,080
Other financing sources (uses)			
Transfers out	(65,590)	-	(65,590)
Total other financing sources (uses)	(65,590)	-	(65,590)
Net change in fund balance	(3,101)	591	(2,510)
Fund balance - beginning of year	206,409	114,381	320,790
Fund balance - end of year	$ 203,308	$ 114,972	$ 318,280

CITY OF HARRISBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULES
BUDGETARY (NON-GAAP) BASIS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	Nonmajor Fund					Major Fund				
	State Liquid Fuels Tax Fund					Debt Service Fund				
	Original Budget	Final Budget	Variance of Original with Final Budget Positive (Negative)	Actual	Variance of Actual with Final Budget Positive (Negative)	Original Budget	Final Budget	Variance of Original with Final Budget Positive (Negative)	Actual	Variance of Actual with Final Budget Positive (Negative)
Revenues										
Intergovernmental revenue	$ 900,000	$ 900,000	$ -	$ 963,451	$ 63,451	$ -	$ -	$ -	$ -	$ -
Investment income	23,500	23,500	-	11,236	(12,264)	8,000	8,000	-	2,367	(5,633)
Miscellaneous	-	-	-	-	-	465,900	465,900	-	465,962	62
Total revenues	923,500	923,500	-	974,687	51,187	473,900	473,900	-	468,329	(5,571)
Expenditures										
Public works	909,382	909,382	-	901,117	8,265	-	-	-	-	-
Debt service	-	-	-	-	-	11,805,888	12,972,733	(1,166,845)	12,972,733	-
Total expenditures	909,382	909,382	-	901,117	8,265	11,805,888	12,972,733	(1,166,845)	12,972,733	-
Excess of revenues over (under) expenditures before other financing sources (uses)	14,118	14,118	-	73,570	59,452	(11,331,988)	(12,498,833)	(1,166,845)	(12,504,404)	(5,571)
Other financing sources (uses)										
Proceeds from the sale of assets						926,000	926,000	-	611,743	(314,257)
Transfers in	-	-	-	-	-	10,405,988	10,405,988	-	10,070,518	(335,470)
Transfers out	(65,618)	(65,618)	-	(65,590)	28	-	-	-	-	-
Total other financing sources (uses)	(65,618)	(65,618)	-	(65,590)	28	11,331,988	11,331,988	-	10,682,261	(649,727)
Net change in fund balance	(51,500)	(51,500)	-	7,980	59,480	-	(1,166,845)	(1,166,845)	(1,822,143)	(655,298)
Fund balance - beginning of year, budgetary basis	51,500	51,500	-	249,663	198,163	-	1,166,845	1,166,845	1,979,450	812,605
Fund balance - end of year, budgetary basis	$ -	$ -	$ -	$ 257,643	$ 257,643	$ -	$ -	$ -	$ 157,307	$ 157,307

Explanation of differences between budget basis and GAAP:

Net change in fund balance - budgetary basis	$ 7,980	$ (1,822,143)
Accrued expenditures - December 31, 2007	22,173	-
Accrued expenditures - December 31, 2008	(33,254)	-
Net change in fund balance - GAAP basis	$ (3,101)	$ (1,822,143)

Agency Funds

The School Tax Collection Fund is used to account for the collection and payment to the school district of property taxes billed and collected on its behalf.

The Payroll and Other Escrow Liabilities Fund is used to account for the collection and payment of miscellaneous escrow liabilities.

The Pass-Through Grant Fund is used to account for the temporary collection and disbursement of pass-through grants.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
DECEMBER 31, 2008

	School Tax Collection	Payroll and Other Escrow Liabilities	Pass-Through Grants	Total Agency Funds
ASSETS				
Cash	$ 416,222	$ 454,300	$ 409,847	$ 1,280,369
Investments, at fair value	-	-	1,223,781	1,223,781
Total assets	416,222	454,300	1,633,628	2,504,150
LIABILITIES				
Due to other governments	416,222	-	-	416,222
Escrow liabilities	-	454,300	1,633,628	2,087,928
Total liabilities	$ 416,222	$ 454,300	$ 1,633,628	$ 2,504,150

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008

	Beginning of Year	Additions	Deductions	End of Year
School Tax Collection				
Assets				
Cash	$ 267,983	$ 34,216,148	$ 34,067,909	$ 416,222
Liabilities				
Due to other governments	$ 267,983	$ 34,216,148	$ 34,067,909	$ 416,222
Payroll and Other Escrow Liabilities				
Assets				
Cash	$ 373,263	$ 34,346,878	$ 34,265,841	$ 454,300
Liabilities				
Escrow liabilities	$ 373,263	$ 34,346,878	$ 34,265,841	$ 454,300
Pass-Through Grants				
Assets				
Cash	$ 109,847	$ 300,000	$ -	$ 409,847
Investments	1,430,325	93,456	300,000	1,223,781
Total assets	$ 1,540,172	$ 393,456	$ 300,000	$ 1,633,628
Liabilities				
Escrow liabilities	$ 1,540,172	$ 393,456	$ 300,000	$ 1,633,628
Total Agency Funds				
Assets				
Cash	$ 751,093	$ 68,863,026	$ 68,333,750	$ 1,280,369
Investments	1,430,325	93,456	300,000	1,223,781
Total assets	$ 2,181,418	$ 68,956,482	$ 68,633,750	$ 2,504,150
Liabilities				
Due to other governments	$ 267,983	$ 34,216,148	$ 34,067,909	$ 416,222
Escrow liabilities	1,913,435	34,740,334	34,565,841	2,087,928
Total liabilities	$ 2,181,418	$ 68,956,482	$ 68,633,750	$ 2,504,150

Statistical Section

This section of the City of Harrisburg's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents | Page(s)

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 127

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant revenue sources. 137

Debt Capacity
The schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 142

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 151

Operating Information
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. 153

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

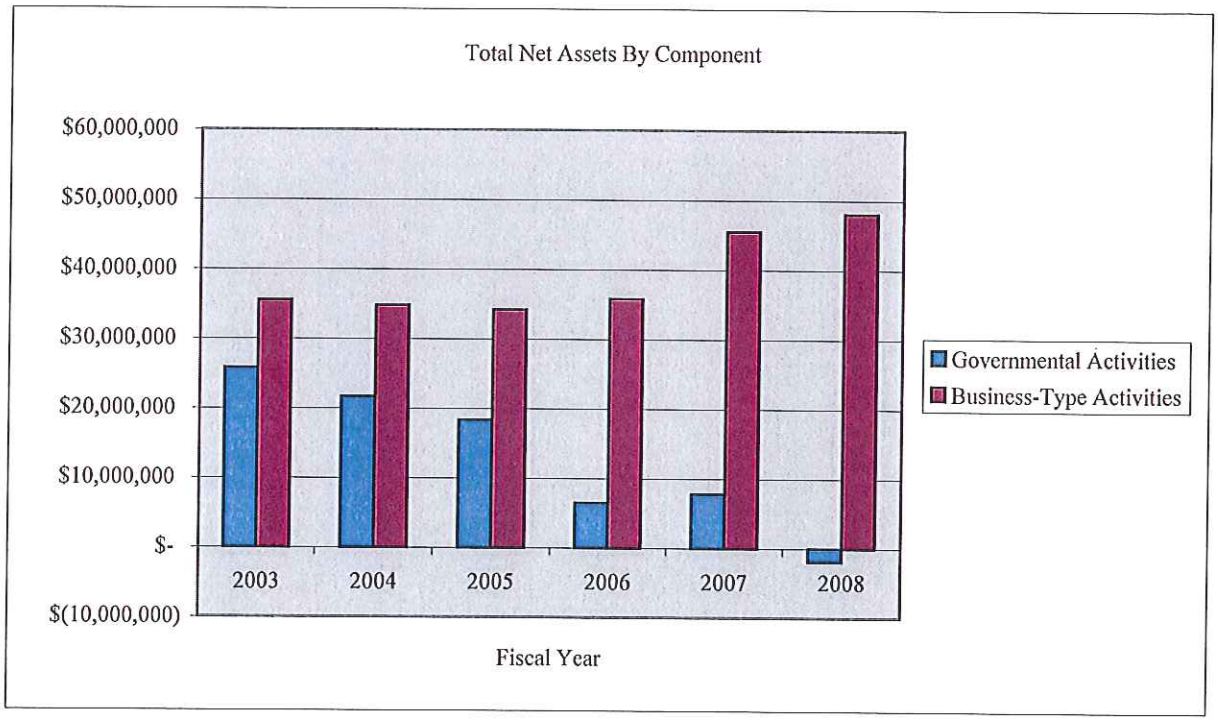
City of Harrisburg, Pennsylvania
Net Assets by Component, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year [1]			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	$ 52,642,998	$ 49,149,879	$ 46,519,502	$ 44,681,389
Restricted	1,285,912	1,046,429	298,844	464,077
Unrestricted	(28,143,689)	(28,512,094)	(28,462,588)	(38,673,374)
Total governmental activities net assets	$ 25,785,221	$ 21,684,214	$ 18,355,758	$ 6,472,092
Business-type activities				
Invested in capital assets, net of related debt	$ 33,299,154	$ 32,108,971	$ 29,337,050	$ 30,474,403
Restricted	712,076	721,131	1,958,134	1,674,844
Unrestricted	1,528,654	1,964,593	2,891,358	3,654,178
Total business-type activities net assets	$ 35,539,884	$ 34,794,695	$ 34,186,542	$ 35,803,425
Primary government				
Invested in capital assets, net of related debt	$ 85,942,152	$ 81,258,850	$ 75,856,552	$ 75,155,792
Restricted	1,997,988	1,767,560	2,256,978	2,138,921
Unrestricted	(26,615,035)	(26,547,501)	(25,571,230)	(35,019,196)
Total primary government net assets	$ 61,325,105	$ 56,478,909	$ 52,542,300	$ 42,275,517

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

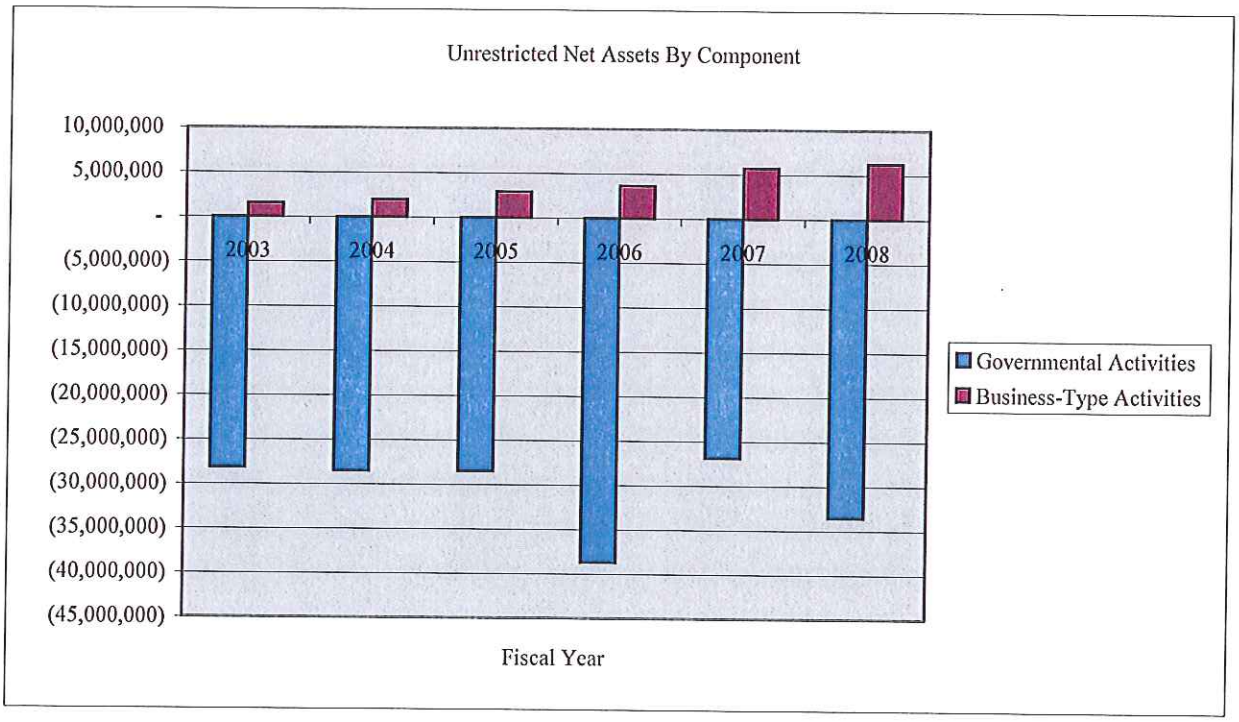
(2) Invested in capital assets, net of related debt was reduced by the cost of certain artifacts held for sale by the City, in the amount of $7.4 million. In addition, invested in capital assets, net of related debt was reduced by $5.9 million in depreciation expense, net of $3.6 million in capital asset additions.

(3) Implemented GASB Statement 45, which required the City to record $12.7 million of post-employment benefits.



Source: City's audited basic financial statements

Fiscal Year[1]	
2007	2008
$ 34,134,373 [2]	$ 30,518,850
545,748	1,130,021
(26,863,204) [2]	(33,523,545) [3]
$ 7,816,917	$ (1,874,674)
$ 34,656,628	$ 34,753,854
5,140,351	7,044,942
5,705,108	6,254,761
$ 45,502,087	$ 48,053,557
$ 68,791,001	$ 65,272,704
5,686,099	8,174,963
(21,158,096)	(27,268,784)
$ 53,319,004	$ 46,178,883



City of Harrisburg, Pennsylvania
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year [1]			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	$ 11,590,561	$ 12,534,250	$ 14,140,790	$ 13,031,646
Building and housing development	8,194,518	6,916,005	6,889,200	6,882,911
Public safety	28,410,183	29,450,765	33,096,267	32,619,877
Public works	8,902,217	8,458,043	8,409,045	8,909,731
Parks and recreation	4,470,303	4,153,782	4,269,849	4,324,052
Incinerator	-	-	-	6,119,838 [2]
Tourism	-	-	-	-
Interest on long-term debt	5,868,613	5,949,891	5,352,500	5,333,204
Total governmental activities expenses	67,436,395	67,462,736	72,157,651	77,221,259
Business-type activities:				
Sewer	14,106,106	12,925,132	14,400,217	13,835,359
Sanitation	3,062,737	2,660,599	3,068,741	2,917,043
Harrisburg Senators	1,003,847	1,004,283	1,636,709	1,914,398
Total business-type activities expenses	18,172,690	16,590,014	19,105,667	18,666,800
Total primary government expenses	$ 85,609,085	$ 84,052,750	$ 91,263,318	$ 95,888,059
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 16,692,904	$ 11,883,953	$ 15,282,154	$ 14,612,126
Building and housing development	2,149,472	3,716,510	1,402,181	1,796,060
Public safety	3,997,442	4,401,341	4,466,370	4,786,780
Public works	1,885,880	1,799,188	2,214,138	1,996,113
Parks and recreation	247,300	218,669	291,885	181,071
Incinerator	-	-	-	-
Operating grants and contributions	14,237,111	10,888,006	11,990,054	7,199,902
Capital grants and contributions	1,691,550	-	2,165,159	3,329,257
Total governmental activities program revenue	40,901,659	32,907,667	37,811,941	33,901,309
Business-type activities:				
Charges for services:				
Sewer	12,028,851	12,200,820	12,995,888	13,151,051
Sanitation	3,791,582	3,829,365	3,798,436	4,007,812
Harrisburg Senators	287,281	224,973	236,912	424,279
Operating grants and contributions	-	101,955	111,640	86,856
Capital grants and contributions	-	-	-	657,537
Total business-type activities program revenue	16,107,714	16,357,113	17,142,876	18,327,535
Total primary government program revenues	$ 57,009,373	$ 49,264,780	$ 54,954,817	$ 52,228,844

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

(2) Includes amounts due from the City's Resource Recovery Facility that do not meet the available criteria.

(3) Valuation adjustments related to certain City artifacts.

(4) The City sold the Harrisburg Senators minor league baseball franchise.

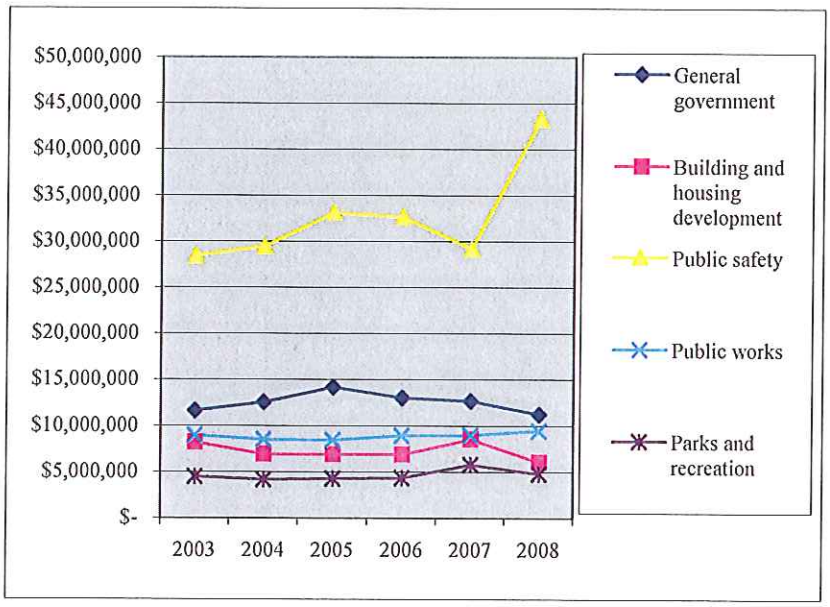
(5) Current year implementation of Governmental Accounting Standards Board Statement Number 45

(6) Increased administrative service charges of $831,370 and current year implementation of Governameal Accounting Standards Board Statement Number 45.

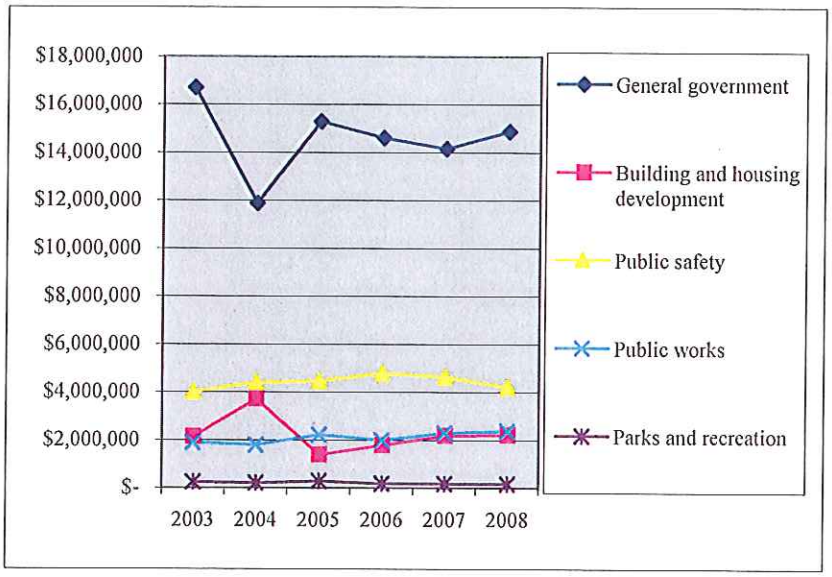
Source: City audited basic financial statements

(Continued)

Fiscal Year[1] 2007		Fiscal Year[1] 2008	
$ 12,673,605		$ 11,227,267	
8,549,637		6,074,003	
29,181,612		43,249,161	(5)
8,952,746		9,439,071	
5,797,490		4,797,981	
714,171	(2)	-	
4,835,059	(3)	280,072	
5,682,610		5,859,272	
76,386,930		80,926,827	
13,532,864		15,093,480	(6)
3,085,391		3,380,182	
1,571,502		677,038	
18,189,757		19,150,700	
$ 94,576,687		$ 100,077,527	



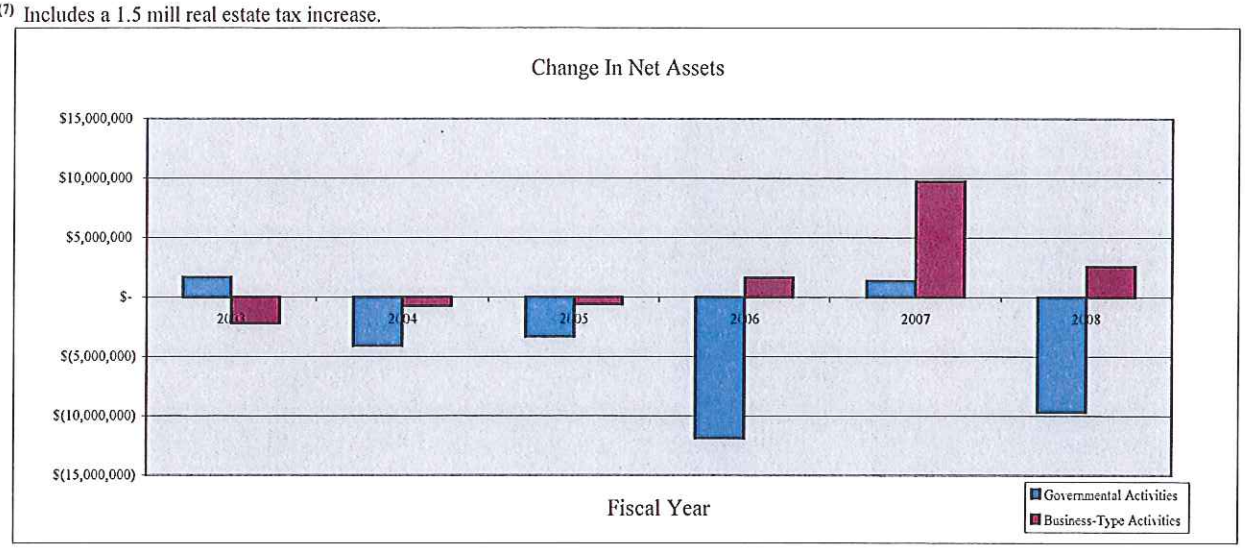
$ 14,153,412		$ 14,879,393	
2,191,924		2,214,519	
4,635,158		4,215,536	
2,295,614		2,375,503	
181,970		175,629	
2,042,696		714,171	
11,837,574		9,387,069	
2,368,927		2,163,278	
39,707,275		36,125,098	
14,359,821		15,054,421	
4,103,601		4,204,769	
8,703,664	(4)	715,113	
104,607		137,294	
1,665,268		1,025,582	
28,936,961		21,137,179	
$ 68,644,236		$ 57,262,277	



City of Harrisburg, Pennsylvania
Changes in Net Assets, Last Ten Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year [1]			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental activities	$ (26,534,736)	$ (34,555,069)	$ (34,345,710)	$ (43,319,950)
Business-type activities	(2,064,976)	(232,901)	(1,962,791)	(339,265)
Total primary government net expense	$ (28,599,712)	$ (34,787,970)	$ (36,308,501)	$ (43,659,215)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	$ 13,638,868	$ 13,703,997	$ 13,103,137	$ 13,981,639
Real estate transfer taxes	850,269	885,956	1,101,829	818,858
Emergency and municipal services taxes	-	-	2,755,773	3,016,240
Occupational privilege taxes	332,578	336,509	26,623	6,311
Earned income taxes	3,235,092	3,111,689	3,346,735	3,390,099
Business privilege taxes	3,214,854	3,543,414	3,478,057	3,497,175
Franchise taxes	393,646	460,819	451,881	474,849
Public utility realty taxes	37,343	28,848	38,868	39,536
Payments in lieu of taxes	99,442	353,793	403,920	422,799
Grants and contributions	6,142,461	6,993,887	6,616,045	6,354,219
Unrestricted investment earnings	78,620	486,598	634,910	584,035
Gain (loss) on sale of capital assets	(25,239)	-	-	-
Transfers - internal activities	192,236	548,552	(940,524)	(1,149,476)
Total governmental activities	28,190,170	30,454,062	31,017,254	31,436,284
Business-type activities				
Investment earnings	39,986	36,264	414,114	806,672
Gain (loss) on sale of capital assets	14,706	-	-	-
Transfers - internal activities	(192,236)	(548,552)	940,524	1,149,476
Total business-type activities	(137,544)	(512,288)	1,354,638	1,956,148
Total primary government general revenues	$ 28,052,626	$ 29,941,774	$ 32,371,892	$ 33,392,432
Change in Net Assets				
Governmental activities	$ 1,655,434	$ (4,101,007)	$ (3,328,456)	$ (11,883,666)
Business-type activities	(2,202,520)	(745,189)	(608,153)	1,616,883
Total primary government change in net assets	$ (547,086)	$ (4,846,196)	$ (3,936,609)	$ (10,266,783)

[7] Includes a 1.5 mill real estate tax increase.



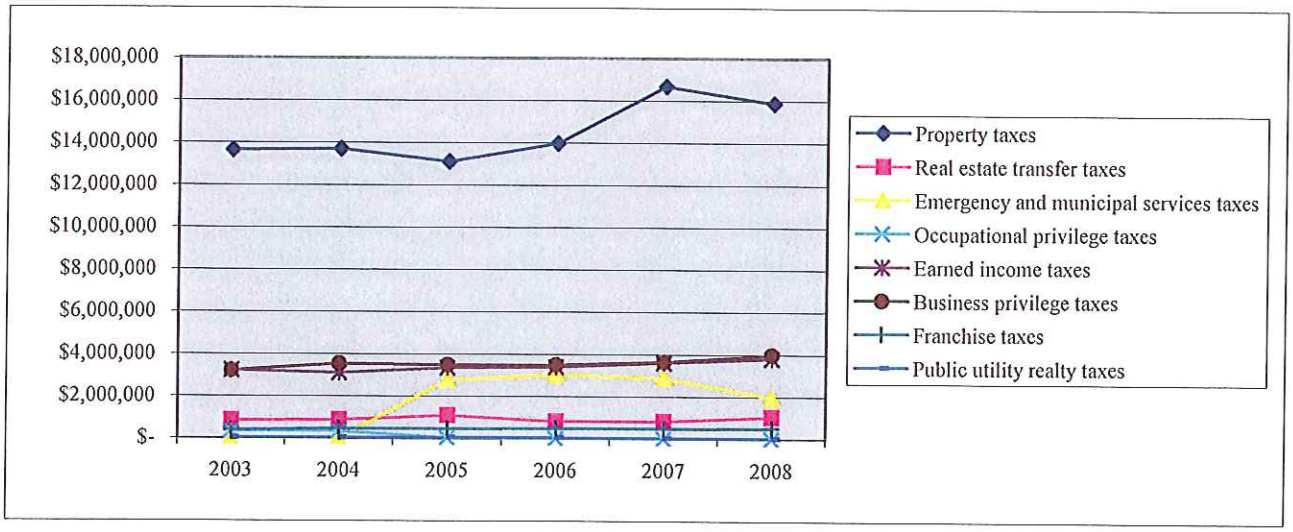
Source: City audited basic financial statements

(Continued)

Fiscal Year [1]	
2007	2008
$ (36,679,655)	$ (44,801,729)
10,747,204	1,986,479
$ (25,932,451)	$ (42,815,250)

$ 16,684,189 [7]	$ 15,879,973
843,295	1,044,116
2,865,835	1,950,258
1,557	85
3,605,141	3,810,889
3,653,993	3,980,739
476,585	510,448
35,585	36,288
484,975	429,151
6,886,276	7,340,486
750,284	477,404
-	-
1,736,765	(349,699)
38,024,480	35,110,138
688,223	215,292
-	-
(1,736,765)	349,699
(1,048,542)	564,991
$ 36,975,938	$ 35,675,129

$ 1,344,825	$ (9,691,591)
9,698,662	2,551,470
$ 11,043,487	$ (7,140,121)



City of Harrisburg, Pennsylvania
Fund Balances, Governmental Funds, Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	1999	2000 [1]	2001	2002 [2]
General Fund				
Reserved	$ 3,406,225	$ 3,328,742	$ 3,982,022	$ 3,679,449
Unreserved	6,001,312	8,373,469	6,031,758	2,833,123
Total General Fund	$ 9,407,537	$ 11,702,211	$ 10,013,780	$ 6,512,572
Other Governmental Funds				
Reserved, reported in:				
Debt Service Fund	$ 755,826	$ 574,291	$ 457,068	$ 223,925
Capital Projects Fund	8,168,025	4,615,654	5,776,812	4,176,915
Special Revenue	90,742	-	-	-
Unreserved, reported in:				
Capital Projects Fund	-	-	-	-
Special Revenue	456,129	341,737	368,829	375,815
Total Other Governmental Funds	$ 9,470,722	$ 5,531,682	$ 6,602,709	$ 4,776,655
Total Governmental Funds	$ 18,878,259	$ 17,233,893	$ 16,616,489	$ 11,289,227

(1) There was a restatement of fund balance to correct revenue and expenditure accruals in the amount of ($344,154).

(2) There was a residual equity transfer from the Hydroelectric Dam Fund, an enterprise fund, in the amount of ($344,047).

(3) There was a restatement of fund balance to record receivables in accordance with GASB 33 in the amount of $1,125,838 and change the presentation of the expendable trust fund to a governmental fund in accordance with GASB 34 in the amount of $128,807.

(4) Proceeds from $8.3 million capital lease.

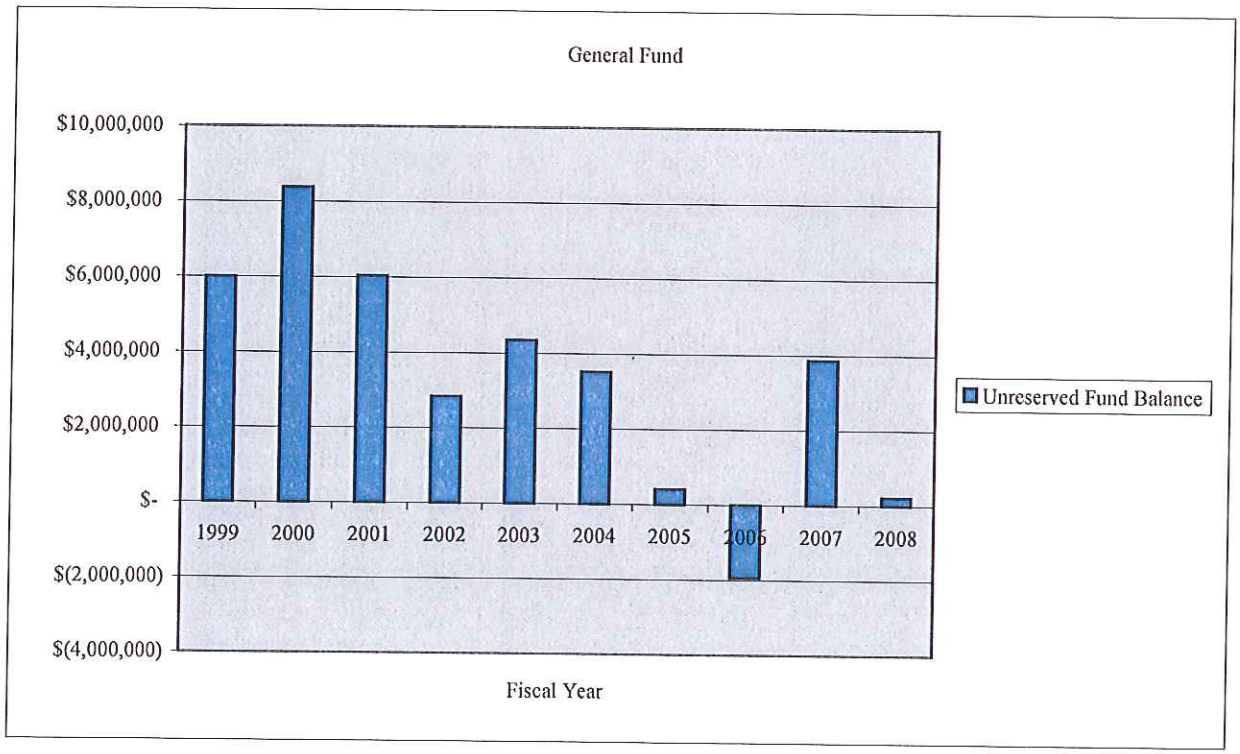
(5) Proceeds from $1.3 million sale of City artifacts and 1.5 mill real estate tax increase.

(6) $500,000 in gruarantee fees on behalf of the Harrisburg Parking Authority bond issue and a portion of the sale of the Harrisburg Senators minor league baseball franchise to be used for 2008 debt service.

(7) Represents proceeds from sale of assets received in 2007 and used to make a $1.9 million principal payment on the Revenue Bonds Series of 2006 in January of 2008.

Source: City's audited basic financial statements

Fiscal Year					
2003 [3]	2004	2005	2006	2007	2008
$ 4,229,266	$ 3,341,089	$ 3,333,097	$ 2,645,620	$ 10,409,125 [4]	$ 13,373,865
4,345,727	3,511,674	406,178	(1,939,764)	3,862,932 [5]	220,122
$ 8,574,993	$ 6,852,763	$ 3,739,275	$ 705,856	$ 14,272,057	$ 13,593,987
$ 98,229	$ 65,469	$ 68,898	$ 57,526	$ 1,976,214 [6]	$ 154,071 [7]
4,693,722	3,803,250	3,653,716	3,572,793	2,119,178	61,493
-	-	-	26,142	-	-
-	-	-	-	(628,011)	2,106,350
372,927	358,148	296,551	328,372	320,790	318,280
$ 5,164,878	$ 4,226,867	$ 4,019,165	$ 3,984,833	$ 3,788,171	$ 2,640,194
$ 13,739,871	$ 11,079,630	$ 7,758,440	$ 4,690,689	$ 18,060,228	$ 16,234,181



City of Harrisburg, Pennsylvania

Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	1999	2000	2001	2002
Revenues				
Taxes	$ 17,725,513	$ 18,821,081	$ 18,984,666	$ 20,712,704
Licenses and permits	392,418	415,979	467,488	497,777
Intergovernmental revenues	17,589,758	26,906,417	16,706,490	15,299,379
Department earnings and program revenue	13,951,499	13,877,353	16,518,832	17,823,989
Fines and forfeits	1,373,780	1,315,675	1,330,175	1,448,632
Investment income	1,182,583	2,348,892	977,590	197,297
Miscellaneous	3,159,906	5,720,349	3,993,829	2,046,823
Total revenues	55,375,457	69,405,746	58,979,070	58,026,601
Expenditures				
Current				
General government	10,656,644	12,205,120	12,668,074	12,496,619
Building & housing development	15,192,087	10,084,316	10,734,508	7,527,264
Public safety	18,544,296	19,152,113	20,354,570	25,611,221
Public works	3,983,674	4,178,179	4,643,158	4,535,518
Parks and recreation	3,035,742	3,154,921	3,410,527	3,709,992
Incinerator	-	-	-	-
Tourism	-	-	-	-
Capital outlay				
Infrastructure	2,747,046	757,869	3,548,782	799,693
Other	4,756,984	19,806,708	8,422,298	4,638,181
Debt service				
Principal retirements	6,248,275	7,096,743	7,407,674	7,866,445
Interest and fiscal charges	3,271,932	1,340,148	1,035,646	860,632
Total expenditures	68,436,680	77,776,117	72,225,237	68,045,565
Excess of revenues over (under) expenditures	(13,061,223)	(8,370,371)	(13,246,167)	(10,018,964)
Other financing sources (uses)				
Proceeds from debt	-	3,633,042	9,559,175	749,327
Proceeds from sale of assets	-	-	-	-
Transfers in-component unit	-	2,791,939	2,526,764	3,878,282
Transfers in	10,080,627	10,523,514	9,014,849	9,556,698
Transfers out	(9,630,260)	(9,878,336)	(8,472,025)	(9,148,558)
Total other financing sources (uses)	450,367	7,070,159	12,628,763	5,035,749
Net change in fund balances	$ (12,610,856)	$ (1,300,212)	$ (617,404)	$ (4,983,215)
Debt service as a percentage of noncapital expenditures	15.5%	14.4%	13.6%	13.9%

(1) Pennsylvania Infrastructure Bank Note issued to re-surface various streets City-wide.

(2) Proceeds from the issuance of an $8.3 million capital lease to finance the purchase of City-wide equipment and vehicles.

(3) Includes approximately $4.2 million of transfers from the General Fund to the Capital Projects Fund for the purchase of capital equipment related to the $8.3 million capital lease.

Source: City's audited basic financial statements

Fiscal Year					
2003	2004	2005	2006	2007	2008
$ 21,363,287	$ 23,370,790	$ 24,246,730	$ 23,825,971	$ 27,297,475	$ 26,836,116
423,696	490,719	483,281	508,799	510,735	540,748
20,170,175	16,703,296	20,023,430	16,193,248	19,836,881	16,829,300
21,933,561	18,445,931	20,045,806	18,569,091	19,308,242	20,187,491
1,697,651	1,811,458	1,752,381	1,690,845	1,974,002	2,109,236
68,877	340,138	482,026	441,384	724,020	507,785
3,833,537	2,345,679	1,668,796	3,306,786	5,189,161	3,798,167
69,490,784	63,508,011	68,702,450	64,536,124	74,840,516	70,808,843
11,548,582	12,343,903	15,436,778	14,166,029	14,271,691	9,503,511
8,057,397	6,740,051	6,068,648	6,760,858	8,591,941	5,673,155
29,474,614	29,115,507	32,493,418	31,413,352	28,309,666	30,801,966
5,176,582	5,404,400	5,338,939	5,913,597	6,176,533	6,287,360
4,141,567	3,651,103	3,871,001	4,279,564	5,232,885	3,931,704
-	-	-	6,119,838	714,171	-
-	-	-	-	571,251	97,564
78,956	(19,931)	17,140	35,713	-	2,245,948 (1)
304,522	685,053	11,947	-	1,425	4,503,504 (2)
9,322,572	15,290,392	8,282,138	8,385,421	7,994,171	11,063,705
1,010,029	1,079,473	440,827	541,827	927,500	1,150,297
69,114,821	74,289,951	71,960,836	77,616,199	72,791,234	75,258,714
375,963	(10,781,940)	(3,258,386)	(13,080,075)	2,049,282	(4,449,871)
627,800	6,540,147	251,687	11,159,450	8,275,085 (2)	2,400,000
-	1,033,000	626,033	2,350	1,308,407	573,523
-	-	-	-	-	-
8,852,997	10,437,623	8,707,948	7,744,517	9,926,213	15,425,398 (3)
(8,660,761)	(9,889,071)	(9,648,472)	(8,893,993)	(8,189,448)	(15,775,097) (3)
820,036	8,121,699	(62,804)	10,012,324	11,320,257	2,623,824
$ 1,195,999	$ (2,660,241)	$ (3,321,190)	$ (3,067,751)	$ 13,369,539	$ (1,826,047)
16.6%	23.0%	12.8%	12.1%	12.9%	18.0%

City of Harrisburg, Pennsylvania

Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property (Real Estate) [1]	Real Estate Transfer [2]	Local Services/ Occupational Privilege [3]	Earned Income [4]	Business Privilege/ Mercantile [5]	Total
1999	$ 11,279,490	$ 439,203	$ 328,014	$ 2,895,306	$ 2,783,500	$ 17,725,513
2000	12,264,249 [6]	372,838	343,212	3,015,003	2,825,779	18,821,081
2001	12,179,214	331,675	326,507	3,190,322	2,956,948	18,984,666
2002	13,594,940 [7]	448,787	324,743	3,358,138	2,986,096	20,712,704
2003	13,618,418	850,269 [8]	332,578	3,235,092	3,326,930 [9]	21,363,287
2004	15,194,054 [10]	885,956	336,509	3,111,689	3,842,582	23,370,790
2005	13,321,183	1,101,829	2,782,396	3,346,735	3,694,587	24,246,730
2006	12,806,048	818,858	3,022,551	3,390,099	3,788,415	23,825,971
2007	16,077,025 [11]	843,295	2,867,389	3,605,142	3,904,624	27,297,475
2008	16,346,529	1,044,116	1,950,343 [12]	3,810,890	3,684,238	26,836,116
Change 1999-2008	44.9%	137.7%	494.6%	31.6%	32.4%	51.4%

(1) The Dauphin County Board of Assessments performs property assessments. The City levies the tax on 100% of the value assigned by the County. The tax within the City is levied as two rates (termed "Two-Rate Property Tax").

(2) The City imposes a Real Estate Transfer Tax of 1% of the selling price or market value of real estate transferred within the City. This tax is collected by the County for which the County is paid a 2% commission on transfer taxes collected. The City shares this tax equally with the School District.

(3) For the years 1999 through 2004, the City levied an Occupational Privilege Tax of $10.00 per person for anyone working within the City. This tax was withheld by the employer and allocated equally between the City and School District. Beginning in 2005, the City started receiving the new Emergency and Municipal Service Tax (EMS). This tax was created by the Pennsylvania Legislature in November 2004 and replaced the Occupational Privilege Tax. This tax enables Pennsylvania municipalities to increase their previous levy of the tax from $10.00 to $52.00 per year on a similar tax base. The School District continues to receive $5.00 of the levy.

(4) City residents pay an Earned Income Tax (EIT) of 1%, which is shared equally with the School District. Non-residents who work within the City and who do not pay an Earned Income Tax to the municipality of their residence also pay the 1% EIT. This tax is administered by the Capital Tax Collection bureau (CTCB) for which the CTCB is paid a 2.5% commission on the EIT collected. Since the EIT is withheld by the employer, a high level of compliance exists.

(5) The City levies a Business Privilege and Mercantile Tax on gross receipts. The City shares equally the Mercantile portion of this tax with the School District. Additionally, there are taxes and fees levied on mechanical devices (pinball, billiard tables, video games, etc.). Also, a 10% Amusement Tax is levied on admission prices to places of amusement, entertainment or recreation within the City. The City shares this tax equally with the School District. A Parking Tax of 15% is also levied on the consideration paid by patrons of the City parking garages and lots.

(6) Real Estate Tax revenue increased approximately $1.1 million due to a tax rate increase, the City's first increase since 1988.

(7) Real Estate Tax billing increased over $1.3 million due to a court ordered county-wide reassessment, the first such reassessment since 1972. This action increased taxable property assessments by nearly 100%, effective January 1, 2002.

(8) Many properties were transferred within the City in 2003 due to favorable mortgage rates.

(9) The Parking Tax was increased from 10% to 15% in 2003, producing approximately $400,000 in new revenue.

(10) In 2004, the City of Harrisburg sold the 2003 and prior years delinquent real estate tax liens to the Harrisburg Redevelopment Authority.

(11) Includes a 1.5 mill real estate tax increase.

(12) Local Services Tax decreased by approximately $900,000 due to changes in state collection laws and income limits.

Source: City's audited basic financial statements

City of Harrisburg, Pennsylvania

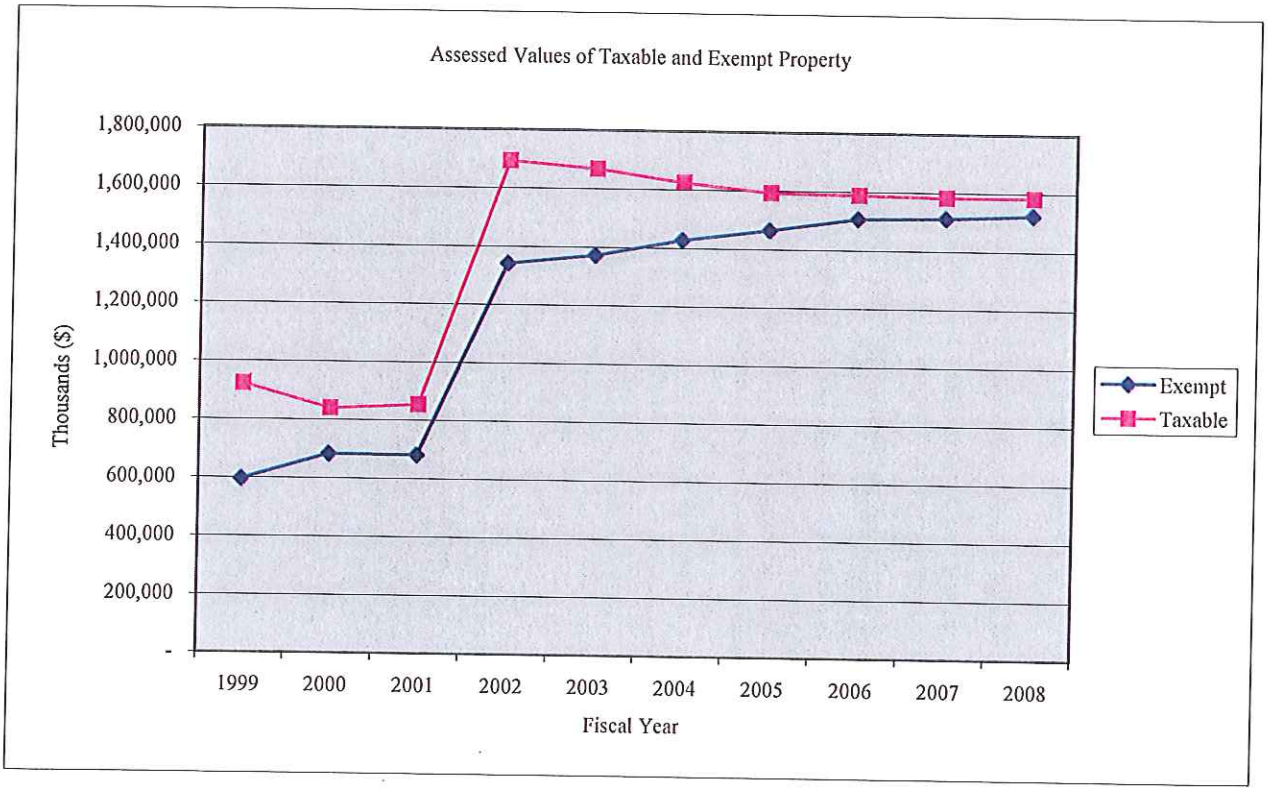
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Agriculture/ Land/ Lots	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
1999 (1)	$ -	$ -	$ -	$ -	$ 596,900	$ 924,330	$ 13.97	$ 1,140,326
2000 (1)	-	-	-	-	683,119	841,504	15.62	1,106,544
2001 (1)	-	-	-	-	681,498	856,205	15.59	1,126,750
2002 (2)	649,169	891,656	125,800	29,212	1,342,512	1,695,837	8.53	1,189,620
2003	646,254	868,543	125,800	29,221	1,373,032	1,669,818	8.60	1,168,606
2004	646,228	825,326	125,800	29,206	1,428,326	1,626,560	8.66	1,316,425
2005	618,009	856,381	113,874	6,394	1,465,007	1,594,658	8.63	1,288,189
2006	621,096	848,692	112,824	7,761	1,507,443	1,590,373	8.64	1,450,906
2007	621,796	843,480	111,655	7,903	1,511,890	1,584,834	8.64	1,444,979
2008	- (1)	- (1)	- (1)	- (1)	1,524,166	1,584,939	8.64	1,651,877

(1) Allocation of assessed values data was not available from the State Tax Equalization Board for years prior to 2002 and as of 12/23/09.

(2) Reflects the result of a court-ordered County-wide reassessment effective January 1, 2002. This was the first such reassessment since 1972, increasing the City's taxable assessed property value base by nearly 100%.



Source: State Tax Equalization Board (www.steb.state.pa.us)

City of Harrisburg, Pennsylvania

Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years

(rate per $1,000 of assessed value)

	City Direct Rates [1]					Overlapping Rates [1]	
Fiscal Year	Basic Rate	General Obligation Debt Service	Dauphin County Library	Recreation Purposes	Total Direct Rate [2][3]	Harrisburg School District	Dauphin County
1999	$ 3.71	$ 6.99	$ 0.06	$ 3.21	$ 13.97	$ 40.62	$ 8.55
2000	3.21	8.95	0.06	3.40	15.62	40.62	9.80
2001	2.06	10.00	0.06	3.47	15.59	40.62	9.80
2002	1.42 [4]	5.30 [4]	0.03 [4]	1.78 [4]	8.53 [4]	21.23	5.07
2003	1.58	5.00	0.03	1.99	8.60	21.23	6.13
2004	1.55	4.99	0.03	2.09	8.66	21.23	7.23
2005	0.86	5.60	0.03	2.14	8.63	21.23	7.23
2006	1.05	5.58	0.03	1.98	8.64	21.23	7.23
2007	4.56	3.62	0.03	1.94	10.15 [5]	22.35	7.23
2008	1.80	6.45	0.03	1.80	10.08	23.75	7.23

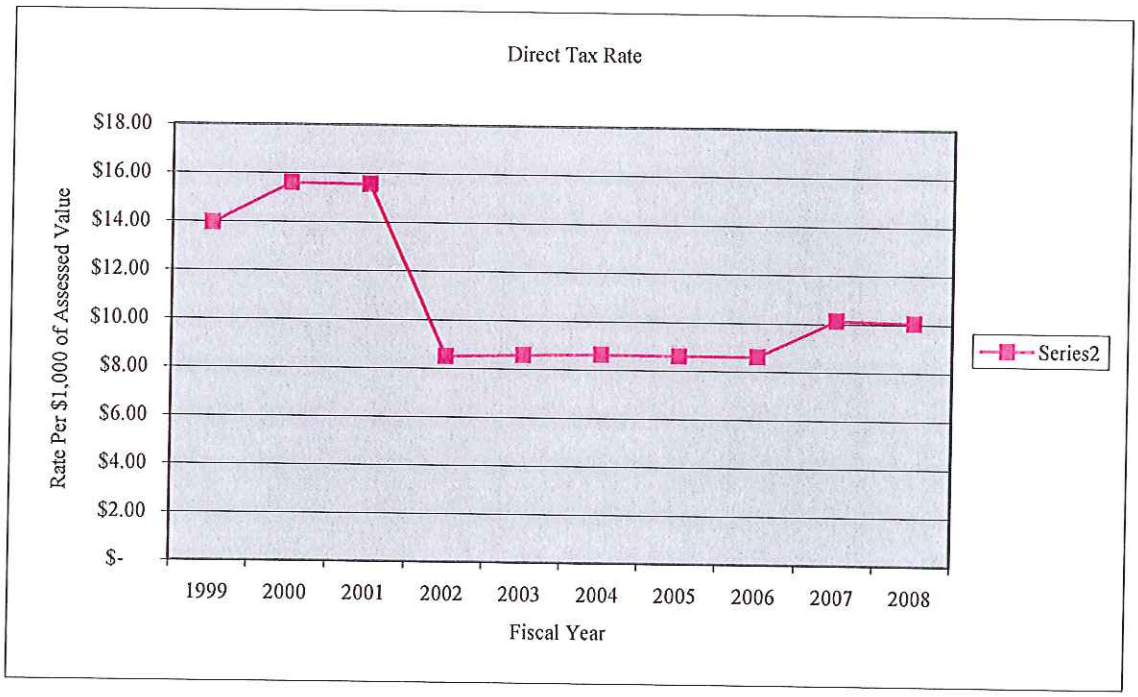
(1) The City's direct property tax rate may be increased only by a majority vote of City Council. Overlapping rates are those of other tax levying entities that apply to property owners within the City of Harrisburg.

(2) This amount represents an equivalent single tax rate. The City actually utilizes a split-rate, or two-rate, tax system whereby land is currently taxed at a rate six times greater than the tax rate on buildings and improvements.

(3) The City is permitted by the Third Class City Code to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general City purposes. However, under an order of court dated December 20, 1982, the City was authorized to exceed the statutory general millage rate, up to a maximum of 30 mills.

(4) Via a court order, the county of Dauphin reassessed all real property county-wide effective January 1, 2002, the first such reassessment since 1972, increasing taxable and non-taxable property values nearly 100%. By law, property tax rates within the City, School District, and County were decreased proportionately so as not to exceed a 10% maximum increase in property tax levy.

(5) Includes a 1.5 mill real estate tax increase.



Source: City's Approved Budget Document

City of Harrisburg, Pennsylvania
Principal Property Taxpayers, Current Year and Nine Years Ago
(in thousands of dollars)

Taxpayer	2008 Taxable Assessed Value [1]	2008 Rank	2008 Percentage of Total City Taxable Assessed Value	1999 Taxable Assessed Value [1]	1999 Rank	1999 Percentage of Total City Taxable Assessed Value
Harrisburg Redevelopment Authority	$ 98,121	1	6.19	$ 34,608	2	3.74
ESL, Inc./Pa Natl Realty Trust	29,685	2	1.87	20,636	3	2.23
M&T Bank (formerly Allfirst Bank)	21,163	3	1.34	-		-
Harrisburg Hotel Assoc. (Hilton Hotel)	18,523	4	1.17	7,818	9	0.85
Selco Service Corp.	19,900	5	1.26	-		-
Strawberry Square Associates	11,917	6	0.75	-		-
Keystone Central Storage	14,336	7	0.90	-		-
365-369 Ocean Avenue LLC	8,984	8	0.57	-		-
Pinnacle Health System	8,071	9	0.51	-		-
Walnut & Third Inc.	19,000	10	1.20	-		-
Capitol Commercial Corp	-		-	18,334	4	1.98
PA State Employees Credit Union	-		-	7,048	10	0.76
Harristown Development Corp.	-		-	43,928	1	4.75
Dauphin Deposit Bank & Trust	-		-	12,274	5	1.33
Dauphin County Gen. Authority	-		-	12,128	6	1.31
Super Rite Food Inc.	-		-	11,874	7	1.28
McNees, Wallace & Nurick	-		-	8,765	8	0.95
Total	$ 249,700		15.75	$ 177,413		19.19

[1] This table reflects the City's ten highest taxpayers based on the flat tax amount. This may not positively correlate to the assessed value because the City utilizes a split-rate, or two-rate, tax system whereby land is currently taxed at a rate six times greater than the tax rate on buildings and improvements.

Source: City's Bureau of Information Technology

THE CITY OF HARRISBURG
PENNSYLVANIA
INCORPORATED MAR. 19. 1860

City of Harrisburg, Pennsylvania
Property Tax Levies and Collections, Last Ten Fiscal Years

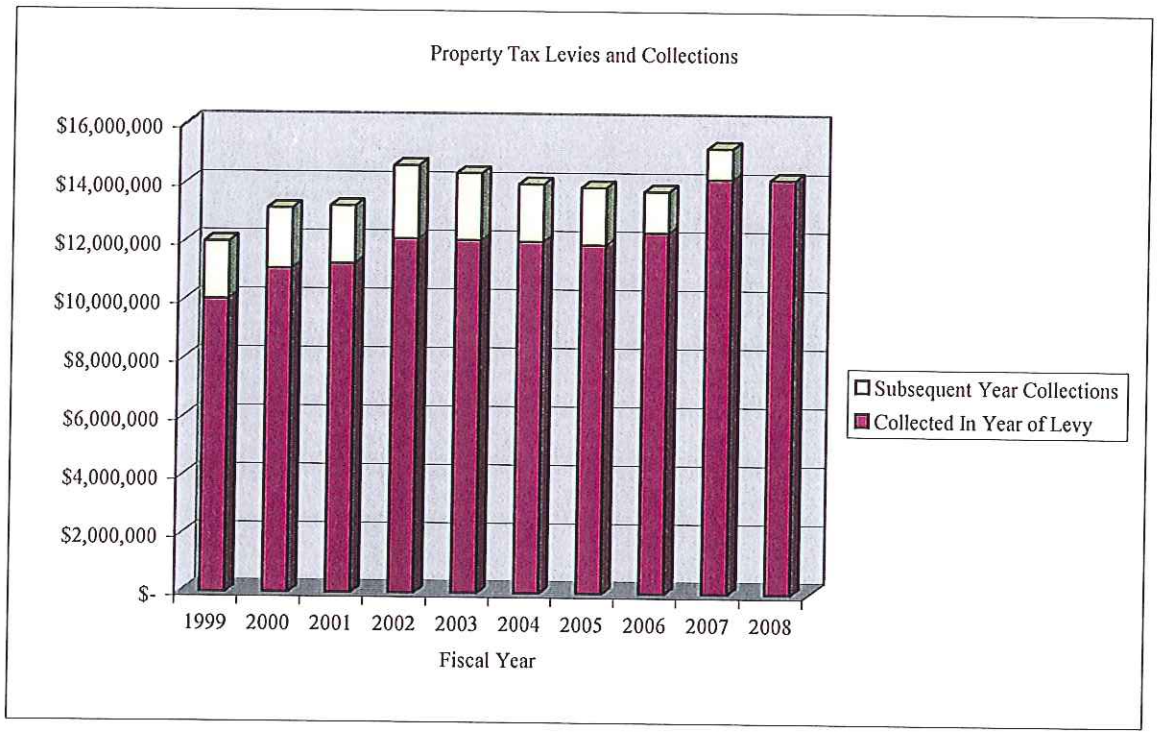
Year	Adjusted Levy	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: % of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: % of Levy
1999	$ 12,009,916	$ 10,015,954	83.40%	$ 1,969,318	$ 11,985,272	99.79%
2000	13,166,873 (1)	11,066,488 (1)	84.05%	2,067,626 (1)	13,134,114 (1)	99.75%
2001	13,255,169	11,246,161	84.84%	1,973,304	13,219,465	99.73%
2002	14,673,651 (2)	12,099,685 (2)	82.46%	2,508,365 (2)	14,608,050 (2)	99.55%
2003	14,422,121	12,061,330	83.63%	2,291,318	14,352,648	99.52%
2004	14,067,468	12,019,060	85.44%	1,969,942	13,989,002 (3)	99.44%
2005	13,993,086	11,919,276	85.18%	1,966,270	13,885,546 (3)	99.23%
2006	13,953,657	12,348,277	88.49%	1,408,427	13,756,704	98.59%
2007	16,365,833 (4)	14,185,140 (4)	86.68%	1,050,917	15,236,057	93.10%
2008	16,246,021	14,172,465	87.24%	-	14,172,465	87.24%

(1) Real Estate Tax billing increased over $1.1 million due to a tax rate increase, the first such increase since 1988.

(2) Real Estate Tax billing increased over $1.3 million due to a court ordered county-wide reassessment, the first such reassessment since 1972. This action increased taxable property assessments by nearly 100%, effective January 1, 2002.

(3) Includes $1.5 million and $1.2 million in proceeds from the sale of the City's tax liens for the years 2004 and prior, and 2005, respectively.

(4) Real Estate Tax billing increased over $2.4 million due to a 1.5 mill tax rate increase.



Source: City's Bureau of Information Technology and Dauphin County Tax Claims Bureau

City of Harrisburg, Pennsylvania
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

	Governmental Activities					Business-type Activities
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Lease Revenue Notes	General Obligation Notes	Capital Leases	Lease Rental
1999	$ 66,347,041	$ 293,700	$ 485,000	$ 27,217,303	$ 200,885	$ 15,281,789
2000	69,949,886	200,250	395,000	34,692,064	205,409	14,064,421
2001	66,034,063	102,250	300,000	36,130,133	9,388,064	12,740,705
2002	61,661,400	-	205,000	38,249,637	8,320,631	11,838,014
2003	57,009,537	-	105,000	40,482,006	7,063,689	10,870,514
2004	52,071,077	-	-	42,112,528	6,684,473	9,827,270
2005	49,886,425	-	-	42,405,157	5,482,349	8,708,596
2006	47,480,766	7,200,000	-	46,638,776	4,084,633	7,508,856
2007	44,881,318	7,200,000	-	47,109,546	11,244,437 (3)	6,219,694
2008	42,050,335	5,281,310	-	50,013,240 (5)	9,043,850	4,830,416

(1) Personal Income information estimated based on the Harrisburg-Carlisle, Pennsylvania Metorpolitan Statistical Area (See Page 151).

(2) Per Capita information based on U.S. Census Bureau Data for the City of Harrisburg (See Page 144).

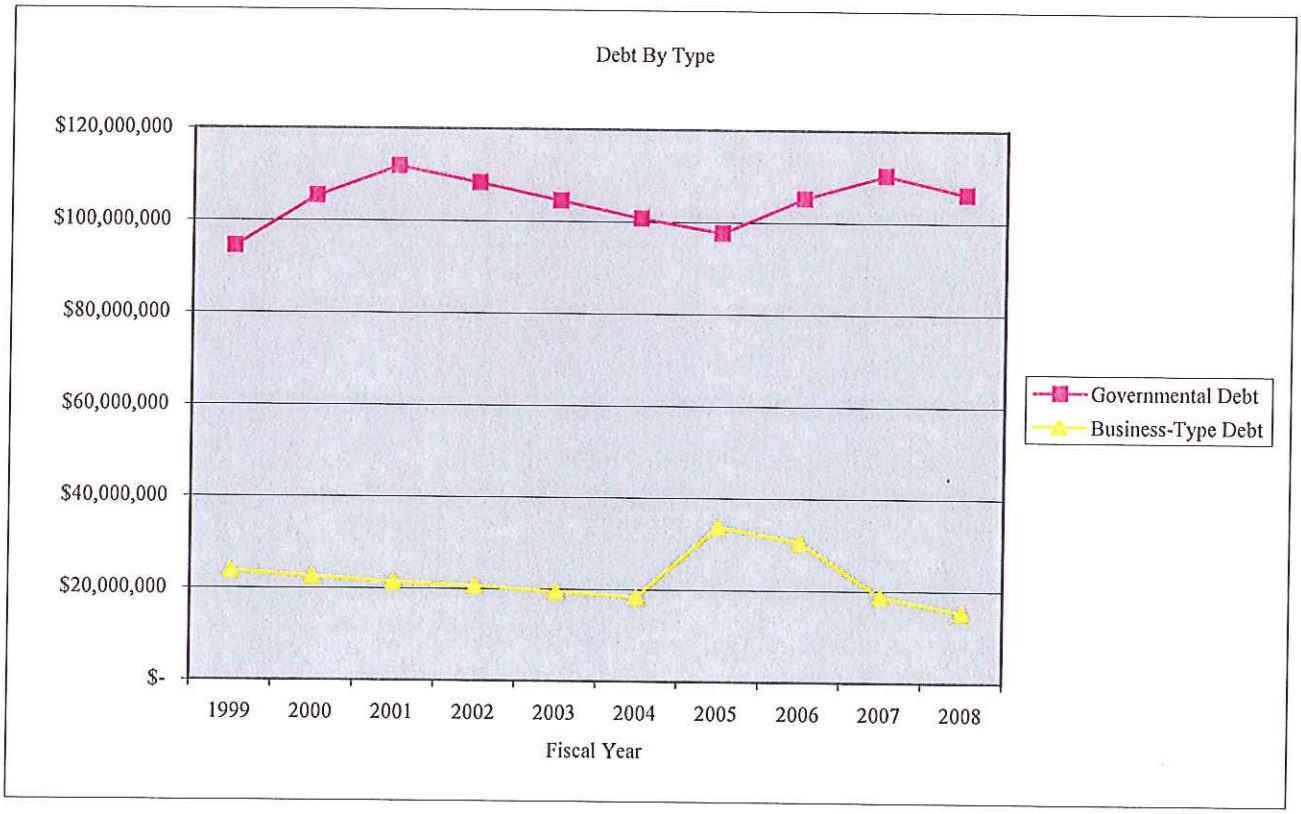
(3) New $8.7 million capital lease to purchase vehicles and equipment.

(4) Proceeds from sale of Harrisburg Senators minor league baseball franchise were used to retire $9 million Senators Revenue Bonds, Series A-1 of 2005.

(5) Includes $2.4 million Pennsylvania Infrastructure Bank Note to resurface various streets City-wide.

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-type Activities								
General Obligation Bonds	Lease Revenue Bonds	Revenue Bonds	General Obligation Notes	Unamortized Discount	Capital Leases	Total Primary Government	% of Personal Income [1]	Per Capital[2]
$ 8,503,493	$ 36,300	$ -	$ -	$ -	$ -	$ 118,365,511	7.90%	2,260
8,499,676	24,750	-	-	-	-	128,031,456	8.80%	2,616
8,429,001	12,750	-	-	-	224,630	133,361,596	8.88%	2,724
8,351,702	-	-	-	-	434,524	129,060,908	8.34%	2,637
8,269,505	-	-	-	-	391,816	124,192,067	7.79%	2,537
8,204,472	-	-	-	-	376,512	119,276,332	7.20%	2,437
6,533,360	-	18,000,000	-	(141,607)	667,120	131,541,400	7.68%	2,687
4,824,157	-	17,815,000	-	(134,169)	516,766	135,934,785	7.63%	2,777
3,012,207	-	8,790,000 [4]	-	(62,940)	861,055 [3]	129,255,317	7.02%	2,641
1,272,038	-	8,570,000	-	(58,490)	666,900	121,669,599	6.61%	2,486



THE CITY OF HARRISBURG
PENNSYLVANIA
INCORPORATED MAR. 19. 1860

City of Harrisburg, Pennsylvania

Ratio of Net General Bonded Debt To Assessed Value, Last Ten Fiscal Years

(in thousands of dollars, except Net General Bonded Debt Per Capita)

Year	Population [1]	Taxable Assessed Value	General Bonded Debt [2]	Less Debt Service Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
1999	52,376	$ 924,330	$ 69,394	[4] $ 756	$ 68,638	7.43	$ 1,310.49
2000	48,950	841,504	[3] 100,722	[5] 574	100,148	11.90	2,045.92
2001	48,950	856,205	102,073	457	101,616	11.87	2,075.91
2002	48,950	1,695,837	[6] 120,505	[7] 224	120,281	7.09	2,457.22
2003	48,950	1,669,818	97,605	[8] 98	97,507	5.84	1,991.97
2004	48,950	1,626,560	97,593	65	97,528	6.00	1,992.40
2005	48,950	1,594,658	96,504	69	96,435	6.05	1,970.07
2006	48,950	1,590,373	95,423	58	95,365	6.00	1,948.21
2007	48,950	1,584,834	93,944	1,976	91,968	5.80	1,878.82
2008	48,950	1,584,939	94,965	154	94,811	5.98	1,936.89

(1) 1999 per 1990 U.S. Census Bureau Data, 2000 through 2008 per 2000 U.S. Census Bureau Data.

(2) General Bonded Debt includes general obligation bonds, lease revenue bonds, and notes payable of the primary government, as well as debt of other entities guaranteed by the primary government. Amounts do not include Section 108 promissory notes and debt which is credited or excluded pursuant to the PA Local Government Unit Debt Act or is to be repaid with enterprise funds.

(3) The County assessed two City hospitals as taxable entities for the first time in 1993 at values totaling $82,830,800. Both hospitals appealed their assessments as taxable entities to the Court of Common Pleas and were granted an exemption for 1993 only. Both hospitals merged in 1996 as part of Pinnacle Health System (Pinnacle) and appealed to the Commonwealth Court with respect to 1994 through 1998. The decision was upheld in January of 1998. Pinnacle appealed this decision to the Pennsylvania State Supreme Court. Both parties reached an agreement prior to the Pennsylvania Supreme Court ruling as follows: Pinnacle would be listed as tax exempt; They would pay the City $1,869,700 in lump sum for the years 1994 - 1998; and pay $267,100 annually for years 1999 - 2001. the City received $2,136,800 in 1999 for the period 1994 - 1999 and $267,100 in 2000 and 2001. Pinnacle has also agreed to make five annual payments in lieu of taxes (PILOTs) to the City, the School District and the County for the period 2003 - 2007, thereafter, the agreement automatically renews for one-year terms, unless a party objects to any such extension. PILOTs of $94,442, $103,499, $92,832, 92,832 and $92,832 were paid for tax years 2003 through 2007.
In 2008 Pinnacle made an extended PILOT payment of $110,421.

(4) HRA Series A of 1994 Bonds outstanding of $9,330,000 and $580,000 G.O. Notes, Series G of 1997, were retired.

(5) Includes issuance of $25,195,000 The Harrisburg Authority Guaranteed Resource Recovery Notes, Series A&B of 2000.

(6) The $848 million increase is primarily attributed to a court ordered county-wide reassessment which took effect January 1, 2002.

(7) Includes issuance of $17,000,000 Guaranteed Resource Recovery Revenue Notes, Series A of 2002.

(8) The Guaranteed Resource Recovery Notes, Series A&B of 2000, in the amount of $25,190,000 at December 31, 2002, were refunded with the excludable Guaranteed Resource Recovery Bonds and Notes, Series A - F of 2003.

Sources: City's Bureau of Information Technology and audited basic financial statements

City of Harrisburg, Pennsylvania
Direct and Overlapping Bonded Debt
As of December 31, 2008

Direct Bonded Debt	Gross Bonded Debt Outstanding [1]	Credits/ Exclusions [2]	Net Bonded Debt Outstanding
Primary Government:			
General Obligation Bonds, Series A & B of 1995	$ 7,345,682	$ 7,345,682	$ -
General Obligation Bonds, Series A1 of 1997	1,180,000	-	1,180,000
General Obligation Refunding Bonds, Series D of 1997	34,796,691	-	34,796,691
General Obligation Refunding Notes, Series F of 1997	40,638,419	-	40,638,419
Pennsylvania Infrastructure Bank Notes	2,729,821	-	2,729,821
Senators Revenue Bonds, Series A1 and A2 of 2005	8,570,000	8,570,000	-
Revenue Bonds, Series of 2006	5,281,310	5,281,310	-
Less: Deferred Loss on Refunding/Unamortized Discount	(58,490)	(58,490)	-
Total Primary Government	$ 100,483,433	$ 21,138,502	$ 79,344,931
Component Units:			
The Harrisburg Authority:			
Sewer Revenue Refunding Bonds, 2nd, & 3rd Series of 1989	$ 6,925,000	$ 6,925,000	$ -
Sewer Revenue Refunding Bonds, Series of 1992	6,925,000	6,925,000	-
Guaranteed Sewer Revenue Notes Series A and B of 1998	1,959,299	1,959,299	-
Water Revenue Bonds, Series A of 2001	4,785,000	4,785,000	-
Water Revenue Bonds, Series A, B, C, and D of 2002	48,825,000	48,825,000	-
Water Revenue Bonds, Series A of 2004	37,045,000	37,045,000	-
Water Revenue Bonds, Series of 2008	69,420,000	69,420,000	-
Guaranteed Resource Recovery Facility Revenue Bonds, Series A of 1998	11,240,000	11,240,000	-
Guaranteed Resource Recovery Facility Revenue Bonds, Series A, D, E and F of 2003	147,555,000	147,555,000	-
Guaranteed Resource Recovery Notes, Series A of 2002	15,620,000	-	15,620,000
Guaranteed Resource Recovery Notes, Series B & C of 2003	53,370,000	53,370,000	-
Guaranteed Resource Recovery Notes, Series C of 2007	23,920,000	23,920,000	-
Guaranteed Resource Recovery Notes, Series D of 2007	10,765,000	10,765,000	-
Less: Deferred Loss on Refunding/Unamortized Discount	(23,236,008)	(23,236,008)	-
Total The Harrisburg Authority	$ 415,118,291	$ 399,498,291	$ 15,620,000
Harrisburg Parking Authority:			
Guaranteed Parking Revenue Bonds, Series K of 2000	$ 11,800,000	$ 11,800,000	$ -
Guaranteed Parking Revenue Bonds, Series J of 2001	28,290,000	28,290,000	-
Guaranteed Parking Revenue Bonds, Series N of 2003	5,265,000	5,265,000	-
Guaranteed Parking Revenue Bonds, Series O of 2003	11,820,000	11,820,000	-
Guaranteed Parking Revenue Bonds, Series P of 2005	16,625,000	16,625,000	-
Guaranteed Parking Revenue Bonds, Series R of 2007	16,965,000	16,965,000	-
Guaranteed Parking Revenue Bonds, Series T of 2007	19,890,000	19,890,000	-
Less: Deferred Loss on Refunding/Unamortized Discount	(3,593,405)	(3,593,405)	-
Total Harrisburg Parking Authority	$ 107,061,595	$ 107,061,595	$ -
Harrisburg Redevelopment Authority:			
Guaranteed Revenue Bonds, Series A and B of 1998	$ 93,590,000	$ 93,590,000	$ -
Infrastructure Bank Loan, 2000	500,000	500,000	-
Less: Unamortized Discount	(52,551,294)	(52,551,294)	-
Total Harrisburg Redevelopment Authority	$ 41,538,706	$ 41,538,706	$ -
Total Component Units	$ 563,718,592	$ 548,098,592	$ 15,620,000
Potential Compenent Units Excluded:			
Harristown Development Corporation:			
Lease Revenue Bonds, Series of 1992	$ 6,742,973	$ 6,742,973	$ -
Total Potential Component Units Excluded	$ 6,742,973	$ 6,742,973	$ -
Total Direct Bonded Debt	$ 670,944,998	$ 575,980,067	$ 94,964,931

(Continued)

City of Harrisburg, Pennsylvania
Direct and Overlapping Bonded Debt (Continued)
As of December 31, 2008

Overlapping Bonded Debt	Gross Bonded Debt Outstanding [1]		Credits/ Exclusions [2]		Net Bonded Debt Outstanding
Dauphin County Bonds and Notes [3]	35,247,554	*	15,654,378	*	19,593,176
Harrisburg School District General Obligation Bonds and Notes [4]	225,235,434		38,975,082		186,260,352
	$ 260,482,988		$ 54,629,460		$ 205,853,528
Total Direct and Overlapping Bonded Debt	$ 931,427,986		$ 630,609,527		$ 300,818,459

	Gross Bonded Debt		Exclusion		Net Bonded Debt
Dauphin County Bonds and Notes [3]	308,144,081	*	136,855,000	*	171,289,081
	11.44%		11.44%		11.44%
	$ 35,247,554		$ 15,654,378		$ 19,593,176
Assessed Value City of Harrisburg	$ 1,584,938,600				
Assessed Value Dauphin County	$ 13,855,981,450				
Pro-Rata Share Hbg/County	11.44%				

(1) Gross Bonded Debt Outstanding does not include $6,645,000 Section 108 promissory notes.

(2) Credits/Exclusions represent all bonds which are not general obligation bonds of the City and are self-liquidating under the PA Local Government Unit Debt Act, portions of general obligation and lease revenue bonds which are payable from enterprise funds of the City, and bonds issued to fund unfunded actuarial accrued pension liability.

(3) Pro Rata 11.44% based on assessed value of share of: Nonelectoral Debt in the amount of $125,010,000; Lease Rental Debt in the amount of $183,134,081; and exclusions from Lease Rental Debt in the amount of $136,855,000 based on Dauphin County's 2007 debt statement.

(4) 100% based on repayment by City residents through school tax.

* 2008 debt figures from Dauphin County were not available as of 12/23/09. 2007 figures are shown as estimates.

Sources: City's audited basic financial statements and annual debt statement filings with the Commonwealth; Dauphin County and Harrisburg School District.

City of Harrisburg, Pennsylvania
Legal Debt Margin, Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year			
	1999	2000	2001	2002
Total Revenues-Past Three Years [1]	$ 119,913	$ 131,639	$ 137,439	$ 144,407
Exclusions-Past Three Years [2]	(9,955)	(13,588)	(14,726)	(14,846)
Net Revenue-Past Three Years	109,959	118,051	122,713	129,561
Annual Arithmetic Average (Borrowing Base)	36,653	39,350	40,904	43,187
Net Nonelectoral Debt Limit (250% of Borrowing Base)	91,632	98,376	102,261	107,968
Net Nonelectoral and Lease Rental Debt Limit (350% of Borrowing Base)	128,285	137,726	143,166	151,155
Net Bonded Debt Outstanding-Nonelectoral [3]	68,615	74,932	76,476	78,110
Net Bonded Debt Outstanding-Nonelectoral and Lease Rental [3]	69,394	100,722	102,073	120,505
Remaining Borrowing Capacity (Debt Margin):				
Nonelectoral [4]	$ 23,017	$ 23,444	$ 25,785	$ 29,858
As A Percentage of Debt Limit	25.1%	23.8%	25.2%	27.7%
Nonelectoral & Lease Rental [5]	$ 58,891	$ 37,004	$ 41,093	$ 30,650
As A Percentage of Debt Limit	45.9%	26.9%	28.7%	20.3%

Note: The statutory borrowing limit of the City under the Commonwealth's Local Governemnt Unit Debt Act is computed as a percentage of the City's "Borrowing Base", calculated as the annual arithmetic average of total "Revenues" (as defined by the Debt Act) for the three full fiscal years ended next preceding the date of incurring debt.

(1) General Fund total revenues, plus other financing sources.

(2) Exclusions represent non-recurring or subsidized receipts.

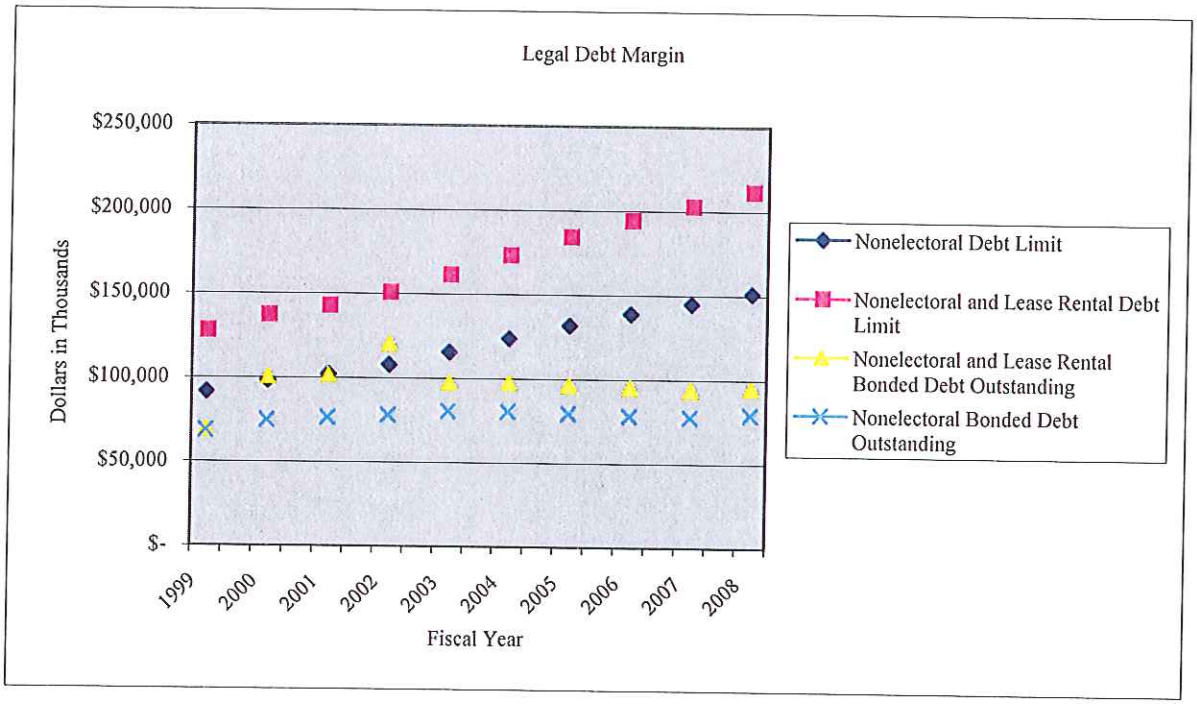
(3) See page 145

(4) Under the Debt Act, new nonelectoral debt may not be incurred if the net amount of such new nonelectoral debt plus all outstanding net nonelectoral debt would cause total net nonelectoral debt to exceed 250 % of the Borrowing Base.

(5) Under the Debt Act, new lease rental debt or new nonelectoral debt may not be incurred if the net amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 350 % of the Borrowing Base.

Source: City's audited basic financial statements and annual debt statement filings with the Commonwealth; exclusions per City's Bureau of Financial Management

Fiscal Year					
2003	2004	2005	2006	2007	2008
$ 150,258	$ 165,253	$ 174,330	$ 181,878	$ 191,542	$ 196,980
(11,418)	(16,375)	(15,964)	(14,901)	(17,327)	(15,287)
138,840	148,878	158,366	166,978	174,215	181,692
46,280	49,626	52,789	55,659	58,072	60,564
115,700	124,065	131,972	139,148	145,179	151,410
161,980	173,691	184,761	194,807	203,251	211,975
80,500	80,593	79,504	78,423	77,614	79,345
97,605	97,593	96,504	95,423	93,944	94,965
$ 35,200 30.4%	$ 43,472 35.0%	$ 52,468 39.8%	$ 60,725 43.6%	$ 67,565 46.5%	$ 72,065 47.6%
$ 64,375 39.7%	$ 76,098 43.8%	$ 88,257 47.8%	$ 99,384 51.0%	$ 109,307 53.8%	$ 117,010 55.2%



City of Harrisburg, Pennsylvania

Schedule of Revenue Bond Coverage-Component Unit-The Harrisburg Authority

Last Ten Fiscal Years

(accrual basis of accounting, in thousands of dollars)

Year	Revenue Available [1]	Expenses [2]	Net Revenue Available for Debt Service [3]	Debt Service Requirements [4] Principal	Interest	Total	Coverage
1999	$ 48,957	$ 23,747	$ 25,210	$ 10,113	$ 15,687	$ 25,800 [5]	0.98
2000	49,234	23,492	25,742	8,487	15,220	23,707	1.09
2001	48,793	23,402	25,392	6,439	16,493	22,932	1.11
2002	44,140 [6]	24,992 [7]	19,148	8,155	16,053	24,208	0.79
2003	44,303 [8]	23,274 [8]	21,029	4,166	14,276	18,442 [9]	1.14
2004	40,306 [10]	21,183 [8]	19,123	4,194	19,308	23,502 [9]	0.81
2005	41,195 [10]	23,511	17,685	4,441	21,442	25,883	0.68
2006	40,050	28,594	11,456	5,135	21,816	26,951	0.43
2007	45,620	32,650	12,970	5,255	23,307	28,562	0.45
2008	55,027	37,301	17,726	6,550	25,794	32,344	0.55

Note: The Harrisburg Authority has pledged the operating revenue of the Water Fund, Sewer Fund, and Resource Recovery Fund, which consists primarily of user charges, as the funding source for payment of all corresponding debt service.

(1) For years 1999 through 2005, the coverage ratio is based on the bond indentures and includes total operating and nonoperating revenues. It also includes surplus carryover from prior year(s), representing beginning of year unrestricted cash and cash equivalents as revenue available for debt service, as well as current year deposits to certain debt service funds restricted for subsequent year's debt service. The City implemented Governmental Accounting Standards Board Statement 44 (GASB 44) during 2006, and as such, the revenue calculation for 2006 and all subsequent years includes operating revenue only.

(2) For years 1999 through 2005, the coverage ratio includes total operating expenses excluding depreciation and total nonoperating expenses excluding interest expense and amortization. The City implemented GASB 44 during 2006, and as such, the expenses included in the debt service coverage ratio includes operating expenses excluding depreciation.

(3) Nonrecurring or extraordinary items of revenue or expense have not been included in determining net revenue available for debt service.

(4) Includes debt service requirements on bonds and notes outstanding. Excludes lump sum payoffs or defeasances.

(5) Includes full year's debt service on the following debt issues: $55,765,000 Guaranteed Resource Recovery Refunding Revenue bonds, Series A, B, C and D of 1998; $24,000,000 Office and Parking Revenue bonds, Series A and B of 1998; and $1,515,173 Guaranteed Sewer Revenue Notes, Series A, B, and C of 1998.

(6) Decline in revenue is primarily due to a temporary shutdown of the Resource Recovery Facility and a decline in Water and Sewer Fund revenues due to water conservation measures imposed due to drought.

(7) Expenses increased during 2002 due to unanticipated maintenance and waste hauling expenses incurred because of the required shutdown of the Resource Recovery Facility

(8) Decline in revenues continued and expenses decreased in 2003 and 2004 due to the planned shutdown of the Resource Recovery Facility on June 18, 2003, to undertake a complete retrofit of the facility.

(9) In July 2002, the Authority issued $48,825,000 Water Revenue Refunding Bonds, Series A, B, C and D of 2002. A portion of this series was used to prepay the 2003 principal payments due on the Water Revenue Bonds, Series of 1994.

(10) 2004 and 2005 debt service on the Guaranteed Resource Recovery Bonds and Notes, Series A of 1998, A of 2002 and A, B, C, D, E & F of 2003 paid with capitalized interest which is not includable in the definition of revenue available.

Source: City's and component unit's audited basic financial statements

City of Harrisburg, Pennsylvania

Schedule of Revenue Bond Coverage-Component Unit-Harrisburg Parking Authority and Coordinated Parking Fund

Last Ten Fiscal Years

(accrual basis of accounting, in thousands of dollars)

Year	Revenue Available [1]	Expenses [2]	Net Revenue Available for Debt Service [3]	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	$ 9,149	$ 4,842	$ 4,306	$ 1,255	$ 2,772	$ 4,027	1.07
2000	9,817	5,443	4,374	1,325	2,831	4,156	1.05
2001	10,004	5,108	4,896	1,400	2,923	4,323	1.13
2002	13,381 [4]	6,642 [5]	6,740	1,475	4,293	5,768 [6]	1.17
2003	12,958	7,013	5,945	2,195	4,293	6,488	0.92
2004	14,517	9,421	5,096	1,800	3,887	5,687	0.90
2005	13,758	8,078	5,680	2,510	4,019	6,529	0.87
2006	13,584	7,538	6,047	2,570	4,717	7,287	0.83
2007	13,995	8,335	5,660	2,640	5,074	7,714	0.73
2008	14,364	9,489	4,875	2,175	5,568	7,743	0.63

Note: The Parking Authority has pledged operating revenue consisting primarily of parking tax and parking meter collections as the funding source for the payment of all corresponding debt service.

(1) For years 1999 through 2005, includes total operating and nonoperating revenues. The City implemented Governmental Accounting Standards Board Statement 44 (GASB 44) during 2006, and as such, the revenue portion of the coverage ratio includes operating revenue only.

(2) For years 1999 through 2005, the coverage ratio includes total operating expenses excluding depreciation and total nonoperating expenses excluding interest expense and amortization. The City implemented GASB 44 during 2006, and as such, the expenses included in the debt service coverage ratio includes operating expenses excluding depreciation.

(3) Nonrecurring or extraordinary items of revenue or expense have not been included in determining net revenue available for debt service.

(4) Includes approximately $2.5 million in additional public parking revenue from the addition of two new garages completed in 2001 (River Street) and 2002 (City Island) and approximately $820,000 in additional office rental revenue.

(5) Includes approximately $338,000 in new office expense, $452,687 in losses on the aboandonment of a planned third parking garage and $347,000 in additional distributions to the City from the Coordinated Parking Fund.

(6) Includes approximately $1.0 million in additional interest expense from the Guaranteed Parkng Revenue Bonds Series of 2001 dated December 15, 2001.

Source: City's and component unit's audited basic financial statements

City of Harrisburg

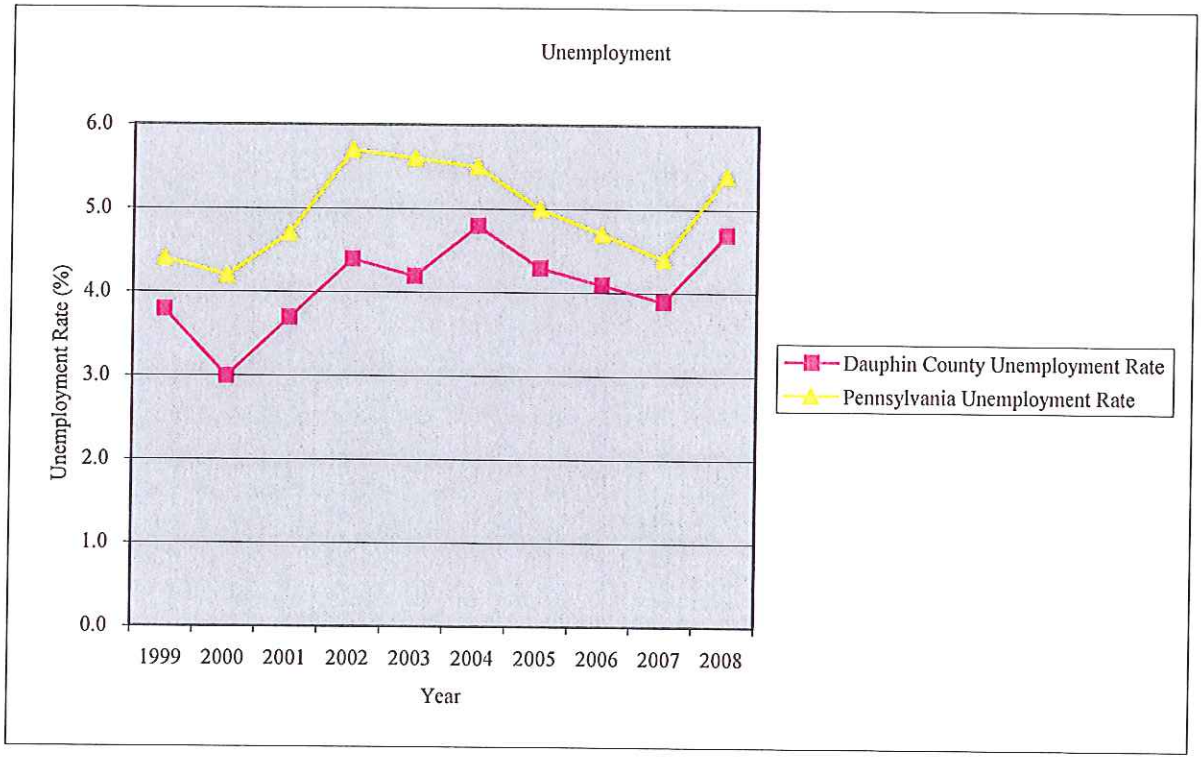
Demographic and Economic Statistics, Last Ten Calendar Years

(all figures in thousands except population and per capita personal income)

Fiscal Year	Population	Personal Income [1]	Per Capita Personal Income	Dauphin County Civilian Labor Force	Dauphin County Unemployment Rate %	Pennsylvania Civilian Labor Force	Pennsylvania Unemployment Rate %
1999	52,376	$ 1,498,582	$ 28,612	138.8	3.8	5,969.0	4.4
2000	48,950	1,455,137	29,727	137.3	3.0	5,972.0	4.2
2001	48,950	1,501,884	30,682	139.8	3.7	6,073.0	4.7
2002	48,950	1,548,191	31,628	145.5	4.4	6,290.0	5.7
2003	48,950	1,594,399	32,572	143.7	4.2	6,170.0	5.6
2004	48,950	1,657,006	33,851	136.1	4.8	6,275.0	5.5
2005	48,950	1,712,858	34,992	135.0	4.3	6,292.0	5.0
2006	48,950	1,781,535	36,395	136.3	4.1	6,306.0	4.7
2007	48,950	1,841,450	37,619	134.9	3.9	6,287.0	4.4
2008	48,950	1,841,450 [2]	37,619	136.8	4.7	6,395.0	5.4

[1] Personal income estimated based on personal income figures for the Harrisburg-Carlisle, Pennsylvania Metropolitan Statistical Area, which includes the combined counties of Cumberland, Dauphin, and Perry.

[2] 2008 data was not available as of 12/23/09.



Source: Personal income from the Bureau of Economic Analysis web site (www.bea.gov). Civilian labor force and unemployment rates from the PA Department of Labor and Industry, Bureau of Research and Statistics web site (www.dli.state.pa.us).

City of Harrisburg, Pennsylvania
Principal Employers, Current Year and Nine Years Ago

	2008			1999		
Employer	Employees	Rank	Percentage of Dauphin-Carlisle MSA Labor Force	Employees	Rank	Percentage of Dauphin-Carlisle MSA Labor Force
Commonwealth of Pennsylvania	24,000	1	8.39	22,031	1	6.14
U.S. Government	18,000	2	6.29	11,471	2	3.19
JFC Personnel Inc.	11,193	3	3.91	-		-
Hershey Entertainment and Resorts Co.	8,200	4	2.87	-		-
Wellspan Health	7,322	5	2.56	-		-
Penn State Milton S Hershey Medical Ctr.	7,291	6	2.55	4,175	6	1.16
Giant Food Stores	7,000	7	2.45	-		-
Lancaster General	6,647	8	2.32	-		-
The Hershey Co.	6,500	9	2.27	5,473	3	1.52
Highmark Blue Shield	5,200	10	1.82	5,193	5	1.45
Pinnacle Health System	4,100	13	1.43	3,307	7	0.92
Defense Distribution Center	-		-	2,976	8	0.83
Naval Inventory Control Point	-		-	5,352	4	1.49
Roadway Express	-		-	1,300	10	0.36
EDS	-		-	2,400	9	0.67
Total	115,153		40.26	63,678		17.73

Note: The Dauphin-Carlisle, Pennsylvania Metropolitan Statistical Area is comprised of Cumberland, Dauphin, and Perry County.

Source: Central Pennsylvania Business Journal

THE CITY OF HARRISBURG
PENNSYLVANIA
INCORPORATED MAR. 19. 1860

City of Harrisburg, Pennsylvania
Full-time-Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years

Department - Office/Bureau	Full-time-Equivalent Employees as of December 31, 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
City Council	10	10	10	10	9	10	10	8	10	9
Office of Mayor	6	6	9	9	10	10	10	5	6	5
Office of City Controller	4	4	4	4	4	4	4	4	4	4
Office of City Treasurer	10	10	10	10	9	10	10	10	8	8
Office of City Solicitor	8	7	7	7	7	7	6	6	7	5
Human Relations Commission	3	3	3	3	3	3	2	2	2	3
Office of City Engineer	6	6	7	6	6	6	6	5	4	4
Mayor's Office of Economic Development/Sepcial Proj.	5	3	4	5	9	8	8	5	5	5
Administration										
Office of the Director	3	3	3	3	4	3	3	4	2	3
Insurance and Risk Mgmt.	3	3	3	3	3	2	-	-	-	-
Financial Management	12	11	11	10	10	9	10	7	7	7
Information Technology	16	16	17	19	18	15	14	12	11	11
Human Resources	5	6	6	6	7	7	8	6	7	7
Mayor's Office Labor Relations	-	-	-	-	3	3	2	-	-	-
Operations & Revenue	33	35	34	32	28	19	17	13	12	14
Building & Housing Development										
Office of Director	2	2	2	1	1	1	1	1	1	1
Planning	6	4	6	6	5	5	3	3	2	4
Codes Enforcement	15	14	16	17	24	23	16	12	13	13
Neighborhood Development	16	16	14	16	16	16	14	13	13	11
Public Safety										
Parking Enforcement Unit	12	12	12	12	14	14	10	9	12	11
Office of Police Chief	45	29	34	13	10	8	9	5	5	4
Police Operations Division	118	116	126	125	122	124	121	118	110	112
Police Service Division	13	14	10	41	37	36	40	32	38	38
Criminal Investigation Div.	41	39	36	38	37	32	31	33	34	37
Fire	102	102	102	99	100	100	97	92	88	93
Public Works										
Office of Director	1	1	1	1	1	1	1	1	1	1
Dock Street Dam Project	3	9	2	2	-	-	-	-	-	-
City Services	21	21	20	22	19	13	16	23	21	21
Sanitation	33	30	32	32	30	25	25	23	25	25
State Liquid Fuels	-	-	-	-	-	8	9	-	-	-
Traffic Engineering	9	9	7	7	9	9	-	-	-	-
Vehicle Management	13	12	11	13	17	14	12	12	12	12
Building Maintenance	6	7	7	7	11	10	10	8	9	8
Water	40	39	39	36	40	37	34	29	31	31
Sewerage	45	43	42	41	42	38	34	33	35	34
Parks and Recreation										
Office of Director	17	18	21	8	8	7	10	8	10	11
Recreation	3	3	3	3	8	8	7	5	5	5
Parks Maintenance	23	20	19	20	25	14	14	14	15	15
Incineration and Steam Generation Operations	57	57	56	58	15	16	43	43	-	-
Total Employees	765	740	746	745	721	675	667	604	565	572

Source: City's Bureau of Human Resources

City of Harrisburg, Pennsylvania
Operating Indicators by Function/Program, Last Ten Fiscal Years

Function/Program	1999	2000	2001	2002
Building & Housing Development				
Permits Issued				
Construction-Residential	5	34	18	26
Construction-Commercial	6	8	5	6
Repairs/Alterations/Additions-Residential	1,356	1,251	1,041	1,132
Repairs/Alterations/Additions-Commercial	519	504	373	391
Demolition Permits	81	61	76	46
Vacant Structure Rehabilitation Program (HOP)	8	9	7	5
HOP Units Sold	19	13	12	7
HOP Investor Rehabilitation	4	1	2	-
Downpayment/Closing Cost Assistance	5	6	10	2
Mortgage Tax Credit Certificate Program	-	-	-	-
Home Improvement Program	18	11	15	20
Lead Based Paint Clearances	13	21	35	35
New Construction-Single Family Residential	-	-	30	35
Rental Rehabilitation Program	-	7	12	26
Acquisition (Includes HOP Units Sold)	37	15	28	74
Disposition (Excludes Rehabbed Units Sold)	11	78	20	8
Neighborhood Facility/Community Center Improvements	8	6	5	5
Adopt-A-Block (Blocks Adopted)	173	215	229	190
Adopt-A-Lot (Lots Adopted)	10	28	16	14
Public Safety				
Police				
Homicide	5	10	9	12
Rape	38	34	39	47
Robbery	276	283	323	346
Assault	281	227	288	290
Burglary	507	604	572	586
Theft	1,616	1,659	1,687	1,535
Motor Vehicle Theft	242	244	182	116
Arson	18	12	12	37
Police Calls For Service	48,393	48,067	48,044	49,246
Fire				
Fire, Explosion	532	449	487	417
Over Pressure Rupture	14	7	15	11
Rescue Call	213	785	981	1,117
Hazardous Condition, Standby	241	222	240	251
Service Calls	209	204	260	221
Good Intent Calls	439	407	421	452
False Calls	656	745	757	809
Other	21	18	11	8
Vehicle Management				
Trucks Repaired	1,483	1,430	1,386	935
Passenger Vehicles Repaired	1,273	1,070	960	803
Heavy Equipment Repaired	194	179	251	579
Miscellaneous Equipment Repaired	104	163	151	82
Preventive Maintenance Performed	553	437	498	476
Gasoline Dispensed (Gallons)	146,652	143,571	157,601	189,615
Diesel Dispensed (Gallons)	183,851	182,211	186,131	289,688
Sewerage				
Kilowatt Hours Produced	1,830,550	1,488,040	1,473,320	1,789,040
Process & Septic Waste Gallons Received	5,240,982	6,692,205	8,257,957	12,878,744
Tons of Sludge Disposed	15,260	14,770	15,259	17,703

Fiscal Year					
2003	2004	2005	2006	2007	2008
40	49	10	43	50	5
5	12	8	3	7	5
1,330	1,452	1,507	1,621	1496	1,320
373	333	335	237	230	245
79	83	73	57	76	38
9	8	5	6	8	11
10	14	2	5	7	7
-	3	-	-	0	-
5	6	1	5	0	-
7	7	4	10	0	-
13	15	27	17	18	18
30	41	47	72	38	33
18	344	24	12	17	4
7	57	-	-	0	4
55	225	33	4	29	11
5	16	25	13	61	32
4	5	7	6	5	Not Available
227	237	239	239	239	239
21	73	13	-	6	6
9	12	13	13	12	9
24	52	43	41	46	46
267	369	434	449	404	483
256	244	260	271	260	242
481	483	621	627	666	743
1,635	1,431	1,375	1,477	1,728	1,637
137	110	108	100	165	235
26	25	17	33	29	31
50,034	48,816	48,854	50,940	48,017	49,863
417	644	548	535	548	493
11	29	74	161	143	166
1,117	628	594	615	684	708
251	306	220	246	346	306
221	257	220	259	297	243
452	222	220	230	276	253
809	849	768	871	883	758
8	33	100	9	7	5
790	925	748	625	886	623
1,049	993	891	759	839	766
600	461	353	311	201	154
162	72	34	61	23	50
439	441	377	347	566	675
188,626	261,500	268,045	240,987	221,616	190,000
204,388	198,357	238,036	215,424	221,506	225,000
1,226,440	1,658,720	2,456,080	2,146,520	1,618,440	2,400,000
12,256,640	7,988,900	10,780,473	8,892,197	13,985,450	13,985,450
18,064	15,041	14,661	13,308	14,255	16,240

City of Harrisburg, Pennsylvania
Operating Indicators by Function/Program, Last Ten Fiscal Years

Function/Program	1999	2000	2001	2002
Incident Reports Requiring Parts & Labor	514	565	621	497
Volume in Millions of Gallons Received	330	313	241	263
Regulating Chambers Cleaned	58	58	58	58
Flood Chambers Cleaned	46	46	46	46
Sanitation				
Number of Trash Collection Routes	13	13	13	13
Tons of Refuse Collected	30,233	31,067	30,326	31,063
Tons of Recyclables Collected	1,174	1,001	990	1,370
Parks and Recreation				
Non Traffic Citations Issued	N/A	36	60	90
Parking Tickets Issued	N/A	287	122	316
People Attending Special Events	1,290,850	1,353,850	1,335,850	1,312,850
Parks Permits Issued	547	394	442	374
Sponsor Dollars Raised	182,747	222,970	237,700	245,507
Recreation Bureau Attendance (Year-Round)	446,449	478,180	546,860	571,668
Calls For Tree Work	246	230	250	339
Removal Notices Sent	82	76	107	100

Notes: No operating indicators are available for the general government.

Fiscal Year					
2003	2004	2005	2006	2007	2008
499	428	454	410	406	445
338	324	282	264	256	279,842
58	58	58	58	58	58
46	46	46	46	46	46
13	13	Not Available	Not Available	12	12
33,212	32,838	Not Available	Not Available	34,281	30,200
1,656	1,736	Not Available	Not Available	1,788	1,700
90	N/A	48	13	7	17
499	N/A	387	322	167	229
1,441,350	1,688,701	1,865,600	1,828,300	1,936,500	1,930,550
1,090	1,047	949	587	684	980
235,153	361,336	392,026	420,900	439,990	437,725
585,760	539,800	606,800	503,175	582,975	554,770
211	220	271	312	399	202
77	64	64	72	92	40

City of Harrisburg, Pennsylvania
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

Function/Program	Fiscal Year 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Building and Housing										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Vehicles	110	110	110	110	107	105	103	102	75	75
Motorcycles	3	3	3	3	3	3	3	3	3	3
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire Engines	6	6	6	6	6	6	6	6	6	6
Ladder Trucks	4	4	4	4	4	4	4	4	4	4
Vehicles	9	9	9	9	9	9	9	9	9	9
PA Task Force One:										
Tractor Trailers	-	-	-	-	2	3	3	3	3	3
Box Trucks	-	-	-	-	2	4	5	5	5	5
Vehicles	-	-	-	-	3	6	11	11	11	11
Public Works										
Municipal Streets (Miles)	203.6	203.6	203.6	203.6	203.6	203.6	203.6	203.6	203.6	203.6
State Streets (Miles)	35.4	35.4	35.4	35.4	35.4	35.4	35.4	35.4	35.4	35.4
Traffic Signals	99	99	99	99	99	99	99	99	99	99
Street Lights	-	-	5,098	5,098	5,098	5,098	5,098	5,098	5,098	5,098
Bridges [1]	19	19	19	19	19	19	19	19	19	19
Dams and Flood Control	5	5	5	5	5	5	5	5	5	5
Sanitation										
Sanitation Packers	13	13	13	13	12	12	12	12	12	12
Sewer										
Sanitary Sewers (Feet)	250,756	250,756	250,756	250,756	250,756	250,756	250,756	250,756	250,756	250,756
Stormwater Sewers (Feet)	151,808	151,808	151,808	151,808	151,808	151,808	151,808	151,808	151,808	151,808
Sanitary & Stormwater (Feet)	457,320	457,320	457,320	457,320	457,320	457,320	457,320	457,320	457,320	457,320
Parks and recreation										
Vehicles	26	26	26	26	26	26	26	26	26	26
Number of Parks	7	7	7	7	7	7	7	7	7	7
Acreage of Park Land	450	450	450	450	450	450	450	450	450	450
Number of Playgrounds	16	16	16	16	16	16	16	16	16	16
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Ball Fields	2	2	2	2	2	2	2	2	2	2

Notes: No capital asset indicators are available for the general government.

[1] Includes three partially owned bridges, which due to shared ownership, the City is only responsible for sidewalks, parapet walls, and lighting.

Sources: Various city departments.