City of Harrisburg, Pennsylvania

Comprehensive Annual Financial Report

Year Ended December 31, 2010 with
Independent Auditor's Reports

CITY OF HARRISBURG, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2010

MAYOR

Linda D. Thompson

CITY COUNCIL

Wanda R. D. Williams, President
Eugenia Smith, Vice President
Susan C. Brown-Wilson
Patty Kim
Brad Koplinski
Kelly Summerford
Sandra Reid

CITY CONTROLLER

Daniel C. Miller, CPA

CITY TREASURER

John R. Campbell

DEPARTMENT OF ADMINISTRATION

Ricardo Mendez- Saldivia, PE
COO/Chief of Staff/Business Administrator

PREPARED BY:

Robert F. Kroboth, CGFM Finance Director	Joseph M. Bream Budget Manager	Bryan McCutcheon Senior Accountant
Yanxia Liu Accounting Manager	Natasha Smith Executive Administrative Assistant	Donald Hunsicker Confidential Labor/Finance Assistant

SPECIAL ACKNOWLEDGEMENTS:

Mattea D. Fera Purchasing Manager	Keisha George-Williams Auditor	Errol Newark Grants Manager

NOTE: the above information is as of December 2012

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

Linda D. Thompson
Mayor

(717) 255-3040

Foreword

I am pleased to report that the City Bureau of Finance Management, supplemented by resources provided by the Pennsylvania Department of Community & Economic Development (DCED), has completed the 2010 Comprehensive Annual Financial Report (CAFR). I have directed staff to immediately complete the 2011 CAFR.

It has been the goal of this Administration to assess the financial challenges facing the City and develop and implement a recovery strategy and work cooperatively with DCED, the Office of the Receiver, and all stakeholders to return the City of Harrisburg to fiscal solvency and financial recovery as rapidly as possible.

We continued to make steady progress toward that goal, both in terms of incinerator debt liquidation and balancing the city's long standing structural deficit.

As I write, the structural or operating deficit is about $3.5 million per year, not including carry over deficits from previous years, missed GO obligation debt payments, or the Harrisburg Authority-related incinerator debt for which the City, and the County, assumed liability.

The information contained in the following 2010 CAFR further clarifies the findings in the 2009 CAFR which are fundamental to accurately assessing the full extent of those financial and systemic challenges the city faced then and which the current administration continues to address presently.

The City's 2010 CAFR underlines and reflects the actions taken throughout 2010, and subsequently in 2011 and 2012, to address the dire financial situation described in the 2009 CAFR.

This sequence of events will be discussed further in this Foreword. Suffice it to say here, that 2010 was the year in which my Administration assessed the City's financial challenges and, as a result, reached out to the then Governor and DCED to successfully apply for protections under the Act 47 process.

For perspective, the year 2009 was the year the City went from a 2008 statement of net assets position, where assets exceeded liabilities by $46,178,883, to a deficit in 2009 of $227,092,975. It was the year in which the contingent liability for The Harrisburg Authority Resource Recovery Facility debt guarantees of approximately $264 million would be booked to the City's financial statements due to payment defaults on that debt.

In 2010 the City's liabilities exceeded its assets by $227,649,107, representing a further decrease of net assets of $556,132. As of December 31, 2010, the City's governmental funds (General Fund, Grant Programs, Debt Service and other Non-Business Type Funds) reported combined ending fund balances of ($41,740,533), a decrease of $47,456,296 from 2009.

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 $47,854,391 for the year ending December 31, 2010 from the prior year, due to the accrual of approximately $44.6 million of Resource Recovery Facility Guarantee Payments that the City did not pay as guarantor on The Harrisburg Authority Debt.

The Year 2010 was a year structural deficits, hidden in carried-over unpaid receivables, became known; a year when the full scope of the precipitous Harrisburg Incinerator debt transactions became public knowledge; and the year the City's long standing structural deficit would be exposed; the year SEC violations would become known; the year I entered office and my administration would take immediate action to remedy the City's fiscal situation.

Let me say that my Administration and I fully recognize and accept responsibility for managing the mistakes of the past. We also recognize and accept the full responsibility, without reservation, for resolving the many challenges those mistakes created and returning the City of Harrisburg to financial solvency and structural balance.

Immediately upon entering office in January of 2010, and without preparation work or reports from the previous administration on the status of the 2009 Audit, I put together a team, under the Finance Director, to complete the 2009 Audit. In addition, key internal and external stakeholders were identified and a team assembled to indentify and consider options to contend with the "incinerator debt" crisis, including requesting assistance from DCED under the ACT 47 recovery process.

After reviewing several recovery options, at times in consultation with then Governor Rendell, my Administration filed a request with the then Secretary of DCED on October, 1, 2010, requesting the City of Harrisburg be designated as a financially distressed municipality under ACT 47.

DCED investigated the financial affairs of the City and on December 15, 2010, following public hearings at the City's request, Secretary Burke issued a determination of municipal financial distress for the City of Harrisburg. On January 12, 2011, the former Secretary appointed the Novak Consulting Group as the Recovery Plan Coordinator for the City of Harrisburg.

The Coordinator filed Harrisburg's Act 47 Recovery Plan with the City Clerk on June 13, 2011 and, following a public hearing, filed a revised Recovery Plan with the Clerk on July 8, 2011.

On July 19, 2011, a majority of the Harrisburg City Council rejected the Coordinator's Act 47 Recovery Plan and following that rejection, I was tasked with developing and filing an alternate Recovery Plan pursuant to provisions of Act 47.

I filed a Recovery Plan on August 22, 2011 and on August 31, 2011 a majority of Harrisburg City Council rejected the Mayor's Financial Recovery Plan and subsequently rejected a second, modified plan, on September 13, 2011.

On September 20, 2011, Governor Tom Corbett signed into law Senate Bill 1151, amending Act 47 and providing for a Declaration of Fiscal Emergency in circumstances in which a financially distressed city of the third class fails to adopt a financial recovery plan. Additionally, the law provides for the appointment and confirmation of a receiver should *the distressed city fail to enact a consent agreement to adopt and implement a recovery plan.*

As a result of the failure to reach a consent agreement and continued worsening fiscal circumstances in the City, Governor Corbett declared a fiscal emergency on October 24, 2011.

On November 18, 2011, under the direction of the Governor, DCED Secretary Walker filed a petition with the Commonwealth Court to appoint a receiver for Harrisburg, and Senior Judge James R. Kelley subsequently appointed Mr. David Unkovic, DCED legal counsel, Harrisburg City Receiver on December 2nd.

In accordance with Act 47, the determination on the appointment was based on three main criteria: 30 days had passed since the declaration of fiscal emergency; City Council had failed to adopt an ordinance to enact an acceptable fiscal recovery plan; and a fiscal emergency continues to exist in the City of Harrisburg.

The receiver's fiscal recovery plan was presented to the Commonwealth Court, the DCED Secretary, the Office of the Mayor and City Council on Monday, February 6, 2012. A public hearing was subsequently held and the plan was approved by the Commonwealth Court on March 9, 2012.

Following the resignation of Mr. Unkovic and at the direction of Governor Corbett, DCED Secretary Walker filed a petition with the Commonwealth Court to appoint Retired Major General William B. Lynch as Harrisburg City Receiver and Judge Bonnie Brigance Leadbetter subsequently confirmed the appointment on May 24, 2012

On Tuesday, July 10, 2012, Receiver Lynch petitioned Commonwealth Court Judge Bonnie Brigance Leadbetter for issuance of a writ of mandamus upon each member of City Council ordering them to comply with the previously Court-confirmed City of Harrisburg Recovery Plan. On October 23, 2012, a majority of City Council, with the support of the Mayor, voted to implement the Plan by passing the required increase in the Earned Income Tax.

The PA Senate Local Government Committee held public hearings on October 4 and November 13, 2012 on the debt structure of the distressed Harrisburg incinerator and on the debt of The Harrisburg Authority.

My Administration continues to make progress with the implementation of the Recovery Plan and has completed about 33% of the Plan's initiatives related to the City's structural deficit across all

City departments. My Administration has been and continues to work closely with City Council, the Office of the Receiver and DCED, as well as advisors and stakeholders involved in the Act 47 recovery process, to expediently implement the Court directed City of Harrisburg Financial Recovery Plan.

The information contained in the attached 2010 CAFR, as well as subsequent audits and resultant CAFRs, are fundamental to the success of that recovery effort.

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While the recovery process is still underway, and despite 20% personnel reductions and wage reductions, as well as a 10% reduction in operational costs, my administration continues to manage the fiscal realities as well as improve government services and advance economic development and revenue sources in the City.

Since 2010, we have added 1723 new businesses to the tax roles in the City and created 1,244 new jobs in our community. Over the same period, the City has issued residential and commercial construction permits for a total construction value of $150,170,070. These include a variety of commercial, retail and housing projects around the City, including the Vartan new Midtown nine-story condominium building; WCI Partners six-story mixed use Downtown commercial facility; and Landex Corporation's 69 new townhouses in the Uptown area of the City as well as Tri-County, Habitat for Humanity and HOP housing improvements.

We have saved the City's 400 jobs and reduced City guaranteed debt by $17.6 million by helping facilitate the sale of the Harrisburg Hilton. We have also initiated action to redirect approximately $275,000 per year in municipal fees from The Harrisburg Authority and back to City coffers. Additionally, the City has reduced City government benefit payments in the amount of $500,000 per year. We are optimistic that the liquidation of the City's Historic Artifact Collection will significantly reduce the City's loan burden in the coming year.

The City expanded the Fire contingency; and will budget to increase the City Police contingency in 2013 by at least 16 new officers.

While City non-union employees and City taxpayers have taken the first wave of so-called "shared recovery pain" in the form of benefit and wage reductions and freezes, as well as a 0.8-mill (8%) property *tax increase and a one year 1% EIT increase, it is my resolute objective to assure that all creditors, including AGM and the County, in addition to all three unions, continue to work cooperatively, within the financial recovery process, to eliminate The Harrisburg Authority Resource Recovery Facility-related stranded debt.*

I am also part of a coalition of Mayors which is seeking reform legislation to aid third class cities with optional revenue enhancement, such as a 1% County wide sales tax and a 10% drink tax. The liquidation of City assets to eliminate this stranded debt is now proceeding through the Office of the Receiver and under the authority of the court.

According to discussions with the Office of the Receiver, we can reasonably anticipate the satisfactory completion of these asset transactions by the third quarter of 2013. We anticipate entering 2014 with the incinerator debt eliminated from the City books. We expect PILOTs, and a variety of fee increases, and shared revenues and to increase city revenues to help balance the City's structural deficit.

We are also working closely with surrounding municipalities, as well as federal and state regulatory agencies through the Office of the Receiver to address some of the looming environmental, legal and future infrastructure regulatory concerns facing the City.

At the same time, the Administration, in conjunction with City unions and other parties, continues to work diligently and cooperatively to reduce the longer term City structural deficit and return City operations to fiscal solvency.

As stated, my Administration has completed about 33% of the recovery plan, including major revenue initiatives which fall under my authority, and I will continue to regularly update the citizens of Harrisburg concerning the progress made toward fiscal solvency.

Finally, as the 2010 CAFR reiterates, we will remain focused on the two underlying challenges to long term recovery for our City which must be recognized and reconciled:

First, the extent of unfunded federal and state mandates must be addressed as stated above; and second, the full extent and negative impact of tax-exempt City real estate must be recognized and rectified through PILOTs to assure long term recovery.

Approximately 49% of all real estate in the City is exempt from taxation under current state law. Some tax-exempt properties require a high demand for City services, while contributing nothing to the cost for those services.

Considered in total, the financial situation facing the City, as further clarified in the 2010 CAFR, creates a demanding task for any City government; however we remain steadfast that, step by step, we are overcoming the greatest fiscal challenges to the financial stability of the City of Harrisburg.

I assure you that the City of Harrisburg, the Office of the Mayor and City Council, are progressing toward complete recovery on a daily basis. We are a resilient City filled with a strong and resourceful citizenry, as well as a vibrant and city-oriented business community.

Working together, with optimism and resilience, we remain confident that we shall indeed overcome the challenges facing the City of Harrisburg and return our community to financial solvency, while providing for the public health, safety and welfare, as we continue to build a stronger, more viable, and economically brighter future for all of our citizens.

Thank you,

Linda D. Thompson

Hon. Linda D. Thompson
Mayor
The City of Harrisburg

CITY OF HARRISBURG, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended December 31, 2010

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CITY OF HARRISBURG, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended December 31, 2010

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The City of Harrisburg

Department of Administration **Bureau of Financial Management**

December 18, 2012

To The Honorable Linda D. Thompson, 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 (City), Pennsylvania, for the year ending December 31, 2010, 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's financial statements in conformity with GAAP. Because internal controls should not outweigh their benefits, the City'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'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 for the year ended December 31, 2010, 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's financial statements for the year ended December 31, 2010, are fairly presented, in all material respects, in conformity with GAAP. The auditor's opinion for December 31, 2010 includes emphasis of matter paragraphs regarding going concern and debt related issues. 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, 2010, 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, enrichment 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 (THA), the Harrisburg Parking Authority (HPA), the Coordinated Parking Fund (CPF), and the Harrisburg Redevelopment Authority (HRA); 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 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 approximately twice the rate of Pennsylvania as a whole.

The Harrisburg area has a diverse economic base. During 2010, 20.1% of the labor force was employed in the wholesale, retail and transportation trades, 19.7% in government, 15.2% in education and health services, 12.2% in professional and business services, 9.4% in leisure and hospitality services, 6.2% in manufacturing, 7.1% in financial activities, 5.1% in other services, 3.3% in construction, and 1.7% in information. For the MSA as a whole, the trend has been a shift from good producing to service producing jobs, with an overall employment reduction of 3,000 jobs, or 0.9%, from 2009.

Harrisburg continues to experience sustained economic growth despite a lagging national economy. In 2010 alone, the City issued 1,401 building permits totaling over $56.7 million in construction value. Some of the major new construction projects recently completed or underway and their corresponding estimated costs include: 44 Hotel Associates $7.0 million; Landex Capital Heights Project $5.0 Million; Harrisburg Housing Authority $3.8 Million; Dewberry LLC $2.6 Million: Dauphin County Development Authority $1.9 Million; P.T. Properties $1.1 Million; Faulkner/Honda $897,100; National Railroad Passenger Corp. $850,000; 1001 Partners LLP $700,000; Harrisburg Area Community College $582,000; Harrisburg School District $529,792; Home for Friendless $512,477; and Strawberry Square $509,000.

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. However, there has been no reassessment since.

Harrisburg has become the region's center for commerce, transportation, finance, special events, public recreation, the arts, and government. The City's resurgence since the 1980's has reversed nearly three decades of previous decline and produced a vitality that can still be seen in the spirit, amenities, and growth spreading throughout this metropolitan center in Central Pennsylvania despite the lagging national economy.

Looking ahead, the City faces significant economic challenges as more fully described later in this letter. However, a more efficient City government, Commonwealth support, 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, viability, and continued resolve for a better Harrisburg.

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 non-major governmental fund), Debt Service Fund, and the Sewer and Sanitation enterprise funds 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. Appropriations are further defined through the establishment of more detailed line-item budgets. These are the legal levels of budgetary control. Budgetary transfers and supplemental appropriations occurred during 2010. This process is described in Note 1T to the financial statements.

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. Most encumbered amounts lapse at year-end. However, encumbrances generally are re-appropriated as part of the following year's budget.

Debt Administration

At December 31, 2010, the City had a number of debt issues outstanding. Debt of the primary government totaling $103,785,567 included $46,334,101 of general obligation and revenue bonds, $41,151,774 of General Obligation Refunding Notes, $2,196,134 of Pennsylvania Infrastructure Bank loans, $5,825,000 of promissory notes, $5,233,289 of Capital Leases, and $3,045,269 of Lease Rental debt. Revenue bonds and notes, net of deferred gains (losses) and bond premiums (discounts), totaling $512,024,552, construction loans of $19,823,500 and capital leases of $15 million made up the debt of the component units.

The City has guaranteed the payment of debt service on a majority of the components unit's bonds and notes pursuant to certain Guarantee Agreements. Concurrent with the execution of the Guarantee Agreements, the component units also executed certain Reimbursement Agreements with the City, whereby the component units agree to reimburse the City for any payments made by the City under the aforementioned Guarantee Agreements. During 2009 and early 2010, the City honored its guarantee obligations on certain debt service payments of THA/Resource Recovery Facility (RRF) Revenue Bonds and Notes. On October 28, 2009, the City received notice that Moody's downgraded its rating on Harrisburg's general obligation bonds from Baa2 to Ba2. On February 11, 2010, Moody's downgraded the City's general obligation bonds again to a rating of B2, with a negative outlook. For the second time, Moody's cited the difficulties Harrisburg faced in paying its RRF debt as the primary reason for the downgrade. The financial impact of this is more fully described in the "Factors Affecting Financial Condition" portion of this transmittal.

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, 2010, the City's net bonded debt outstanding of $314,603,666 was above the legal limit of $207.0 million. This occurred in 2009 when approximately $272 million of THA/RRF Guaranteed Revenue Bonds and Notes no longer met the definition of self-liquidating debt under the Debt Act.

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, 2010, the ratio of net general bonded debt to assessed property valuations decreased from 21.85 to 19.60. The net general bonded debt per capita was $6,343.30, a decrease of $830.24 from 2009.

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. The Series A Bonds were paid off in March, 2010.

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). The Series E Bonds were paid off in 2004 as noted above.

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, HRA, on behalf of the City, 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 was issued by HRA, on behalf of the City, as Series A-2 of 2005 for this renovation. The City 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. The City is responsible to pay the debt service on the A-2 Bonds. Stadium lease revenues, City Island special parking fees and General Fund revenues are being used to pay the debt service on the bonds.

On December 15, 2006, HRA, on behalf of the City, 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-owned artifacts and General Fund revenues are being used to pay the debt service on the bonds.

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.

On August 1, 1998, THA issued Guaranteed RRF Refunding Revenue Bonds A, B and C of 1998 and Guaranteed Taxable RRF Refunding Revenue Bonds Series D of 1998 for a total of $55,765,000. The purpose of the refunding was to advance refund the 1993 Bonds, prepay the Authority's Pennsylvania Pool Financing Loan of $7,943,274, refund the $3,000,000 Revenue Note of 1997 and to provide for the reserves under the Indenture. A portion of the 1998 A Bonds, and all of the 1998B, C and D Bonds, have since been advance refunded or otherwise retired.

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.

On December 30, 2003, THA issued Series A, D, E and F of 2003, Guaranteed RRF 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 all 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 and maintain the Facility during the shut-down of the RRF 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, 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. As a guarantor, Dauphin County retired these notes in December 2010 through the issuance of a Bond Anticipation Note.

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. As a guarantor, Dauphin County retired these notes in December 2010 through the issuance of a Bond Anticipation Note.

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, were 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, 2010, the Authority had drawn down $19,823,500.

On December 22, 2000, 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.

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, which bond proceeds provided for the acquisition of the Seventh Street Garage, funding of a debt service reserve fund, and payment of the cost of issuing the bonds.

On December 19, 1998, 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'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 was used to rehabilitate the Harrisburg Transportation Center. The loan has a maximum amount of $1,400,000 and through 2010, $500,000 has been drawn on the loan.

In 2008, HRA entered into a loan agreement for financing construction of Susquehanna Harbor Safe Haven, a portion of which is to be forgiven over a 15-year period given that certain compliance requirements are met, and a portion is payable through 2029.

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 $509,762 of unrestricted investment earnings in 2010, which represented earnings of $504,459 for the governmental activities and $5,303 for the business-type activities.

Investment income of the component units totaled $3,818,517, which represented earnings of THA, HPA, CPF, and HRA of $3,600,262, $71,505, $2,452 and $144,298, 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 Bureau of Financial Management 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, law enforcement liability, employee benefits liability, automobile, property, fire, flood, business interruption, fine arts and boiler and machinery coverage. This bureau, 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 workplace injury issues.

An important mission of this bureau 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 City contracts with its insurance broker and third-party administrators to assist the bureau in executing this strategy.

The Bureau of Human Resources is 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.

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 2010, the contribution to these plans by the Commonwealth of Pennsylvania amounted to $314,094. As of January 1, 2011, the date of the most recent actuarial valuation, the Non-Uniformed Employees and Firefighters pension plans are fully funded, with the Police Pension Plan 88.2% funded.

Other Post-Employment Benefits

In addition to the pension benefits noted above, the City provides certain post-employment life insurance and healthcare benefits to its retires 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; Police, Firefighters, Non-uniformed Management and Non-uniformed Union employees. A separate financial statement is not issued for the plan.

The City's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2010, the City contributed $4,257,094 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'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. For 2010, the annual OPEB costs totaled $16.1 million, increasing the net OPEB obligation to $37.7 million as of December 31, 2010. As of January 1, 2010, the date of the latest actuarial valuation, the City's unfunded actuarial accrued OPEB liability totaled $177.8 million.

Compliance

As an issuer or guarantor of municipal debt securities, the City has continuing disclosure obligations to file its secondary market disclosures within 270 days of the end of its fiscal year on the Electronic Municipal Market Access System (EMMA) of the Municipal Securities Rulemaking Board (MSRB). Additionally, various bond trust indentures require the City to submit its audited financial statements to the trustee within 180 days. Due to severe budgetary constraints and lack of professional staff, the 2009 and 2010 financial statements were not completed by either date. Also, the City did not submit material event notices to EMMA regarding its failure to submit 2009 annual financial information, or its October 2009 credit rating downgrade, until March 2011. However, the City has complied with all disclosure obligations since that time. Also, there is ongoing litigation regarding the City's obligation under certain guarantees of THA's debt, as discussed in Note 24.

The City did not have a policy and procedures in place to ensure that the information it was releasing to the public was accurate in all material respects and that it was complying with its Continuing Disclosure Certificates. With the assistance of counsel, the City enhanced its disclosure process by drafting a formal written policy, and it implemented related procedures with respect to public statements regarding financial information made by the City and its compliance with its Continuing Disclosure Certificates.

Additionally, as the recipient of federal grant awards in excess of $500,000, the City is required to file its annual Single Audit with the Federal Single Audit Clearing House by each September 30, following its year-end. For the reasons noted above, the City was not able to file its Single Audit for the years ended December 31, 2009 and 2010 by the required dates, causing the City to become a high-risk auditee for federal grants management purposes.

Further, as noted earlier in this letter, the City's legal debt limit was exceeded by $107.6 million during 2010 when, in 2009, approximately $272 million of THA/RRF guaranteed revenue bonds and notes no longer met the definition of self-liquidating debt under the Debt Act because of THA's inability to pay such obligations with the revenues generated from the RRF.

Also, the City did not make its scheduled 1997 General Obligation, Series D Bonds and F Notes debt service payments of $5,265,000 and $3,400,000, due March 15, 2012 and September 15, 2012, respectively, as instructed by the City Receiver. These bonds and notes are insured by municipal bond insurance policies.

FACTORS AFFECTING FINANCIAL CONDITION

There are two primary factors affecting the City's financial condition: first, the tremendous debt load brought on by the Resource Recovery Facility debt guarantee obligations previously discussed; and second, the City's structural budget deficit.

Four issues contribute greatly to the City's structural deficit. First, 49% of all property in Harrisburg is exempt from real estate taxes. Second, because of the large amount of tax exempt property and average lower per capita income of our residents, the City's taxing capacity is limited. Third, the Commonwealth has afforded strong bargaining rights to uniformed employees via Act 111, severely restricting the City's ability to control Police and Firefighters labor costs. Fourth is the issue of legacy costs, including pension benefits and OPEB which was previously noted.

Following two successive years of budgetary surpluses, the City's General Fund had accumulated an unrestricted cash balance of $4.7 million as of December 31, 2008. Since then, the City's General Fund has had three successive budget deficits and a fourth is projected for 2012, as operating expenditures continue to outpace revenues.

Also, as noted earlier, the City was required to honor its guarantee obligations on certain THA RRF Bonds and Notes, and funded for debt service deficiencies totaling $5.5 million from 2009 through January 2010 until the City's unrestricted cash balance was nearly depleted. The City has not been able to honor any further guarantee payments since due to its poor financial condition.

The new Administration acknowledged early on the significant budget challenges it would face in 2010 and beyond. In response to this challenge, an aggressive expenditure reduction strategy was developed and immediately implemented. The strategy included hiring restrictions, personnel attrition and consolidation of duties; realignment and reorganization of personnel and operations; reduction in bargaining unit overtime; elimination of management compensatory leave earning capability; a Mayoral Executive Order to reduce operating expenses by 20%; vehicle use restrictions, re-negotiating of all procurement contract and legal settlements; and deferral of capital expenditures, to name some. As a result of these actions, the City has cut its full-time personnel compliment by approximately 22% since January 2010 and has delayed hiring of currently appropriated positions. Additionally, only those expenditures for core services have been permitted.

Unfortunately, expenditure reductions alone are not enough to address the City's structural budget deficit. As such, major revenue enhancements have occurred, including increasing the City's real estate tax rate by .8 mills, or 8%, the City's parking tax rate from 15% to 20%, both effective January 1, 2012; and the City's earned income tax rate from 1% to 2% effective January 1, 2013. These actions alone will increase revenues annually by approximately $1.1 million, $800,000, and $6.8 million, respectively. Additionally, the Administration has submitted a proposed increase in the parking meter rates to City Council for their consideration, but these increases have not been adopted as of the printing of this document. Should Council approve the increased rates, an additional $700,000 could be generated from the meter rate increases in 2013.

As previously noted, the City's taxable assessed valuation has increased significantly over the years. 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. However, there has been no reassessment since. Additionally, the tax abatement ordinance expired in 2011 and has yet to be reactivated.

Major Initiatives/Challenges for the Future

For several years, the City has been exploring various options to close its structural budget gap and address its RRF debt issue. In 2008, the City applied for and was awarded a $100,000 PA DCED ACT 47 Early Intervention Program Grant to develop a Management and Financial Audit and Five-Year Financial Plan. During 2009, the City hired a national management consulting firm to conduct a thorough review of the City's finances and operations and to develop the Plan. An Emergency Financial Plan and Five-Year Plan were issued in March 2010 and implementation immediately began. Due to City Council's failure to adopt the Plan, the Administration filed a Petition for Determination of Municipal Financial Distress on October 1, 2010 under Pennsylvania's Municipalities Financial Recovery Act of 1987 (Act 47). The City was accepted into the Act 47 program on December 15, 2010. The Act 47 program allowed the City to obtain assistance from the Commonwealth of Pennsylvania in developing a new financial recovery plan. A Municipal Financial Recovery Act Recovery Plan (Recovery Plan) was submitted by the Act 47 coordinator to the City on June 13, 2011. City

Council rejected the Recovery Plan in July 2011. Immediately thereafter, and pursuant to Act 47, the Mayor became the Act 47 coordinator. As such, she developed her own Recovery Plan and submitted it to City Council on August 2, 2011. City Council rejected this second Recovery Plan on August 31, 2011. The Mayor submitted an amended version of her Recovery Plan to City Council, but Council rejected this amended version on September 13, 2011.

On March 29, 2011, the City submitted a material event notice to EMMA (March 29th Notice). In the March 29th Notice, the City disclosed, among other things, (1) its rating change by Moody's; (2) the unscheduled debt service draws on the RRF bonds; (3) its failure to fulfill its RRF guarantee obligations; and (4) its Act 47 petition.

On October 11, 2011, City Council filed a voluntary Chapter 9 bankruptcy petition. The bankruptcy petition was dismissed by the bankruptcy court on November 23, 2011, on the basis that the bankruptcy was barred by Pennsylvania state law and had not been authorized by the Mayor.

On October 20, 2011, Pennsylvania's governor signed legislation authorizing the State to declare a fiscal emergency in Harrisburg. On November 18, 2011, a receiver was appointed under this legislation to implement a Recovery Plan and take control of the City's finances. The Receiver unveiled his Recovery Plan (Plan) for the City on February 6, 2012. The Plan was approved by the Commonwealth Court on March 9, 2012. On March 27, 2012, a Dauphin County court appointed a second receiver to oversee the day-to-day operations of the RRF. The State-appointed Harrisburg receiver resigned on March 30, 2012. On May 24, 2012, the Commonwealth Court approved a new State-appointed Harrisburg receiver.

In his Plan, the Receiver indicated that the City's financial distress is a very complicated problem. He further indicated that it cannot be solved easily or quickly. He identified three primary challenges to be addressed in connection with the fiscal recovery of the City: first, the extraordinary amount of debt related to the THA/RRF which the City guarantees; second, the City's structural budget deficit (the amount by which the City's operating expenditures consistently exceed its revenues); and third, filling of the Business Administrator/Chief of Staff position (termed Chief Operating Officer in the Plan) which had been vacant since January 2011, to lead and manage the entire staff and oversee the implementation of the Receiver's Plan Initiatives. The full plan can be reviewed at the Receiver's website at www.pa.gov/harrisburgreceiver.

On March 9 and September 14, 2012, Harrisburg published material event notices, on EMMA indicating that it would not be making its general obligation debt service payments due March 15 and September 15, 2012, in the amounts of $5,265,000 and $3,400,000, for its General Obligation Series D Bonds and Series F Notes of 1997, respectively, pursuant to the Receiver's instructions.

New construction in the City continues at a slow but steady 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, housing, jobs, office space, retail, and entertainment.

A major new construction project is underway at 1518 N 6th Street by the Vartan Group. When completed, the project will entail a 5-story building of condominiums including retail, office space and a restaurant at an approximate cost of $10 million.

Another one of these projects includes the Landex Capital Heights Project representing 69 new residential housing units in the City's Midtown area at an approximate cost of $4.9 million. Also, the Harrisburg Housing Authority remodeled 93 of their residential housing units at Howard Day Homes as well as provided exterior enhancements for its residents at an approximate cost of $3.7 million.

A major renovation project was recently completed for Metro Bank Park which is the ballpark for the Harrisburg Senators, an AA minor league baseball 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 was constructed in two phases and was completed in April of 2010. The project cost approximately

$45 million and included many more upgrades to the ballpark which transformed the ballpark into one of the premier minor league baseball facilities in the country.

The City is a guarantor of bonds of the HRA which are secured by a lease with Verizon related to the Verizon office building in the Strawberry Square complex. These bonds are the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998. The lease with Verizon expires in 2016 and it may not be renewed. Approximately $42 million in debt service is due on the bonds between 2016 and 2033, including $930,000 in 2016. If the building is not leased in 2016 to tenants who can pay amounts sufficient to pay the debt service on the bonds, then the City will be obligated to pay debt service and potentially other amounts under its guaranty. This is a problem which is difficult to solve four years in advance of the lease terminating. The Receiver intends to continue to work on this problem in cooperation with HRA and the City.

The United States Environmental Protection Agency (EPA) is currently focusing on deficiencies in the water and sewer systems. It is important that the City and THA continue their current efforts to improve these systems and also take further important steps over time. The Receiver believes a proposal process to outsource the management of the water and sewer systems may provide additional opportunities to address this issue. The Receiver, THA and the City realize the importance of close communication with the EPA and the Pennsylvania Department of Environmental Protection on this issue.

During 2012, an attorney was retained by the municipalities with whom the City has an agreement to transport and treat sewage, and from whom the City collects fees for such transportation and treatment. The municipalities allege that the City has overcharged them for at least 10 years as evidenced by alleged excessive transfer of "administrative fees" from the Sewer Fund to the General Fund. Recently, the municipalities have begun to submit fees at the previous lower rate, impacting Sewer Fund revenues by about $945,000 for 2012. The City expects resolution of these possible claims will be incorporated into the Receiver's Recovery Plan. In the mean time, the Receiver instructed that the City shall only charge for administrative services up to the amount set forth in the most recent Central Services Full Cost Allocation Plan.

As indicated earlier, in addition to pension benefits, the City provides certain post-employment life insurance and healthcare benefits to its retirees. While the most recent actuarial valuation indicates that the City has an unfunded actuarial accrued OPEB liability of $177.8 million, the City currently only funds for its annual OPEB cost on a pay-as-you-go basis, therefore accruing a net OPEB obligation of $37.7 million as of December 31, 2010. In the future, the City may be required to begin funding its accrued net OPEB obligation.

Major Initiatives - Departmental Focus – Primary Government

The Department of Administration's (DOA) Bureau of Financial Management is primarily responsible for the development and issuance of the City's Comprehensive Annual Financial Report (CAFR), Mid-Year Fiscal Report, and Annual Budget document. In 2010, DOA was the recipient of both the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada for the City's 2008 CAFR and 2009 Budget document, respectively. These awards are the highest forms of recognition in governmental financial reporting and budgeting.

The Bureau of Information Technology (IT), thru the award of a Police Justice Agency Grant (JAG) totaling $483,411, installed a new Virtual Server, the IMR DocuWare Imaging System, Digital Information Management Systems (DIMS) evidence processing software, and disk space for the Storage Area Network (SAN) acquired for the Police Bureau. DocuWare is an electronic filing and document management system and currently being used by our Police Records Center. Thru another grant, 50 new personnel computers were purchased and installed for the Police Bureau.

IT also setup and configured a new server and ManagerPlus Maintenance Management software application for the Department of Public Works, Bureau of Vehicle Management. MangerPlus is an application for effectively managing fleet vehicles and equipment.

Additionally, IT wrote two computer programs to generate spreadsheets from the Utility billing system for the Department of Public Works. One spreadsheet contains the Utility billing charges by category (Trash, Disposal, Water, Sewer, Sewer Maintenance etc) and includes water consumption and current and past due amounts. The second spreadsheet contains all of the Trash and Disposal information from the Utility billing file, such as frequency of trash pickups, classifications (Residential, commercial, Dumpsters) and sizes of dumpsters, whether they have a private hauler, or are disputing their charges or are vacant. The file also consisted of property appraisal information including the county usage code that classifies the property (Residential 1 story, 2 story, etc), along with commercial and industrial classes. Now up to date information will be available in spreadsheets that can be opened with Excel to do sorting or analysis.

During July 2010, the physical checks received by the Treasurer's Office began being processed thru the check, bill, and envelope imaging software in the Treasury office. Checks from this process do not need to be hand carried to the bank. A file is sent to the bank each day, and the physical checks can be destroyed after a certain amount of time. The Treasury Check21 file that includes the front and the back of the checks along with deposit totals are securely sent to the Bank using secure FTP (File Transfer Protocol).

IT also created running IBM Sub-Capacity Reports on the IBM mainframe. If we are not using 100% of the mainframe (CPU), we can reduce our monthly cost if we run these new reports to see how much of the mainframe we using. The annual savings are about $13,800, a 14.6% savings. IT also replaced our mainframe sorting program; the savings is $3,700, which is a 60% savings per year over the previous sorting program.

Also new for 2010 is payment correspondence and address changes on the back of utility and real estate tax bills being scanned by mark detection software in the Treasurer's office. The scanned images are put in a folder on a server, and the pdf images can be reviewed by Operations & Revenue personnel on their computer screen for address changes. Before, this was a manual process where someone had to flip thru every utility and real estate tax bill that was paid looking for address changes (could be hundreds of payments daily).

The Bureau of Human Resources oversees and administers: payroll; recruitment for all management and bargaining-unit positions; testing, screening, hiring and processing individuals to fill vacant positions; enforces civil service rules and regulations and administers the promotional processes, where applicable, for the Harrisburg Police, Fire and Non-Uniform Civil Service Commission; unemployment compensation matters; new hire orientations and exit interview process; benefits administration including management of health care for active employees and retirees, pension plans, and leave benefits; worker's compensation program; and drug and alcohol testing.

In January 2010, six (6) newly hired police officers began their Municipal Police Officer Education and Training Commission Police Academy at Harrisburg Area Community College (HACC). In addition, the City elected to participate in the Dauphin County Chiefs of Police Association's (DCCPA) Police Officer recruitment in order to establish a new Civil Service eligibility list. Also in January 2010, the Candidates Physical Ability Test (CPAT) for recruitment of new Firefighters was conducted. In September 2010, Police Civil Service Written Examinations were administered for Police Promotionals to the ranks of Corporal, Sergeant and Lieutenant. Oral Interviews were conducted in November 2010 for the ranks of Lieutenant, Sergeant, and Corporal.

The following cost savings initiatives were implemented by Human Resources in 2010:

- At the direction of the Mayor, eliminated reimbursement of moving expenses and interview expenses.
- Received reimbursement in the amount of $93,878 for Retiree Drug Subsidy from CMS to help offset benefit costs.
- Prepared for the elimination of the HHRC office and completed a mini-layoff process which resulted in one individual being laid-off.
- Brought the background investigation process in-house instead of using an outside vendor.
- Reduced benefit costs associated with The Harrisburg Authority due to their employees obtaining their own benefit coverage effective 4/1/10.
- Changed the annual cap of separation payout for existing employees from $75,000 to $25,000.

➢ Eliminated compensatory time for management employees at the direction of the Mayor.

The Bureau of Operations and Revenue (O&R) is responsible for the billing and collection of various taxes, utilities, licenses and fees. O&R targeted 10,854 delinquent accounts for the Water Shut-Off Program which generated $5,895,475 in revenue during 2010. The Tax and Enforcement Office collected a total of $3,515,402. This office also issued 651 new Business Licenses generating $26,040 in revenue.

The Department of Building and Housing Development (DBHD) continued to develop and enhance the City's neighborhoods through the Home Improvement Program (HIP), where 16 units were completed at an average cost of $24,025; the Home Emergency and Lead Paint Program (HELP), where 20 units were completed at an average cost of $3,777; the Homeownership Opportunities Program (HOP), where 27 vacant structures were acquired, 19 were rehabbed and 7 were sold at an average cost of $138,855; and the Lead Hazard Control Program, where DBHD completed 48 units at an average cost of $8,2478. Lead Paint Poisoning Prevention education continued to be a major public safety focus. DBHD received a federal grant in 2007, which continued to support education as well as property rehabilitation activities into 2010.

Through the Buyer Notification and Rental Unit Inspection processes, DBHD has increased the code compliant housing stock Citywide. The Capital Corridors Program, directing City programs at key infrastructure areas 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 are residents who graduated from the City's Citizen Inspection Program – the first of its kind.

DBHD, in partnership with several housing developers, continued the expansion of new homes Citywide. Successful projects include the rehabilitation and development of 222 apartments and the construction of 69 town homes at The Towns at Governor's Square in the Capitol Heights region for rental and owner occupancy, respectively. DBHD also partnered with Tri-County Housing Development Corporation to bring affordable housing to the South Allison Hill neighborhood. In addition to housing development, DBHD continued its work to improve neighborhood facilities and building upgrades at the Broad Street Market, Camp Curtain YMCA, and the Central Allison Hill Community Center.

The Department of Public Safety includes the Bureaus of Police and Fire. The Bureau of Police has held National accreditation since 1989 (CALEA), and also attained Pennsylvania state accreditation (PLEAC) in 2003 and is reassessed every three (3) years. As of 2010, the Bureau held a dual-accredited status and was one of the few police agencies in Pennsylvania to hold both. In the current era, 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 fostering a closer working relationship between police and the citizens of Harrisburg. The Bureau currently operates three 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 in their community-policing efforts, with officers participating in a variety of programs such as Weed and Seed, School Resource Officer program, community crime watch groups, and crime prevention. It is the Bureau's intent to continue to utilize federal and state grants to assist with the goals and objectives of the Police Bureau. All Divisions, Platoons, Units, and sections within the Police Bureau work together in a concerted effort to provide the citizens of Harrisburg quality law enforcement service and protection.

In 2010, newly-elected Mayor Linda D. Thompson appointed a new Fire Chief and a Deputy Fire Chief to lead the Bureau of Fire. The Department responded to a total of 2,891 calls for assistance. The Bureau had Officer Promotions in all Ranks; Battalion Chief, Captain, and Lieutenant. The much needed Fire/Safety Officer Position was also filled. Fire Bureau members installed over 1300 smoke alarms and 325 batteries in over 350 homes. During 2010, the Bureau maintained a lead management role for Pennsylvania Task Force One, one of only twenty-eight nationally certified Urban Search and Rescue Teams. Our Task Force members assisted with the tragic earthquake in Haiti and Hurricane Earl. The Bureau's Juvenile Fire Setter Intervention Program reached out and counseled thirty-two City youths and their families. Additionally, the Bureau responded to 91 requests for Mutual Aid assistance and we received 104. Most importantly, the Fire Bureau maintained a five minute or less response time to ninety per cent of our total call volume.

During 2010, the Department of Public Works, Bureau of Neighborhood Services – Demolition Crew razed thirteen condemned properties. The Bureau also replaced hundreds of street signs, maintained 94 signalized intersections, and repaired about 400 traffic signals. There was also 1,054 tons of illegally dumped bulk items collected. In addition, 1,627 miles of streets were cleaned and 1,126 tons of leaves were removed from the streets, and over 400 potholes filled. The Bureau cleaned 102 storm inlets as well as 450 sanitary sewers, and maintained 156 linear miles of sewer lines. The Bureau televised four sanitary sewers and repaired twenty-two sinkholes in 2010. Barricades are distributed throughout the City for various social events and special City events. In 2010, a total of 1,102 barricades were distributed for 120 different events. The Bureau of Neighborhood Services - Sanitation collected 26,882 tons of residential waste and 1,257 tons of recyclables in 2010.

The major storm of the year came February 5, 2010. Salt and plow trucks were busy in the street cleaning areas trying to stay ahead of the storm. Men worked 12-hour shifts through the storm in an effort to keep the roads clear. Approximately five hundred tons of salt and anti-skid material was used in 2010.

The Bureau of Vehicle Management continued to provide fleet services and maintenance to the City's equipment fleet in excess of 560 units. The services within the Bureau includes providing a total management program for all equipment, the maintaining of an in-house warranty program for the three major automobile manufacturers, and providing 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 also 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 Water Bureau replaced or repaired and flushed numerous hydrants; and repaired several water mains. There were thousands of 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 276 water meters replaced, repaired, or installed in 2010 that can be read remotely through the City's meter reading system The Water Treatment Facility processes an average of 8.5 million gallons per day.

The Advanced Wastewater Treatment Facility (AWTF) processed 8.1 billion gallons of wastewater during 2010. There were 1.7 million kWh of electricity produced at the AWTF, co-generated from combusting the by-product, methane gas. Also, 19,544,150 gallons of sludge were accepted at the AWTF through the City's Contract Waste Hauling Program resulting in $827,953 in revenue.

In 2010, the AWTF was recognized by the Pennsylvania Water Environment Association and was presented the Facility Safety Award for its outstanding safety awareness program and safe working conditions. Additionally, the operations staff received the Central Pennsylvania Water Quality Association's Operator Excellence Award for large wastewater facilities.

Throughout the year, the AWTF met all National Pollutant Discharge Elimination System (NPDES) requirements with no violations or excursions. The permit requirements address hydraulic loading and organic and nutrient discharges established by the United States Environmental Protection Agency and the Pennsylvania Department of Environmental Protection. The resulting overall compliance with the NPDES permit limits was 100 percent.

Biosolids handling and processing consists of a variety of operations that incorporate concentration, stabilization, dewatering, and landfilling. Using a general permit for Beneficial Reutilization of Biosolids, the AWTF shifted focus from surface mining reclamation sites and launched an aggressive agricultural use program in the middle of 2010. Although only twenty percent of the facility's annual production of 15,796 tons was recycled, relationships with farms were secured that may lead to acreage to use nearly one hundred percent of the AWTF annual biosolids production, a significant long-term cost savings over landfilling.

The Office of City Engineer continued final roadway design for the Seventh Street Widening Project which increases the roadway from two to four lanes between Reily and Maclay Streets. Completion is scheduled for late 2012.

The storm water mitigation project on Black Run, a tributary of Paxton Creek, was completed through a grant to the City from PA DEP. Additional monitoring is still required per the PA DEP Permit. Design of this project was started using separate grant funding obtained through the PA DEP Growing Greener Program with supplemental Growing Greener funding from Dauphin County Commissioners, for 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.

PennDOT District 8-0 is to provide funding from the State Street Bridge program to install new architectural "Period Lighting on the Mulberry Street Bridge as part of the scope of the District's bridge renovation program.

In 2010, the Department of Parks and Recreation's name was changed to Department of Parks, Recreation & Enrichment to embrace the Mayor's vision of expanding programs beyond recreational activities to providing and collaborating enrichment learning opportunities. Introducing the Mayor's Health, Wellness & Recreation initiative provided collaborative corporate partnerships with the City of Harrisburg and improving the quality of life for youth and families. The City is the only community in Central Pennsylvania that has offered year-round recreation programs, free of charge.

Increased positive activity in the City parks and playgrounds resounded this year. Programs in the park extended to Hub sites placed around the City of Harrisburg. The Hub sites are where the day begins and ends. When inclement weather occurs park programs are not cancelled but moved indoors to these Hub sites; causing a significant increase in consistency in participation.

Summer Enrichment programs increased to ten sites with 6,055 in attendance. The Afterschool program operated in seven sites serving 6,620 students and providing a total of over 12,675 free lunches and snacks. Summer camp attendance climbed to 730 with sports leagues hosting 433 participants. Performing Arts and **Y**outh **A**s **R**estorers totaled 1,630 in attendance.

Special Events continued to provide quality of life events, even with the Special Events Office eliminated the first quarter of 2010. The list of events included Armed Forces Day, Patriot News Artfest, Shakespeare in the Park, the Harrisburg Jazz and Multi-Cultural Festival, Kipona Artfest, and the Holiday Parade. These events occurred through sponsored dollars.

The Bureau of Parks Maintenance continued to maintain 27 playgrounds plus 20 open space areas totaling more than 450+ acres. In 2009, construction got underway for Phase II upgrades to Commerce Bank Park Baseball Stadium, home to minor league AA affiliate Harrisburg Senators. Work was since completed in April of 2010. The total cost for Phase I and II of Commerce Bank Park was approximately $42 million.

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 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 RRF, which THA purchased from the City on December 23, 1993. The HPA component unit accounts for the operations of ten parking garages, on-street parking, and four open lots, all within the City. The CPF accounts for the net operating revenues and transfers from the components of the Coordinated Parking System. As noted earlier, the City guarantees a majority of THA's and HPA's bonds and notes.

In 2005, 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 2010 operating results for THA reflected operating income of $4,915,231. This is in contrast to the prior year's operating income of $4,395,705. This was primarily attributed to increases in user charge revenues of $1.2 million, offset by increased operating expenses of $.9 million. User charges of the Resource Recovery Fund increased approximately $2.1 million, or 8%, due to the facility running at an increased capacity from the previous year. The Water Fund's user charge revenues decreased $812,079, or 4.7%, 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 2010 as construction was completed during 2009.

In 2010, the net assets of THA decreased by $19.8 million. This decrease was primarily caused by interest expense of $26.3 million; offset by a $2.1 million increase in Resource Recovery Fund user charge revenue. 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.

In 2010, the net assets of HPA decreased by $1.0 million, primarily due to decreased operating income of $780,983 and a transfer to the CPF of $470,528.

The CPF realized an increase in net assets of $194,487 in 2010. This is primarily due to decreased operating revenue of $497,262, compared to 2009 operating revenue, offset by a $1.0 million decrease in operating expenses.

The net assets of the HRA decreased by $1.1 million in 2010 compared to 2009, primarily due to a decrease in grants and contributions totaling $1.5 million from 2009 levels. Community Development expenses also decreased from 2009 levels.

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 HRA 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 as of 2009. Re-accreditation now occurs every three years.

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 an 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 Lead-Based Paint Hazard Control Program.

In 2001, the National Association of Housing and Redevelopment Officials (NAHRO) presented to the City'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'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-three consecutive years, including 2010, 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 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'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'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

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 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 was 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.

The Advanced Wastewater Treatment Facility has received several recognitions for safe working conditions in recent years. The Pennsylvania Water Environment Association awarded the facility with the 2007 and 2010 Collection System Safety Award. In 2008, the Central Pennsylvania Water Quality Association presented the AWTF with both the Facility Safety Award and the Collection Systems Safety Award, and its Operator Excellence Award for large wastewater facilities in 2010.

Additional Recognitions

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.

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the "Distinguished Budget Presentation Award" to the City in 2010 for its 2009 Budget document, which marks the twentieth 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 for Excellence in Financial Reporting" to the City in 2010, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2008. 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. As of 2010, the City has received a Certificate of Achievement for twenty-two consecutive years (1987 – 2008). We believe our 2009 and 2010 CAFR's continued to conform to the Certificate of Achievement program requirements had we been able to submit them to GFOA to determine their eligibility for another certificate in a timely manner.

Acknowledgements

The preparation of this report and related documents would not have been possible without the efficient and dedicated services of the limited staff of the Bureaus of Financial Management and Human Resources. I would especially like to express my sincere appreciation to Bryan McCutchen, Senior Accountant; Yanxia Liu, Accounting Manager; Joseph Bream, Budget Manager; Mattea D. Fera, Purchasing and Insurance Claims/Collections Manager; Errol Newark, Grants Manager; Keisha George-Williams, Auditor; Joni R. Willingham, Human Resources Generalist; Donnie Hunsicker, Confidential Labor/Finance Assistant; and Natasha Smith, Executive Administrative Assistant; who contributed so significantly to its preparation.

Assistance was also provided by the Bureau of Information Technology, Law Bureau, Department of Building & Housing Development, 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.

Respectfully submitted,

Robert F. Kroboth, CGFM, Director
Bureau of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisburg
Pennsylvania

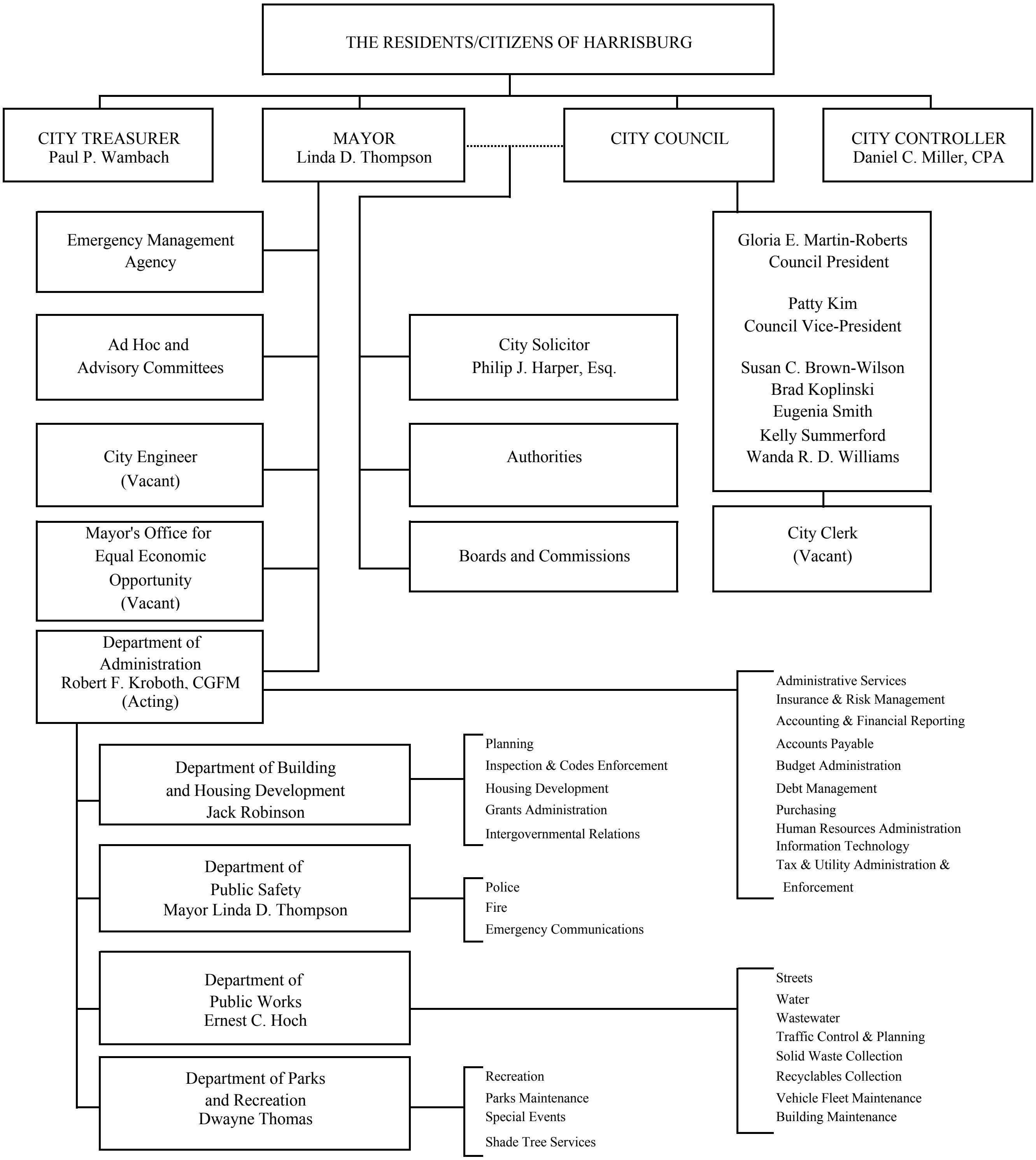
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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
2010 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 elected officials of the City for the calendar-year 2010 are shown in the table below:

	First Sworn In	Term Expires
Mayor		
Linda D. Thompson	January 2010	January 2014
City Council Members		
Gloria E. Martin-Roberts, President	January 2004	January 2012
Patty Kim, Vice President	January 2006	January 2014
Susan C. Brown-Wilson	January 2004	January 2012
Brad Koplinski	January 2008	January 2012
Eugenia Smith	January 2010	January 2014
Kelly Summerford	January 2010	January 2014
Wanda R. Williams	January 2006	January 2014
City Controller		
Daniel C. Miller, CPA	January 2010	January 2014
City Treasurer		
Paul P. Wambach	January 1992	January 2012

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 Linda D. Thompson, 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, 2010, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of The Harrisburg Authority, the Harrisburg Parking Authority, and the Coordinated Parking Fund were not audited in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, 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 accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Notes 22 and 23 to the financial statements, the City has suffered ongoing structural deficits, has been unable to fulfill its debt obligations and its obligations as guarantor of component unit debt, and has a net asset deficiency that raises substantial doubt about its ability to continue as a going concern. During the year ended December 31, 2010, the City applied for and was granted status as "fiscally distressed" under the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act of 1987 (Act 47). The City's Act 47 petition states that defaults by the City on future bond and note guaranty obligations are imminent and inevitable. During the year ended December 31, 2011, as a result of the City's fiscal circumstances, the Governor of the Commonwealth of Pennsylvania declared a fiscal emergency and, through the Commonwealth of Pennsylvania's Department of Community and Economic Development and the Commonwealth Court, appointed a receiver to develop and submit a fiscal recovery plan. Management's plans in regard to these matters are described in Note 21. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 Harrisburg Authority's Resource Recovery Segment has experienced significant operating losses, has an accumulated deficit of approximately $173 million at December 31, 2010, and is in violation of certain covenants under its trust indentures. Additionally, as discussed further in Note 23 to the financial statements, The Harrisburg Authority has issued multiple notices of material events, including, but not limited to, non-payment of required debt service with respect to certain of the Resource Recovery Facility bonds, which are guaranteed by the City.

The Harrisburg Authority's Water Segment has an accumulated deficit of approximately $37 million at December 31, 2010, and is in violation of certain covenants under its trust indentures. Additionally, as discussed further in Note 23 to the financial statements, the Authority has issued multiple notices of material events with respect to certain of the Water System bonds.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), budgetary comparison information, and pension plan information on pages 3 through 13, 145 through 147, and 148 through 151, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maher Duessel

Harrisburg, Pennsylvania
December 18, 2012

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, 2010. 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 liabilities for the year ending December 31, 2010 exceeded assets by $227,649,107. In 2009, liabilities exceeded its assets by $227,092,975, representing a decrease of net assets of $556,132.

    - Invested in capital assets, net of related debt, in the amount of $95,099,359 and $74,779,080 for the years ending December 31, 2010 and 2009, 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 $1,298,359 and $1,728,087 for the years ending December 31, 2010 and 2009, respectively.
    - Unrestricted net assets, which are assets not restricted for any particular purpose, were ($324,046,825) and ($303,600,142) for the years ending December 31, 2010 and 2009, respectively.

- At December 31, 2010 and 2009, the fund balance of the City of Harrisburg's governmental funds was ($41,740,553) and $5,715,743, respectively. This decrease was primarily due to the accrual of approximately $44.6 million in reimbursements due to The Harrisburg Authority bond insurer and Dauphin County pursuant to the City's guarantee obligations under The Harrisburg Authority Resource Recovery Facility debt.

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 comprised of general government, building and housing development, public safety (police and fire), public works, parks and recreation, incinerator, tourism, and interest on long-term debt. The business-type activities of the City include Sewer, Sanitation, Harrisburg Senators, and Incinerator 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 three major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those 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; and (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. 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 expenses 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 Harrisburg Senators Fund, which accounts for the revenues and expenses associated with the payment of debt on the financing of a new stadium of the Harrisburg Senators, a AA minor league baseball franchise formerly owned by the City; and (3) the Incinerator Fund, which accounts for the collection and remittance of incinerator/resource recovery disposal fees billed by the City of Harrisburg and remitted to The Harrisburg Authority for their provision of solid waste incineration services to the residents and commercial and industrial establishments of the City.

The City does present one non-major enterprise fund, 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.

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 and other post-employment 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, 2010 AND 2009

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 26,837,693	$ 27,031,114	$ 16,399,736	$ 12,296,117	$ 43,237,429	$ 39,327,231
Capital assets	108,938,365	114,278,454	78,364,733	57,254,631	187,303,098	171,533,085
Total assets	135,776,058	141,309,568	94,764,469	69,550,748	230,540,527	210,860,316
Current and other liabilities	65,741,999	20,013,916	4,254,552	2,780,690	69,996,551	22,794,606
Noncurrent liabilities	373,767,535	400,696,815	14,425,548	14,461,870	388,193,083	415,158,685
Total liabilities	439,509,534	420,710,731	18,680,100	17,242,560	458,189,634	437,953,291
Net assets:						
Invested in capital assets, net of related debt	26,965,615	29,652,340	68,133,744	45,126,740	95,099,359	74,779,080
Restricted	640,116	1,069,700	658,243	658,387	1,298,359	1,728,087
Unrestricted	(331,339,207)	(310,123,203)	7,292,382	6,523,061	(324,046,825)	(303,600,142)
Total net assets	$ (303,733,476)	$ (279,401,163)	$ 76,084,369	$ 52,308,188	$ (227,649,107)	$ (227,092,975)

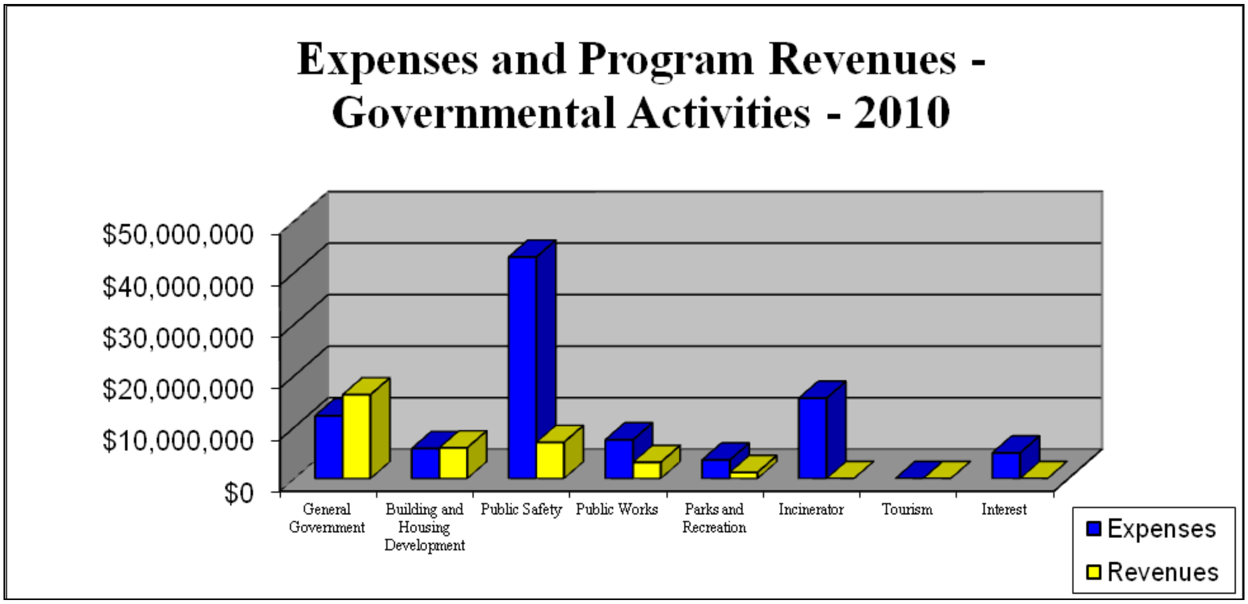
As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. For the year ending December 31, 2010, the City's liabilities exceeded its assets by $227,649,107. In 2009, the City's liabilities exceeded its assets by $227,092,975.

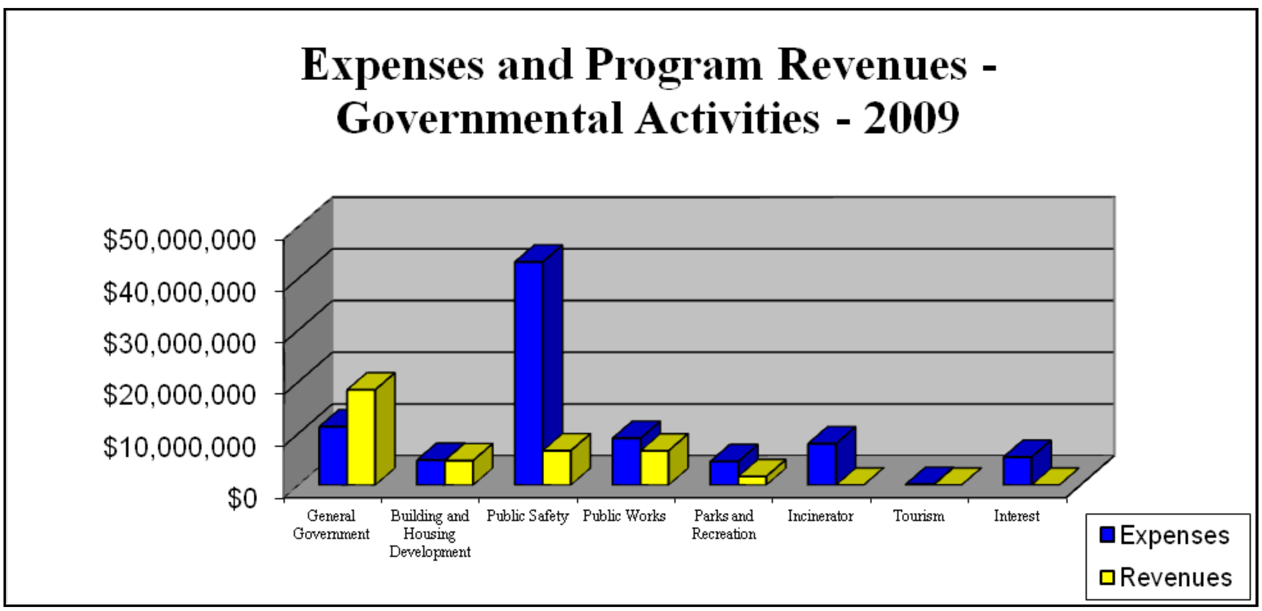
The largest portion of City of Harrisburg's net assets (-42% for 2010 and -33% for 2009) is the City's investment in capital assets (i.e., land, archives, building, land and building improvements, equipment and furniture, infrastructure); less any related outstanding debt used to acquire those assets. 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.

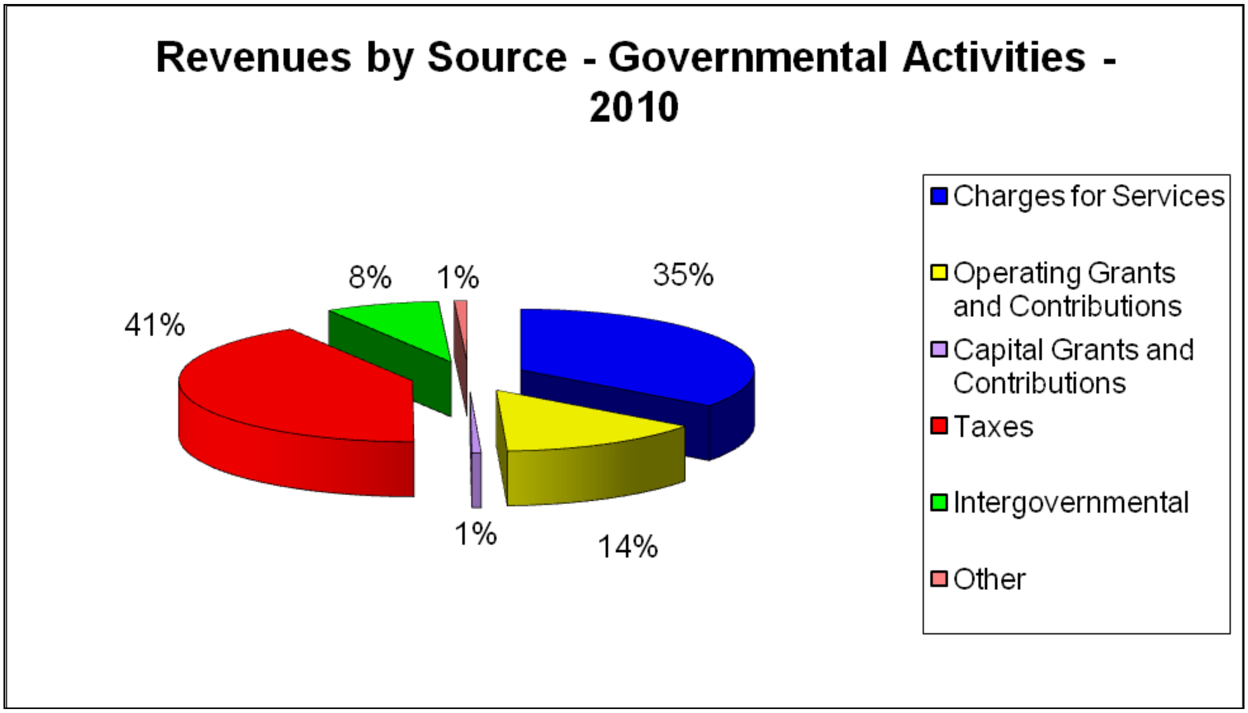
The City of Harrisburg's unrestricted net asset balances were ($324,046,825) and ($303,600,142), respectively, for the years ending December 31, 2010 and 2009. This negative net asset balance began in 2009, resulting from the recording of the remaining Resource Recovery Facility guaranteed debt for which the City is contingently liable.

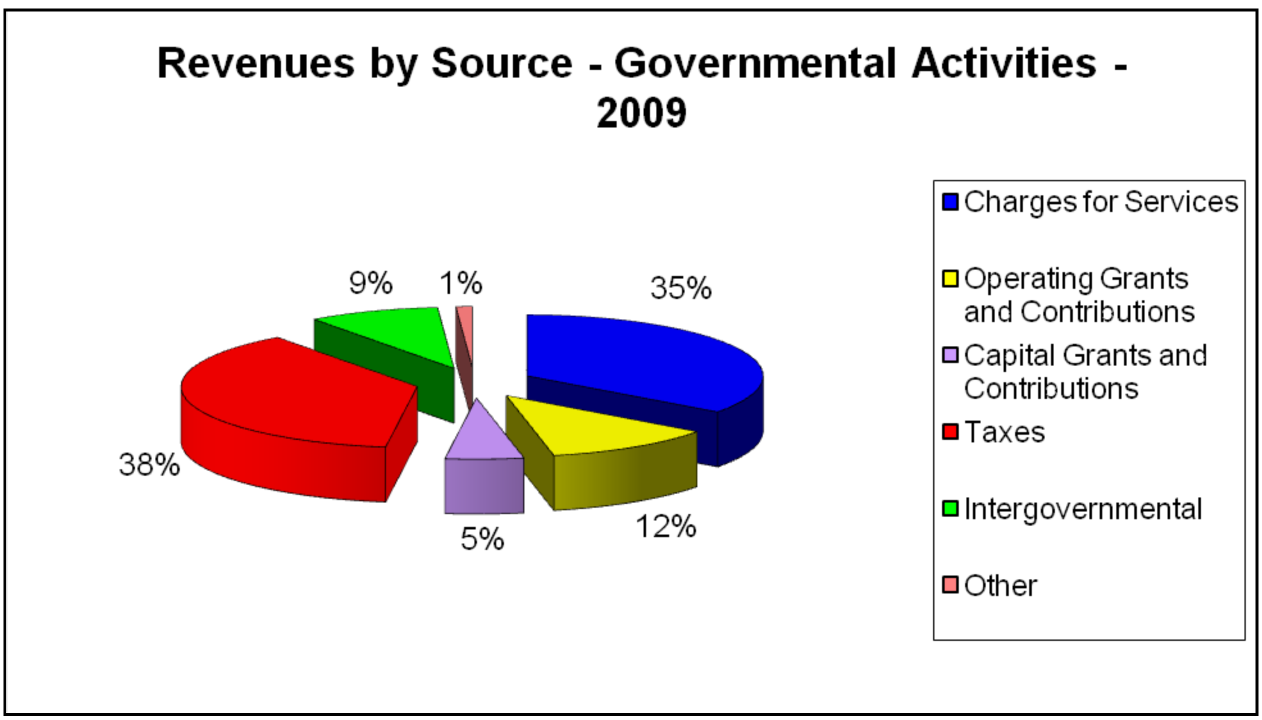
CITY OF HARRISBURG
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Changes for services	$ 23,610,785	$ 25,606,049	$ 26,905,884	$ 26,044,575	$ 50,516,669	$ 51,650,624
Operating grants and contributions	9,531,510	8,540,464	312,997	3,214,952	9,844,507	11,755,416
Capital grants and contributions	436,474	3,903,498	23,962,564	3,633,962	24,399,038	7,537,460
General revenues:						
Taxes	27,812,327	27,572,411	-	-	27,812,327	27,572,411
Grants and contributions not restricted to specific functions	5,315,339	6,561,795	-	-	5,315,339	6,561,795
Other	591,632	813,094	5,303	32,241	596,935	845,335
Total revenues	67,298,067	72,997,311	51,186,748	32,925,730	118,484,815	105,923,041
Expenses						
General government	12,176,174	11,284,960	-	-	12,176,174	11,284,960
Building and housing development	5,828,521	4,830,380	-	-	5,828,521	4,830,380
Public safety	42,992,219	43,145,655	-	-	42,992,219	43,145,655
Public works	7,530,749	9,053,138	-	-	7,530,749	9,053,138
Parks and recreation	3,605,131	4,569,158	-	-	3,605,131	4,569,158
Incinerator	15,597,533	8,006,987	-	-	15,597,533	8,006,987
Tourism	14,055	139,027	-	-	14,055	139,027
Interest on long-term debt	4,977,654	5,413,550	-	-	4,977,654	5,413,550
Sewer	-	-	15,774,669	18,523,561	15,774,669	18,523,561
Sanitation	-	-	3,271,570	3,026,609	3,271,570	3,026,609
Harrisburg Senators	-	-	1,172,073	623,263	1,172,073	623,263
Incinerator	-	-	6,100,599	6,306,580	6,100,599	6,306,580
Total expenses	92,722,036	86,442,855	26,318,911	28,480,013	119,040,947	114,922,868
Change in net assets before transfers and extraordinary item	(25,423,969)	(13,445,544)	24,867,837	4,445,717	(556,132)	(8,999,827)
Transfers	1,091,656	191,086	(1,091,656)	(191,086)	-	-
Extraordinary Item	-	(264,272,031)	-	-	-	(264,272,031)
Change in net assets	(24,332,313)	(277,526,489)	23,776,181	4,254,631	(556,132)	(273,271,858)
Net assets January 1,	(279,401,163)	(1,874,674)	52,308,188	48,053,557	(227,092,975)	46,178,883
Net assets, December 31	$ (303,733,476)	$ (279,401,163)	$ 76,084,369	$ 52,308,188	$ (227,649,107)	$ (227,092,975)

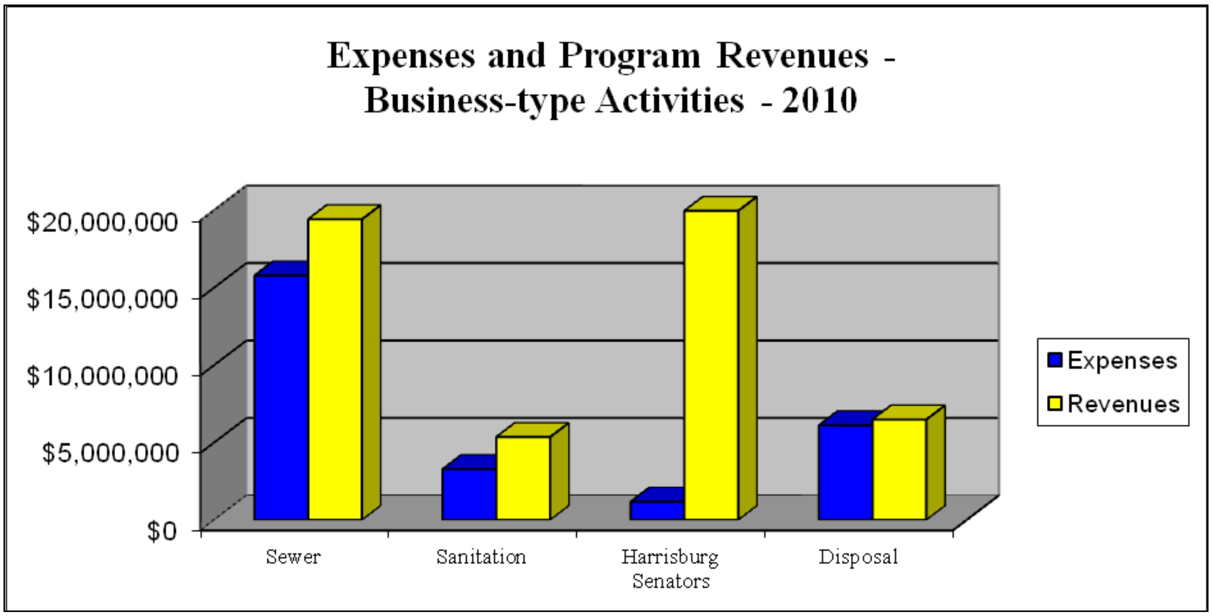

Expenses and Program Revenues - Governmental Activities - 2010
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
General Government
Building and Housing Development
Public Safety
Public Works
Parks and Recreation
Incinerator
Tourism
Interest
Expenses
Revenues

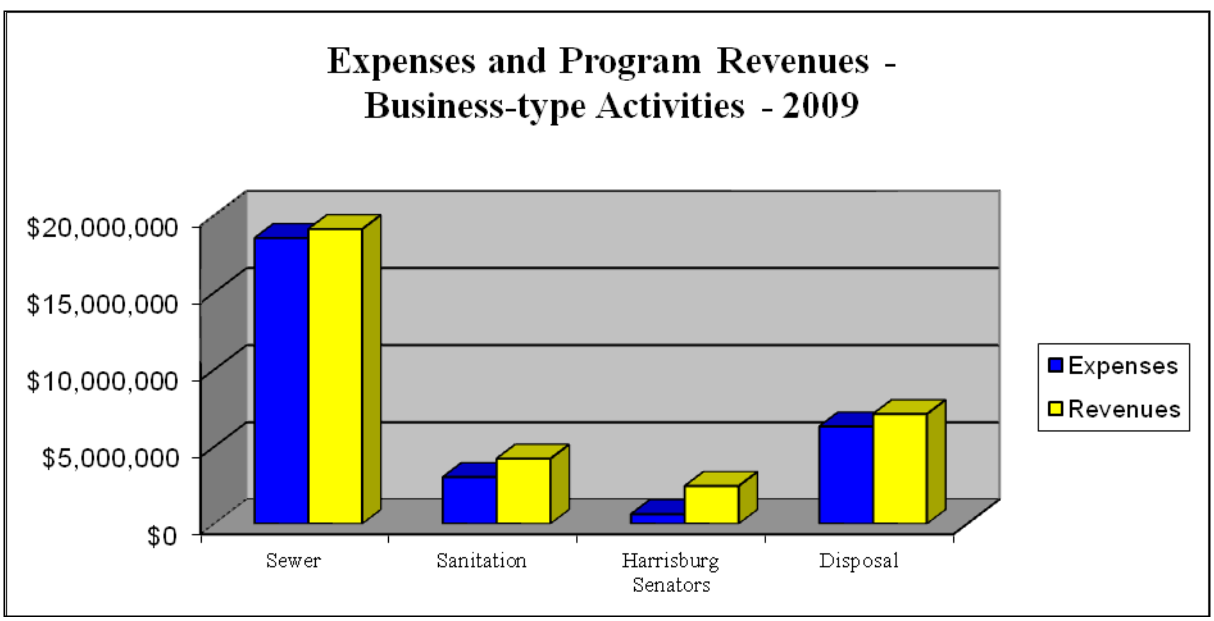

Expenses and Program Revenues - Governmental Activities - 2009
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
General Government
Building and Housing Development
Public Safety
Public Works
Parks and Recreation
Incinerator
Tourism
Interest
Expenses
Revenues


Revenues by Source - Governmental Activities - 2010
35%
14%
1%
41%
8%
1%
Charges for Services
Operating Grants and Contributions
Capital Grants and Contributions
Taxes
Intergovernmental
Other


Revenues by Source - Governmental Activities - 2009
35%
12%
5%
38%
9%
1%
Charges for Services
Operating Grants and Contributions
Capital Grants and Contributions
Taxes
Intergovernmental
Other

Governmental Activities: Net assets for governmental activities decreased by $24,332,313 and $277,526,489 for the years ending December 31, 2010 and 2009, respectively. The change in net assets during the year ending December 31, 2010 was primarily attributable to decreased revenue from charges for services of nearly $2 million, a $3.4 million decrease in capital grants and contributions program revenue, and $1.2 million decrease in grants general revenue. Additionally, expenses increased in General Government, Building and Housing Development, and Incinerator by $891,214, $998,141, and nearly $7.6 million, respectively. The primary reason for the decrease in net assets during the year ending December 31, 2009, was the assumption of The Harrisburg Authority's Resource Recovery Facility guaranteed debt totaling approximately $272 million when the debt was no longer deemed to be self-liquidating under the PA Local Government Unit Debt Act.





Business-Type Activities: Net assets for business-type activities increased by $23,776,181 and $4,254,631 for the years ending December 31, 2010 and 2009, respectively. The basic factor for the change in net assets during the year ending December 31, 2010, was primarily due to receiving a state grant for the improvements and upgrades to the Harrisburg Senators baseball stadium in the sum of $19.5 million dollars. The basic factor for the change in net assets during the year ending December 31, 2009, was primarily due to receiving a state grant for the improvements and upgrades to the Harrisburg Senators baseball stadium, offset by a $600,000 annual accrual related to OPEB.

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 2010, the City of Harrisburg's governmental funds reported combined ending fund balances of ($41,740,553), a decrease of $47,456,296 compared to 2009.

   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 $47,854,391 for the year ending December 31, 2010 from the prior year, due to the accrual of a liability in the amount of approximately $44.6 million to the secondary guarantor and the bond insurer of The Harrisburg Authority Resource Recovery Facility debt.

   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 $449,630 for the year ending December 31, 2010 over the prior year. This is primarily due to receipt near the end of year on settlement of artifacts in the amount of $450,000. The Fund Balance of the Other Governmental Funds decreased by $51,535 for the year ending December 31, 2010, or 3.0% lower than the prior year.

   The Fund Balance of the General Fund decreased by $9,580,170 for the year ending December 31, 2009, or 70.5% lower, from the prior year. The basic factor for the change in the net assets is the expenditure of capital lease proceeds, $4.8 million of Resource Recovery Facility Guarantee Payments that City paid as guarantor of The Harrisburg Authority debt, and the accrual of a liability to the secondary guarantor ($2.3 million) and bond insurer ($630,000) of The Harrisburg Authority Resource Recovery Facility debt.

   The Fund Balance of the Debt Service Fund decreased by $170,567 for the year ending December 31, 2009, or 110.7% lower, from the prior year. This is primarily due to a transfer to show the expenses related to the Harrisburg Senators in the corresponding fund. The Fund Balance of the Other Governmental Funds, decreased by $767,701 for the year ending December 31, 2009, or 30.88% lower, from the prior year. This was due primarily to the City reimbursing the General Fund for prior year and partial current year Street Cut/Degradation Fees in the amount of $400,000.

General Fund Budgetary Highlights

On a budgetary basis, the General Fund's actual revenues were $4,936,512 less than the final budgeted amounts. This was primarily attributed to receiving $674,000 less than the budgeted amount for EMS Tax, City's Police Bureau not receiving approximately $1.5 million of anticipated grant revenue that was budgeted for, the Harrisburg Coordinated Parking Fund having less than $1.36 million to be able to transfer to the General Fund, and collecting $591,000 less than the budgeted amount for Parking Tickets. The General Fund's actual expenditures were $4,469,515 less than the final budgeted amounts. This favorable variance is primarily attributed to the Office of City Engineer and Departments of Administration and Public Safety achieving significant budgetary savings through decreased capital projects expenditures and freezing of position vacancies.

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, 2010 amounts to $108,938,365 and $78,364,733 (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:

   - Additions to Construction-in-Progress of $691,947, related to the Property at 157 Paxton Street.

   - Additions to Improvements, Equipment and Furniture, and Infrastructure of a total of $566,501 related to various projects and purchases in 2010.

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

   - Construction-in-progress increased by approximately $23.3 million related to Sewer Projects.

   - Buildings increased $36,308,472 related to the Harrisburg Senators Stadium – Phase II completion changing from Construction-in-Progress.

   - Equipment and Furniture increased $6,925,267 for items related to the Sewer Facility.

   Additional information on the City's capital assets can be found on page 63 of this report.

2. **Long-term debt** The only debt activity in the City's governmental or business-type activities was the required principal and interest payments under existing debt arrangements.

   Additional information on the City's long-term debt can be found beginning on page 67 of this report.

Economic Factors

Arguably, the two most significant factors affecting the City's financial position are the extent of the City's debt load due to the assumption of the Resource Recovery Facility's guaranteed debt obligations and the City's structural budget deficit discussed at length throughout this CAFR.

Additionally, a 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 costs have been on the rise and each year the City projects increased costs; however due to turnover and vacant positions the City has been able to see these costs been the same or lower in recent years. If the City is back at full staffing, there will be a significant increase shown.

(b) 2011 salaries for the City's Police, Firefighter, and Non-Uniformed unions were negotiated to increase 3.%, 2% in January and 2% in July, and 4.%, respectively.

(c) 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 THA's debt service obligations. The City honored those guarantees at various times during 2009 and January 2010.

(d) Pension benefits and OPEB obligations

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 Finance Director, The Rev. Dr. Martin Luther King Jr., City Government Center, 10 North Second Street, Suite 303, Harrisburg, PA 17101. You may also find more information regarding the City of Harrisburg at our website www.harrisburgpa.gov.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
Assets					
Cash and cash equivalents	$ 7,064,594	$ 4,865,038	$ 11,929,632	$ 15,880,121	$ 27,809,753
Investments, at fair value	368,015	1,015,961	1,383,976	122,508	1,506,484
Receivables, net of allowance for uncollectible accounts					
Taxes	9,725,785	-	9,725,785	-	9,725,785
Accounts	147,967	5,049,141	5,197,108	6,223,260	11,420,368
Loans	5,484,180	-	5,484,180	332,575	5,816,755
Grants	-	465,722	465,722	803,162	1,268,884
Other	377,334	-	377,334	1,284	378,618
Internal balances	(91,419)	91,419	-	-	-
Due from City's agency fund	315,928	-	315,928	-	315,928
Due from component unit	1,154,322	2,918,721	4,073,043	-	4,073,043
Due from primary government	-	-	-	2,958,430	2,958,430
Assets held for sale	1,727,384	-	1,727,384	-	1,727,384
Other assets	89,966	881,668	971,634	112,059	1,083,693
Restricted assets					
Cash and cash equivalents	473,637	2,159	475,796	-	475,796
Cash with fiscal agents	-	-	-	6,492,140	6,492,140
Investments, at fair value	-	660,260	660,260	61,664,197	62,324,457
Litigation settlement receivable	-	-	-	42,087	42,087
Future lease rentals receivable from primary government	-	-	-	3,045,269	3,045,269
Direct financing lease proceeds receivable from component unit	-	449,647	449,647	-	449,647
Equitable ownership interest	-	-	-	14,000,500	14,000,500
Deferred charges, net of accumulated amortization	-	-	-	17,004,806	17,004,806
Right to building	-	-	-	20,369,411	20,369,411
Capital assets, not being depreciated	26,751,298	1,696,031	28,447,329	9,698,641	38,145,970
Capital assets, less accumulated depreciation and amortization	82,187,067	76,668,702	158,855,769	236,809,686	395,665,455
Deposits	-	-	-	50,350	50,350
Derivative asset	-	-	-	4,550,233	4,550,233
Total assets	135,776,058	94,764,469	230,540,527	400,160,719	630,701,246

(continued)

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
Liabilities					
Accounts payable and other current liabilities	3,406,368	1,488,505	4,894,873	2,150,353	7,045,226
Matured bond coupons	20,097	-	20,097	-	20,097
Accrued liabilities	4,023,928	153,442	4,177,370	2,704,438	6,881,808
Due to primary government	-	-	-	57,662,548	57,662,548
Due to bond insurer	4,134,089	-	4,134,089	-	4,134,089
Due to County of Dauphin	43,376,998	-	43,376,998	-	43,376,998
Due to component unit	355,825	2,612,605	2,968,430	-	2,968,430
Unearned revenue	10,424,694	-	10,424,694	601,893	11,026,587
Liabilities payable from restricted assets	-	-	-	10,662,356	10,662,356
Noncurrent liabilities:					
Due within one year	13,359,255	2,406,223	15,765,478	31,921,751	47,687,229
Due in more than one year	90,020,207	10,393,044	100,413,251	515,097,133	615,510,384
Other post-employment benefits	36,111,027	1,626,281	37,737,308	363,328	38,100,636
Contingent liability for component unit debt	234,277,046	-	234,277,046	-	234,277,046
Derivative liabilities	-	-	-	6,194,386	6,194,386
Unearned revenue	-	-	-	3,787,616	3,787,616
Environmental remediation liability	-	-	-	111,023	111,023
Accrued landfill closure and post-closure liability	-	-	-	2,250,413	2,250,413
Liability for obligations to construct assets under direct financing leases	-	-	-	449,647	449,647
Total liabilities	439,509,534	18,680,100	458,189,634	633,956,885	1,092,146,519
Net assets					
Invested in capital assets, net of related debt	26,965,615	68,133,744	95,099,359	(174,005,042)	(78,905,683)
Restricted for:					
Highways and streets	329,291	-	329,291	-	329,291
Culture and recreation	244,490	-	244,490	-	244,490
Debt service	-	658,243	658,243	7,492,681	8,150,924
Capital projects	-	-	-	1,194,245	1,194,245
Landfill closure	-	-	-	653,343	653,343
Guarantee agreement	-	-	-	307,037	307,037
Water operations	-	-	-	4,845,972	4,845,972
Other	66,335	-	66,335	-	66,335
Unrestricted	(331,339,207)	7,292,382	(324,046,825)	(74,284,402)	(398,331,227)
Total net assets	$ (303,733,476)	$ 76,084,369	$ (227,649,107)	$ (233,796,166)	$ (461,445,273)

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	$ 12,176,174	$ 16,059,751	$ 125,132	$ 82,897
Building and housing development	5,828,521	1,259,402	4,702,336	-
Public safety	42,992,219	4,149,302	2,802,184	65,098
Public works	7,530,749	1,961,451	892,243	288,479
Parks and recreation	3,605,131	180,879	1,009,615	-
Incinerator	15,597,533	-	-	-
Tourism	14,055	-	-	-
Interest on long-term debt	4,977,654	-	-	-
Total governmental activities	92,722,036	23,610,785	9,531,510	436,474
Business-type activities				
Sewer	15,774,669	14,945,166	-	4,462,564
Sanitation	3,271,570	5,033,905	312,997	-
Harrisburg Senators	1,172,073	449,886	-	19,500,000
Incinerator	6,100,599	6,476,927	-	-
Total business-type activities	26,318,911	26,905,884	312,997	23,962,564
Total primary government	$ 119,040,947	$ 50,516,669	$ 9,844,507	$ 24,399,038
Component units				
The Harrisburg Authority	$ 68,599,955	$ 44,940,345	$ -	$ -
Harrisburg Parking Authority	15,166,266	13,860,233	-	187,500
Coordinated Parking Fund	6,308,406	6,500,441	-	-
Redevelopment Authority	4,560,416	240,028	801,841	1,364,269
Total component units	$ 94,635,043	$ 65,541,047	$ 801,841	$ 1,551,769

General revenues
- Property taxes
- Real estate transfer taxes
- Local services 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

Transfers - internal activities

Total general revenues and transfers

Change in net assets

Net assets - January 1, 2010, restated

Net assets - December 31, 2010

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	Total
$ 4,091,606	$ -	$ 4,091,606	$ -	$ 4,091,606
133,217	-	133,217	-	133,217
(35,975,635)	-	(35,975,635)	-	(35,975,635)
(4,388,576)	-	(4,388,576)	-	(4,388,576)
(2,414,637)	-	(2,414,637)	-	(2,414,637)
(15,597,533)	-	(15,597,533)	-	(15,597,533)
(14,055)	-	(14,055)	-	(14,055)
(4,977,654)	-	(4,977,654)	-	(4,977,654)
(59,143,267)	-	(59,143,267)	-	(59,143,267)
-	3,633,061	3,633,061	-	3,633,061
-	2,075,332	2,075,332	-	2,075,332
-	18,777,813	18,777,813	-	18,777,813
-	376,328	376,328	-	376,328
-	24,862,534	24,862,534	-	24,862,534
(59,143,267)	24,862,534	(34,280,733)	-	(34,280,733)
-	-	-	(23,659,610)	(23,659,610)
-	-	-	(1,118,533)	(1,118,533)
-	-	-	192,035	192,035
-	-	-	(2,154,278)	(2,154,278)
-	-	-	(26,740,386)	(26,740,386)
15,828,894	-	15,828,894	-	15,828,894
382,718	-	382,718	-	382,718
2,821,776	-	2,821,776	-	2,821,776
4,297,332	-	4,297,332	-	4,297,332
3,486,359	-	3,486,359	-	3,486,359
546,911	-	546,911	-	546,911
38,093	-	38,093	-	38,093
410,244	-	410,244	-	410,244
5,315,339	-	5,315,339	-	5,315,339
87,173	-	87,173	1,238,861	1,326,034
504,459	5,303	509,762	3,818,517	4,328,279
1,091,656	(1,091,656)	-	-	-
34,810,954	(1,086,353)	33,724,601	5,057,378	38,781,979
(24,332,313)	23,776,181	(556,132)	(21,683,008)	(22,239,140)
(279,401,163)	52,308,188	(227,092,975)	(212,113,158)	(439,206,133)
$ (303,733,476)	$ 76,084,369	$ (227,649,107)	$ (233,796,166)	$ (461,445,273)

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

CITY OF HARRISBURG, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Grant Programs	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets					
Cash and cash equivalents	$ 2,424,432	$ 3,095,605	$ 453,231	$ 1,091,326	$ 7,064,594
Investments, at fair value	160,858	275	-	206,882	368,015
Receivables, net of allowance for uncollectible accounts					
Taxes	9,666,167	-	-	59,618	9,725,785
Accounts receivable	147,967	-	-	-	147,967
Loans receivable	2,686,134	2,781,246	-	16,800	5,484,180
Other receivable	377,334	-	-	-	377,334
Due from other funds	1,493,687	747,195	-	185,998	2,426,880
Advances and amounts due from component units	787,918	-	-	366,404	1,154,322
Other assets	47,047	7,163	-	-	54,210
Restricted assets					
Cash and cash equivalents	66,335	-	-	407,302	473,637
Total assets	$ 17,857,879	$ 6,631,484	$ 453,231	$ 2,334,330	$ 27,276,924
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	$ 2,599,167	$ 768,492	$ -	$ 38,709	$ 3,406,368
Accrued liabilities	2,242,672	13,313	-	-	2,255,985
Due to bond insurer	4,134,089	-	-	-	4,134,089
Due to County of Dauphin	43,376,998	-	-	-	43,376,998
Matured bond coupons payable	-	-	20,097	-	20,097
Due to other funds	1,189,397	384,240	-	628,734	2,202,371
Advances and amounts due to component units	355,825	-	-	-	355,825
Deferred revenue	7,800,305	5,465,439	-	-	13,265,744
Total liabilities	61,698,453	6,631,484	20,097	667,443	69,017,477
Fund balance					
Reserved					
Encumbrances	47,519	-	-	15,000	62,519
Workers' compensation	146,914	-	-	-	146,914
Revolving loan program	2,650,748	-	-	-	2,650,748
Unreserved, reported in					
General fund	(46,685,755)	-	-	-	(46,685,755)
Debt service fund	-	-	433,134	-	433,134
Capital projects fund	-	-	-	1,207,624	1,207,624
Special revenue funds	-	-	-	444,263	444,263
Total fund balance	(43,840,574)	-	433,134	1,666,887	(41,740,553)
Total liabilities and fund balance	$ 17,857,879	$ 6,631,484	$ 453,231	$ 2,334,330	$ 27,276,924

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, 2010

Fund balance - total governmental funds		$ (41,740,553)
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	237,008,571	
Less accumulated depreciation	(128,070,206)	108,938,365
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.		7,764,919
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.		(4,888,113)
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	(3,502,706)	
Bonds payable	(38,273,980)	
Notes payable	(49,172,908)	
Capital leases payable	(4,876,773)	
Claims and settlements	(371,295)	
Compensated absences	(7,553,095)	
Other post-employment benefits	(36,111,027)	
Contingent liability for component unit debt	(234,277,046)	
Accrued interest payable	(1,396,648)	(375,535,478)
Net assets of governmental activities		$ (303,733,476)

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, 2010

	General	Grant Programs	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 25,425,340	$ -	$ -	$ -	$ 25,425,340
Licenses and permits	575,711	-	-	-	575,711
Intergovernmental revenue	6,340,432	7,587,869	-	892,243	14,820,544
Department earnings and program revenue	19,482,327	99,762	-	705,890	20,287,979
Fines and forfeits	1,957,649	-	-	-	1,957,649
Investment income	523,768	12,080	154	2,855	538,857
Miscellaneous	1,260,271	2,899	58,506	-	1,321,676
Total revenues	55,565,498	7,702,610	58,660	1,600,988	64,927,756
Expenditures					
Current					
General government	10,524,727	677,740	-	-	11,202,467
Building and housing development	1,278,042	4,165,761	-	13,978	5,457,781
Public safety	30,149,342	1,726,175	-	-	31,875,517
Public works	3,780,697	-	-	740,775	4,521,472
Parks and recreation	2,590,809	-	-	-	2,590,809
Tourism	-	-	-	2,555	2,555
Incinerator	45,592,518	-	-	-	45,592,518
Debt service					
Principal retirements	526,425	415,000	10,818,741	241,820	12,001,986
Interest and fiscal charges	24,727	357,599	385,450	-	767,776
Total expenditures	94,467,287	7,342,275	11,204,191	999,128	114,012,881
Excess of revenues over (under) expenditures	(38,901,789)	360,335	(11,145,531)	601,860	(49,085,125)
Other financing sources (uses)					
Proceeds from the sale of capital assets	81,165	-	456,008	-	537,173
Transfers in	2,370,038	-	11,343,200	128,287	13,841,525
Transfers out	(11,403,805)	(360,335)	(204,047)	(781,682)	(12,749,869)
Total other financing sources (uses)	(8,952,602)	(360,335)	11,595,161	(653,395)	1,628,829
Net change in fund balances	(47,854,391)	-	449,630	(51,535)	(47,456,296)
Fund balances - beginning of year	4,013,817	-	(16,496)	1,718,422	5,715,743
Fund balances - end of year	$ (43,840,574)	$ -	$ 433,134	$ 1,666,887	$ (41,740,553)

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 BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds		$ (47,456,296)
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	1,258,448	
Depreciation expense	(6,587,037)	(5,328,589)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change differs by the net book value of the capital assets sold.		(11,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,291,738
Governmental funds report guarantee fees and swap fees as revenues when received. However, in the statement of activities, the fees are amortized over the guarantee or swap period and reported as investment income.		
Amortization		541,400
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.		
Principal repayments		12,001,986
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	(181,066)	
Claims and settlements	(371,295)	
Compensated absences	747,344	
Other post-employment benefits	(11,351,142)	
Contingent liability for component unit debt	29,994,985	
Accrued interest	(285,433)	
Amortization of bond issuance costs	(12,913)	
Amortization of bond discounts	(3,911,532)	14,628,948
Change in net assets of governmental activities		$ (24,332,313)

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2010

	Sewer Fund	Harrisburg Senators Fund	Incinerator Fund	Other Proprietary Fund Sanitation Fund	Total Proprietary Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 3,965,385	$ -	$ 22	$ 899,631	$ 4,865,038
Investments, at fair value	733,171	-	-	282,790	1,015,961
Receivables, net of allowance for uncollectible accounts					
Accounts receivable	2,928,364	-	1,701,161	419,616	5,049,141
Grants receivable	-	465,722	-	-	465,722
Due from other funds	515,000	78,386	309,874	-	903,260
Due from component unit	380,030	1,235,977	382,025	920,689	2,918,721
Prepaid expenses and other assets	654,800	226,063	-	805	881,668
Total current assets	9,176,750	2,006,148	2,393,082	2,523,531	16,099,511
Long-term assets					
Restricted assets					
Cash and cash equivalents	-	2,159	-	-	2,159
Investments, at fair value	-	660,260	-	-	660,260
Direct financing lease proceeds receivable from component unit	449,647	-	-	-	449,647
Capital assets, not being depreciated	1,696,031	-	-	-	1,696,031
Capital assets, less accumulated depreciation and amortization	40,419,127	35,729,333	-	520,242	76,668,702
Total long-term assets	42,564,805	36,391,752	-	520,242	79,476,799
Total assets	51,741,555	38,397,900	2,393,082	3,043,773	95,576,310
LIABILITIES					
Current liabilities					
Accounts payable	202,692	962,831	227,890	95,092	1,488,505
Accrued expenses	70,380	51,732	-	31,330	153,442
Due to other funds	143,244	-	-	668,597	811,841
Amounts due to component units	1,633,406	-	979,199	-	2,612,605
Current portion of future lease rentals payable to component unit	1,769,281	-	-	-	1,769,281
Current portion of workers' compensation	36,672	-	-	201,270	237,942
Current portion of lease rental bonds payable	-	245,000	-	-	245,000
Current portion of capitalized lease obligations	-	-	-	134,125	134,125
Current portion of vested compensated absences	13,600	-	-	6,275	19,875
Total current liabilities	3,869,275	1,259,563	1,207,089	1,136,689	7,472,616
Long-term liabilities					
Workers' compensation	106,186	-	-	582,796	688,982
Lease rental bonds payable	-	7,815,121	-	-	7,815,121
Capitalized lease obligations	-	-	-	222,391	222,391
Vested compensated absences	267,255	-	-	123,307	390,562
Other post-employment benefits	946,134	-	-	680,147	1,626,281
Future lease rentals payable to component unit	1,275,988	-	-	-	1,275,988
Total long-term liabilities	2,595,563	7,815,121	-	1,608,641	12,019,325
Total liabilities	6,464,838	9,074,684	1,207,089	2,745,330	19,491,941
NET ASSETS					
Invested in capital assets, net of related debt	39,519,536	28,716,705	-	(102,497)	68,133,744
Restricted					
Debt service	-	658,243	-	-	658,243
Unrestricted	5,757,181	(51,732)	1,185,993	400,940	7,292,382
Total net assets	$ 45,276,717	$ 29,323,216	$ 1,185,993	$ 298,443	$ 76,084,369

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, 2010

	Sewer Fund	Harrisburg Senators Fund	Incinerator Fund	Other Proprietary Fund Sanitation Fund	Total Proprietary Funds
Operating revenues					
Charges for service	$ 14,945,166	$ 449,886	$ 6,476,927	$ 5,009,845	$ 26,881,824
Operating expenses					
Salaries and wages	1,867,791	-	-	850,817	2,718,608
Fringe benefits	953,622	-	-	917,660	1,871,282
Communications	22,701	-	-	2,243	24,944
Professional fees	93,176	-	-	5,000	98,176
Utilities	2,103,361	-	-	177	2,103,538
Insurance	325,924	-	-	41,504	367,428
Maintenance and repairs	321,636	-	-	132,408	454,044
Contracted services	7,301,968	-	6,091,374	982,206	14,375,548
Supplies	418,514	-	9,225	150,955	578,694
Depreciation	1,812,852	728,686	-	170,448	2,711,986
Total operating expenses	15,221,545	728,686	6,100,599	3,253,418	25,304,248
Operating income (loss)	(276,379)	(278,800)	376,328	1,756,427	1,577,576
Nonoperating revenues (expenses)					
State subsidy	3,837,436	19,500,000	-	312,997	23,650,433
Gain (loss) on disposal of capital assets	(2,689)	-	-	24,060	21,371
Investment income	4,827	9	45	422	5,303
Interest expense	(550,435)	(424,103)	-	(18,152)	(992,690)
Amortization of bond issue costs	-	(19,284)	-	-	(19,284)
Total nonoperating revenues (expenses)	3,289,139	19,056,622	45	319,327	22,665,133
Income (loss) before contributions and transfers	3,012,760	18,777,822	376,373	2,075,754	24,242,709
Capital contribution	625,128	-	-	-	625,128
Transfers in	-	204,047	-	-	204,047
Transfers out	-	-	-	(1,295,703)	(1,295,703)
Change in net assets	3,637,888	18,981,869	376,373	780,051	23,776,181
Net assets - beginning of year	41,638,829	10,341,347	809,620	(481,608)	52,308,188
Net assets - end of year	$ 45,276,717	$ 29,323,216	$ 1,185,993	$ 298,443	$ 76,084,369

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, 2010

	Sewer Fund	Harrisburg Senators Fund	Incinerator Fund	Other Proprietary Fund Sanitation Fund	Total Proprietary Funds
Cash flows from operating activities					
Received from user charges	$14,476,833	$ 449,886	$ 6,036,355	$ 4,020,289	$24,983,363
Payments to employees for services	(1,861,589)	-	-	(841,046)	(2,702,635)
Payments for fringe benefits	(689,436)	-	-	(738,946)	(1,428,382)
Payments to suppliers for goods and services	(10,651,132)	-	(6,036,378)	(1,073,951)	(17,761,461)
Net cash provided by (used in) operating activities	1,274,676	449,886	(23)	1,366,346	3,090,885
Cash flows from noncapital financing activities					
Transfers in	-	204,047	-	-	204,047
Transfers out	-	-	-	(1,295,703)	(1,295,703)
State subsidy	-	-	-	312,997	312,997
Proceeds from (repayment of) amounts due to other funds	72,402	-	-	65,327	137,729
Net cash provided by (used in) noncapital financing activities	72,402	204,047	-	(917,379)	(640,930)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	(17,743,298)	-	-	(17,743,298)
Proceeds from the sale of capital assets	-	-	-	24,060	24,060
State subsidy	-	17,798,301	-	-	17,798,301
Interest paid	-	(493,989)	-	(18,152)	(512,141)
Lease, bond and note payments	(2,362,300)	(235,000)	-	(147,800)	(2,745,100)
Net cash used in capital and related financing activities	(2,362,300)	(673,986)	-	(141,892)	(3,178,178)
Cash flows from investing activities					
Sales of investments	1,409	20,049	-	170,580	192,038
Investment income received	4,827	4	45	422	5,298
Net cash provided by investing activities	6,236	20,053	45	171,002	197,336
Net increase (decrease) in cash and cash equivalents	(1,008,986)	-	22	478,077	(530,887)
Cash and cash equivalents (including restricted cash) - beginning of year	4,974,371	2,159	-	421,554	5,398,084
Cash and cash equivalents (including restricted assets) - end of year	$ 3,965,385	$ 2,159	$ 22	$ 899,631	$ 4,867,197

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS (CONT'D)
YEAR ENDED DECEMBER 31, 2010

	Sewer Fund	Harrisburg Senators Fund	Incinerator Fund	Other Proprietary Fund Sanitation Fund	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (276,379)	$ (278,800)	$ 376,328	$ 1,756,427	$ 1,577,576
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,812,852	728,686	-	170,448	2,711,986
Provision for uncollectible accounts	(238,916)	-	547,663	(85,647)	223,100
Changes in assets and liabilities					
Accounts receivable	(229,417)	-	(893,267)	148,902	(973,782)
Due from other funds	-	-	(309,874)	-	(309,874)
Due from component unit	-	-	(382,025)	(920,689)	(1,302,714)
Other assets	(85,863)	-	-	(805)	(86,668)
Due to component unit	-	-	596,931	(132,122)	464,809
Direct financing lease	108,308	-	-	-	108,308
Vested compensated absences	6,202	-	-	9,771	15,973
Other post-employment benefits	264,186	-	-	178,714	442,900
Workers' compensation	43,689	-	-	177,860	221,549
Accounts payable and other accrued costs	(129,986)	-	64,221	63,487	(2,278)
Net cash provided by (used in) operating activities	$ 1,274,676	$ 449,886	$ (23)	$ 1,366,346	$ 3,090,885
Noncash investing, capital, and financing activities					
Amortization of deferred bond issuance costs and bond discount	$ -	$ 23,540	$ -	$ -	$ 23,540
Capital assets purchased by The Harrisburg Authority on behalf of the Sewer Fund	$ 5,118,648	$ -	$ -	$ -	$ 5,118,648

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

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2010

	Police Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 1,862,955
Receivables		
Interest and dividends	72,155	-
Total receivables	72,155	-
Investments, at fair value		
Money market funds	1,634,112	-
Fixed income funds	10,583,398	-
U.S. Government obligations	3,024,022	-
U.S. Government agency obligations	2,542,595	-
Corporate bonds	3,518,571	-
Equity funds	30,421,507	-
Common stocks	7,937,918	-
U.S. Government agency obligations - STRIPS	-	640,296
Total investments	59,662,123	640,296
Total assets	59,734,278	2,503,251
LIABILITIES		
Due to other governments	-	720,011
Due to City's general fund	-	315,928
Escrow liabilities	-	1,467,312
Total liabilities	-	$ 2,503,251
NET ASSETS		
Net assets held in trust for police pension benefits	$ 59,734,278	

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, 2010

Additions	
Contributions	
Employee	$ 541,802
Employer	314,094
Total contributions	855,896
Investment income	
Interest and dividend income	1,574,831
Net appreciation in fair value of investments	5,399,936
Total investment earnings	6,974,767
Less investment expense	(177,990)
Net investment income	6,796,777
Total additions	7,652,673
Deductions	
Pension benefits	3,686,287
Administrative expenses	63,023
Total deductions	3,749,310
Change in net assets	3,903,363
Net assets held in trust for pension benefits - January 1	55,830,915
Net assets held in trust for pension benefits - December 31	$ 59,734,278

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

THE CITY OF HARRISBURG

PENNSYLVANIA

INCORPORATED MAR. 19. 1860

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, Pennsylvania, (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 ten parking garages containing approximately 7,813 spaces in the central business district of the City, in addition to funds it receives from on-street parking meter charges and four open lots.

Coordinated Parking Fund

The Coordinated Parking Fund Component Unit 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 ten 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 and Series R Bonds.

Redevelopment Authority of the City of Harrisburg (Redevelopment Authority)

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, 2010

ASSETS	The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Redevelopment Authority	Total Component Units
Current assets					
Cash and cash equivalents	$10,919,831	$ 2,516,513	$ 266,821	$ 2,176,956	$15,880,121
Investments	-	-	-	122,508	122,508
Accounts receivable, net of allowance for uncollectible	5,134,570	957,442	-	131,248	6,223,260
Loans receivable	-	-	-	332,575	332,575
Grants receivable	629,585	-	-	173,577	803,162
Other receivables	1,284	-	-	-	1,284
Advances and amounts due from primary government	1,169,417	-	345,825	-	1,515,242
Prepaid expenses and other assets	-	112,059	-	-	112,059
Current portion of direct financing lease	1,769,281	-	-	-	1,769,281
Total current assets	19,623,968	3,586,014	612,646	2,936,864	26,759,492
Restricted assets					
Cash with fiscal agents	6,492,127	13	-	-	6,492,140
Investments	47,986,090	10,943,654	-	2,734,453	61,664,197
Litigation settlement receivable	42,087	-	-	-	42,087
Total restricted assets	54,520,304	10,943,667	-	2,734,453	68,198,424
Advances to primary government	1,443,188	-	-	-	1,443,188
Future lease rentals receivable from primary government	1,275,988	-	-	-	1,275,988
Equitable ownership interest	-	14,000,500	-	-	14,000,500
Deferred charges, net of accumulated amortization	11,857,946	5,146,860	-	-	17,004,806
Right to building	-	-	-	20,369,411	20,369,411
Capital assets, not being depreciated	351,865	7,870,771	-	1,476,005	9,698,641
Capital assets, less accumulated depreciation	179,626,609	51,331,674	-	5,851,403	236,809,686
Deposits	50,350	-	-	-	50,350
Derivative assets	4,550,233	-	-	-	4,550,233
Total assets	273,300,451	92,879,486	612,646	33,368,136	400,160,719

(continued)

LIABILITIES	The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Redevelopment Authority	Total Component Units
Current liabilities (payable from current assets)					
Accounts payable and accrued liabilities	110,877	1,550,139	6,155	483,182	2,150,353
Advances and amounts due to primary government	56,239,485	(10,000)	-	1,235,977	57,465,462
Current portion of capital lease	15,000,000	-	-	-	15,000,000
Accrued interest payable	2,704,438	-	-	-	2,704,438
Advances and amounts due to component unit	-	27,046	(27,046)	-	-
Unearned revenue	-	601,893	-	-	601,893
Current portion of bonds payable	-	3,525,000	-	-	3,525,000
Total current liabilities (payable from current assets)	74,054,800	5,694,078	(20,891)	1,719,159	81,447,146
Current liabilities (payable from restricted assets)					
Accounts payable	4,381,694	-	-	-	4,381,694
Accrued interest payable	5,142,779	1,137,883	-	-	6,280,662
Current portion of loan payable	4,251,694	-	-	-	4,251,694
Current portion of revenue bonds payable	7,760,000	-	-	-	7,760,000
Current portion of revenue notes payable	1,058,883	-	-	326,174	1,385,057
Total current liabilities (payable from restricted assets)	22,595,050	1,137,883	-	326,174	24,059,107
Noncurrent liabilities					
Loans payable	15,571,806	-	-	-	15,571,806
Revenue bonds payable, net of discount	284,191,470	97,640,149	-	46,380,660	428,212,279
Revenue notes payable, net of discount	70,123,089	-	-	1,019,127	71,142,216
Due to other governments	-	-	-	170,832	170,832
Due to primary government	197,086	-	-	-	197,086
Derivative liabilities	6,194,386	-	-	-	6,194,386
Unearned revenue	3,582,172	205,444	-	-	3,787,616
Net other post-employment liability	-	363,328	-	-	363,328
Environmental remediation liability	-	-	-	111,023	111,023
Accrued landfill closure and post-closure care liability	2,250,413	-	-	-	2,250,413
Liability for obligations to construct assets under direct financing leases	449,647	-	-	-	449,647
Total liabilities	479,209,919	105,040,882	(20,891)	49,726,975	633,956,885
NET ASSETS					
Net assets					
Invested in capital asset, net of related debt	(165,129,097)	(14,858,897)	-	5,982,952	(174,005,042)
Restricted:					
Debt service	4,759,073	-	-	2,733,608	7,492,681
Construction	1,194,245	-	-	-	1,194,245
Landfill closure	653,343	-	-	-	653,343
Guarantee agreement	307,037	-	-	-	307,037
Water operations	4,845,972	-	-	-	4,845,972
Unrestricted	(52,540,041)	2,697,501	633,537	(25,075,399)	(74,284,402)
Total net assets	$ (205,909,468)	$(12,161,396)	$ 633,537	$ (16,358,839)	$ (233,796,166)

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

CITY OF HARRISBURG
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2010

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
The Harrisburg Authority	$ 68,599,955	$ 44,940,345	$ -	$ -
Harrisburg Parking Authority	15,166,266	13,860,233	-	187,500
Coordinated Parking Fund	6,308,406	6,500,441	-	-
Redevelopment Authority	4,560,416	240,028	801,841	1,364,269
Total component units	$ 94,635,043	$ 65,541,047	$ 801,841	$ 1,551,769

General revenues
Space rental income
Miscellaneous income
Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets - January 1, 2010, restated

Net assets - December 31, 2010

Net (Expense) Revenue and Changes in Net Assets				
The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Redevelopment Authority	Total
$ (23,659,610)	$ -	$ -	$ -	$ (23,659,610)
-	(1,118,533)	-	-	(1,118,533)
-	-	192,035	-	192,035
-	-	-	(2,154,278)	(2,154,278)
(23,659,610)	(1,118,533)	192,035	(2,154,278)	(26,740,386)
-	-	-	895,078	895,078
295,352	-	-	48,431	343,783
3,600,262	71,505	2,452	144,298	3,818,517
3,895,614	71,505	2,452	1,087,807	5,057,378
(19,763,996)	(1,047,028)	194,487	(1,066,471)	(21,683,008)
(186,145,472)	(11,114,368)	439,050	(15,292,368)	(212,113,158)
$ (205,909,468)	$ (12,161,396)	$ 633,537	$ (16,358,839)	$ (233,796,166)

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 Governmental 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, 2010.

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
- Redevelopment Authority of the City of Harrisburg

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 the Mayor and confirmed 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. With respect to the water system, the contract requires that the Mayor prepare an operating expense 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 $9,967,449 in expenses under this agreement in 2010. 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 ten parking garages containing approximately 7,813 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 four open lots. The City receives the benefit of excess parking revenues through a Cooperation Agreement with the Authority and the City has guaranteed a majority 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 Redevelopment Authority of the City of Harrisburg, Harristown Development Corporation, the Authority, The Mayor of Harrisburg, and the Harrisburg City Council. The 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 Authority Series N and Series R Bonds.

Redevelopment Authority of the City of Harrisburg

The Redevelopment Authority of the City of Harrisburg (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

The City of Harrisburg Housing Authority (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

The Harristown Development Corporation (HDC) 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 Harrisburg School District (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 School District to the Mayor, as confirmed. The School District remains under the budgetary control of an elected school board. The Education Empowerment Act (24 P.S. sections 17-1701-B – 17-1716-B) expired effective June 30, 2010, pursuant to the sunset provision of the Act. Therefore, as of June 30, 2010, the City relinquished all control functions it previously possessed and the School District reverted to full control by the 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, 2010:

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	$ 4,863,119
Capital Assets, Net	$ 23,479,816
Total Assets	$ 28,418,096
Net Assets	$ 21,334,866
Operating Revenue	$ 6,466,285
Operating Loss	$ 13,781,557
Change in Net Assets	$ (1,108,196)
City Contribution to Operations	$ 208,320

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
Downtown Improvement District, Inc.
Susquehanna Area Regional Airport Authority
Harrisburg Human Relations Commission
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
Harrisburg SusqueCentennial Commission

The amounts the City appropriated to these organizations during the year ended December 31, 2010 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. As of December 31, 2010, there has been no further negotiation and the organization continues to pay rent of $1 per year.

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, 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, contingent liabilities, 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.

The City reports the following major proprietary funds:

Sewer Fund - Accounts for the revenues and expenses 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.

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

Incinerator Fund - Accounts for the collection and remittance of incinerator/resource recovery disposal fees billed by the City and remitted to The Harrisburg Authority for their provision of solid waste incineration services to the residents and commercial and industrial establishments of 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.

Component units are accounted for as follows:

> The discretely presented component units are accounted for as enterprise funds. As such, they account for the activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Services from such activities are provided to outside parties.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City and its discretely presented component units have 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 City's practice 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 is 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. ***Loans Receivable***

The City has loans receivable issued from the City's Department of Building and Housing Development in the amount of $10,662,624 and the Mayor's Office of Equal Economic Opportunity (MOEEO) in the amount of $3,263,501, net of allowances for uncollectible accounts of $7,938,011 and $553,536, respectively. The balance of loans receivable that is reported in the General Fund, net of allowance for uncollectible accounts, is presented as reserved fund balance. The balance of the loans receivable that is reported in the Grant Programs Fund, net of allowance for uncollectible accounts, is presented as deferred revenue, because this fund does not report fund balance. Amounts written off during the year ended December 31, 2010 amounted to $123,468 of loans issued by MOEEO. Write offs are determined based on events of loan default and bankruptcy.

In June 2003, the Redevelopment Authority received two Up-Front Grants in the amount of $10.6 million from the United States Department of Housing and Urban Development for the Governor's Square (formerly McClay Street) redevelopment project within the City. The grant funds were loaned to a developer for use in connection with an affordable housing project. The loans vary in term and require full payment of principal and interest at the end of the loan term. By their nature, the likelihood that these loans will be collected is remote and, as a result, the loans are completely offset with an allowance for doubtful accounts at December 31, 2010.

H. ***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 or statement of net assets. 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.

I. ***Advances to Primary Government***

Advances to the primary government from The Harrisburg Authority represent construction in progress for sewer system improvements.

J. ***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 is valued at extrapolated appraisal cost, actual sales values, and estimated realizable values.

K. ***Right to Building***

As further discussed in Note 26, in 1998, the Redevelopment Authority purchased the right, title, and interest in and to certain portions of the Strawberry Square Site located in the City. The Redevelopment Authority is not entitled to any ownership of the buildings until 2016. The future right to the building is valued on the statement of net assets at amortized cost. No amortization was required to be recorded through December 31, 2010.

L. ***Capital Assets***

Primary Government

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 one year. 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, 2010. 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

Component units

The Harrisburg Authority

The Harrisburg Authority's capital assets in service and construction in progress are carried at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution. Utility systems acquired from other governmental service providers are recorded at the purchase price, limited to fair value. Costs of studies that directly result in specific projects are capitalized. 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 one year.

Maintenance and repairs, which do not significantly extend the value or life of property, plant, and equipment, are expensed as incurred.

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

Depreciation expense for the Water Segment assets acquired prior to 1992 and for Resource Recovery Segment assets acquired prior to 1997 are calculated using a 2% annual rate. For acquisitions subsequent to these dates, capital assets are depreciated using the straight-line method, over the estimated useful lives, as follows:

Land improvements	25 years
Water mains and related accessories	75 years
Water meter equipment	25 years
Buildings (including Resource Recovery Facility)	50 years
Office equipment	5-15 years
Office furnishings	15 years
Operating equipment	10-50 years
Vehicles	7 years

Harrisburg Parking Authority

The Authority's capital assets in service and construction in progress are stated on the basis of cost. Capital assets are defined by the Authority as assets with an initial, individual cost of $10,000 for land, buildings, and related improvements, or $1,000 for furniture and equipment purposes, and an estimated useful life in excess of three years. Maintenance and repairs, which do not significantly extend the value or life of capital assets, are expensed as incurred.

The Authority's depreciation expense is computed using the straight-line method over the estimated useful asset lives ranging from three to thirty years. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest costs incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Redevelopment Authority of the City of Harrisburg

All capital assets are capitalized at historical cost at the acquisition date. Donated fixed assets are reported at their fair market value as of the date received. The Redevelopment Authority maintains a capitalization threshold of $5,000 for vehicles, equipment, and furniture and fixtures. Leasehold improvements, land improvements, buildings, and building improvements have a capitalization threshold of $25,000. All capital assets are depreciated, except for land, land improvements (excavation, fill, grading, landscaping), construction in progress, easements, and rights of way.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	40 years
Land improvements	20 years
Furniture and fixtures	10 years
Leasehold improvements	7-10 years
Vehicles	7-10 years
Equipment	5 years

M. *Amount Due to Primary Government/Bond Insurer/County of Dauphin*

As further discussed in Note 23, during the years ended December 31, 2009 and 2010, the City, bond insurer, and County of Dauphin (County) were required to make certain debt service payments on behalf of The Harrisburg Authority under various guarantee/insurance agreements. These amounts are presented as due to the various entities on the statement of net assets and balance sheet at December 31, 2010. In addition, the amounts due to the various entities include accrued interest at various interest rates, dependent upon the applicable agreement.

N. *Unearned Revenue*

The Harrisburg Authority's unearned revenue, consisting of monies received from debt service forward delivery agreements, is being amortized to interest income over the respective life of each of the agreements using a method that approximates the interest rate method.

O. *Vested Compensated Absences*

Primary Government

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.

Component unit

Redevelopment Authority of the City of Harrisburg

The Redevelopment Authority's employees are granted vacation benefits in varying amounts depending on the number of years of service. Employees may accumulate up to 37.5 hours of vacation leave, which may be carried over to subsequent years. Sick leave benefits accrue up to a maximum of 675 hours, but can only be used as sick time and not taken in pay. Sick leave accumulated in excess of 675 hours may be converted, at the discretion of the Executive Director, to vacation time. The conversion of sick leave to vacation leave will occur on the ratio of three (3) hours excess sick leave to one (1) hour vacation leave. The vacation leave accrued in this manner may be carried over to the new calendar year in addition to the maximum vacation leave carryover otherwise permitted. The liability related to compensated absences is reported in the statement of net assets.

P. *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 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 Authority follow accounting standards that require 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, 2010, the unamortized deferred costs of refunding recorded by The Harrisburg Authority and the Authority were $27,252,412 and $3,419,641, respectively.

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

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.

R. ***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, 2011, the date of the most recent actuarial valuation, the actuarial accrued pension liability exceeded the actuarial value of assets in the Combined Police Pension Plan in the amount of $8,543,570. However, the actuarial value of assets exceeded the actuarial accrued pension liability in the Non-uniformed and Fire Pension Plans in the amounts of $21,568,647 and $13,201,626, respectively.

S. ***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 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 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 $3,502,706 and $926,924 in the governmental activities and business-type activities, respectively, at December 31, 2010. These claims liabilities are discounted to present value at a discount rate of 5% and are based on the requirements of governmental accounting standards, 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	2010	2009
Beginning - January 1	$ 3,321,640	$ 705,375	$ 4,027,015	$ 4,417,150
Current year claims and changes in estimates	1,246,311	368,822	1,615,133	900,346
Claim payments	(1,065,245)	(147,273)	(1,212,518)	(1,290,481)
Ending - December 31	$ 3,502,706	$ 926,924	$ 4,429,630	$ 4,027,015

T. ***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. The Budget staff conducts public hearings to review the department's budget requests.

4. Mayoral hearings are then held during October 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. Appropriations are further defined through the establishment of more detailed line-item budgets. These are the legal levels of budgetary control.

The Business Administrator may authorize transfers up to $20,000 between line-items within a department or office. However, no transfers may be made from personnel line-items to non-personnel line-items without City Council approval. City Council approval is required for transfers in excess of $20,000 along budget line-items. In the absence of budgeted financing, City Council may approve a supplemental appropriation from unappropriated fund balances; or from a new, unanticipated and unbudgeted revenue source(s) received during the course of the budget year. Therefore, the legal level of control is the line-item level. There were supplemental appropriations enacted during 2010.

Budget to actual comparison by department for the City's general fund is included in required supplementary information.

U. *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, 2010 in the proprietary funds. The subsequent year's appropriations provide authority to complete the transactions as expenditures. Encumbrances outstanding at December 31, 2010 consisted of $963,690 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, 2010, by fund type, are presented below:

General	$	47,519
Capital Projects		15,000
	$	62,519

V. *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.

W. *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, 2010, non-recourse debt issues outstanding of The Harrisburg Authority totaled $90,040,000. As of December 31, 2010, non-recourse debt issues of the Redevelopment Authority totaled approximately $50,922,000 including approximately $12,056,000 on behalf of the City. See Note 23 regarding a material event notice issued by an entity for which The Harrisburg Authority issued non-recourse debt.

X. *Pending Changes in Accounting Principles*

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 provisions of this Statement are effective for the City's 2011 financial statements.

In November 2010, GASB issued Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangements."* This Statement improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The provisions of this Statement are effective for the City's 2012 financial statements.

In June 2011, GASB issued Statement No. 61, *"The Financial Reporting Entity."* The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this Statement are effective for the City's 2013 financial statements.

In June 2011, GASB issued Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* Statement No. 63 provides guidance on reporting deferred inflows and outflows of resources which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. The provisions of this Statement are effective for the City's 2012 financial statements.

In June 2011, GASB issued Statement No. 64, *"Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."* Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The provisions of this Statement are effective for the City's 2012 financial statements.

In March 2012, GASB issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this Statement are effective for the City's 2013 financial statements.

In March 2012, GASB issued Statement No. 66, *"Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62."* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions,"* and Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* The provisions of this Statement are effective for the City's 2013 financial statements.

In June 2012, the GASB issued Statements No. 67 and 68, *"Financial Reporting for Pension Plans"* and *"Accounting and Financial Reporting for Pensions."* These Statements revise and establish reporting requirements for most governments that provide their employees with pension benefits. The provisions of these Statements are effective for the City's 2014 and 2015 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. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciary investments) is an authorized investment for any pension or retirement fund. 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, 2010, 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, 2010, the deposits of the City of Harrisburg, including component units were as follows:

Reconciliation to statement of net assets:	
Governmental activities	
Unrestricted	$ 7,064,594
Restricted	473,637
Business-type activities	
Unrestricted	4,865,038
Restricted	2,159
Fiduciary funds - agency fund	1,862,955
Total primary government	$ 14,268,383
Component units	
Unrestricted	$ 15,880,121
Restricted	6,492,140
Total component units	$ 22,372,261

C*ustodial 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, 2010, the City's book balance was $14,268,383 and the bank balance was $15,281,025. Of the bank balance, $1,072,785 was covered by federal depository insurance and $14,074,011 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), 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 $134,229 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. At December 31, 2010, PLGIT carried a AAA rating and had an average maturity of less than one year.

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, 2010 were as follows:

Cash and cash equivalents	
Unrestricted	$ 10,919,831
Restricted under trust indentures	
and guarantee agreement	6,492,127
	$ 17,411,958

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, 2010, The Harrisburg Authority's book balance was $17,411,958 and the bank balance was $17,478,285. Of the bank balance, $515,958 was covered by federal depository insurance and $16,962,327 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), 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 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 Fund's operating account, based on the monthly investment balance.

Custodial credit risk. The Authority pools certain of its deposits with the Fund. At December 31, 2010, the pooled account had a book and bank balance of $2,783,347 and $2,488,825, respectively. Of the pooled bank balance, $250,000 was covered by federal depository insurance and $393,114 was collateralized under Act No. 72 (Act) 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 $1,845,711 was invested in the Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits (INVEST). INVEST issues audited financial statements that are available to the public. The fair value of the Authority's and the Fund's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. At December 31, 2010, INVEST carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2010, the Authority's position in the pool was $2,516,526, and the Fund's position in the pool was $266,821.

Redevelopment Authority of the City of Harrisburg

Custodial Credit Risk. As of December 31, 2010, the Redevelopment Authority's book balance was $2,176,956 and the bank balance was $2,307,167. Of the bank balance, $1,338,507 was covered by federal depository insurance. The remaining balance of $968,660 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), 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.

Investments

At December 31, 2010, the investments of the City of Harrisburg were as follows:

Primary Government	
Unrestricted investments	
Money market funds	$ 1,157,935
External investment pool	226,041
Total unrestricted investments	1,383,976
Restricted investments	
Money market funds	660,260
Total restricted investments	660,260
Fiduciary funds	
Money market funds	1,634,112
Fixed income funds	10,583,398
U.S. Government obligations	3,024,022
U.S. Government agency obligations	3,182,891
Corporate bonds	3,518,571
Equity funds	30,421,507
Common stocks	7,937,918
Total fiduciary funds	60,302,419
Total primary government	$ 62,346,655
Component Units	
Unrestricted investments	
Money market funds	$ 122,508
Total unrestricted investments	122,508
Restricted investments	
Money market funds	35,519,876
U.S. Government obligations	423,521
U.S. Government agency obligations	8,613,757
Commercial paper	7,815,458
Guaranteed investment contracts	2,700,139
Municipal bonds	6,591,446
Total restricted investments	61,664,197
Total component units	$ 61,786,705

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 $62,346,655, $2,044,236 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, 2010, there were no investments that represent more than five 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, 2010:

	Fair Value		Rating
Money market funds	$	2,294,372	AAA
Money market funds	$	1,157,935	Unrated
External investment pools	$	226,041	AAA
Fixed income funds	$	10,583,398	AA
U.S. Government agency obligations	$	3,182,891	AAA
Corporate bonds	$	171,151	AAA
Corporate bonds	$	284,775	AA+
Corporate bonds	$	122,628	AA-
Corporate bonds	$	177,119	AA
Corporate bonds	$	512,912	A+
Corporate bonds	$	1,009,107	A
Corporate bonds	$	822,612	A-
Corporate bonds	$	305,230	BBB+
Corporate bonds	$	113,037	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 Maturities			
Investment Type	Fair Value	2011	2012-2016	2017-2021	2022 and beyond
Money market funds	$ 3,452,307	$ 3,452,307	$ -	$ -	$ -
External investment pool	226,041	226,041	-	-	-
Fixed income funds	10,583,398	-	-	10,583,398	-
U.S. Government obligations	3,024,022	100,046	1,887,131	991,936	44,909
U.S. Government agency obligations	3,182,891	318,986	505,026	1,220,840	1,138,039
Corporate bonds	3,518,571	-	900,108	2,445,965	172,498
Total	$ 23,987,230	$ 4,097,380	$ 3,292,265	$ 15,242,139	$ 1,355,446

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, 2010. Interest of $1,507,935 has been earned on the deposits and claims of $700,000 have been paid from the trust account from inception through December 31, 2010. 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 $1,157,935 at December 31, 2010, of which $146,914 is included in the General Fund, $732,830 is included in the Sewer Fund and $278,191 is included in the Sanitation Fund as investments at December 31, 2010.

Component Units

<u>*The Harrisburg Authority*</u>

The restricted investments of The Harrisburg Authority at December 31, 2010 were as follows:

Money market funds	$ 28,981,870
U.S. Government agency obligations	8,613,757
U.S. Government obligations	423,521
Municipal bonds	6,591,446
Commercial paper	3,375,496
Total	$ 47,986,090

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	$ 6,361,811	13.26%
General Obligation Pension Bonds - Illinois State	$ 4,713,471	9.82%
FCAB Owner Trust Discount C/P	$ 3,375,496	7.03%

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, 2010:

	Fair Value	Rating
Money market funds	$ 28,981,870	AAA
U.S. Government agency obligations	$ 7,486,780	AAA
U.S. Government agency obligations	$ 1,126,977	AA+
U.S. Government obligations	$ 423,521	AAA
Municipal bonds	$ 4,713,471	A+
Municipal bonds	$ 1,877,975	BBB-
Commercial paper	$ 3,375,496	A+

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 Maturities			
	Fair Value	2011	2012-2016	2017-2021	2022 and beyond
Money market funds	$ 28,981,870	$ 28,981,870	$ -	$ -	$ -
U.S. government agency obligations	8,613,757	2,809,482	-	-	5,804,275
U.S. government obligations	423,521	423,521	-	-	-
Municipal bonds	6,591,446	-	-	-	6,591,446
Commercial paper	3,375,496	3,375,496	-	-	-
Total	$ 47,986,090	$ 35,590,369	$ -	$ -	$ 12,395,721

Harrisburg Parking Authority

The bond indentures related to the Authority's parking revenue bonds required the establishment of various funds and accounts. The unexpended amounts in these funds and accounts as of December 31, 2010 and the related interest receivable are restricted for designated purposes under the bond indentures.

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.

The restricted investments of the Authority at December 31, 2010 were as follows:

Money market funds	$ 6,503,692
Commercial paper	4,439,962
Total	$ 10,943,654

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:		
Natexis Banques Populaires	$ 1,806,255	16.51%
Intesa Funding LLC	$ 2,633,707	24.07%

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, 2010:

	Fair Value	Rating
Restricted:		
Money market funds	$ 6,503,692	AAA
Commercial paper	$ 4,439,962	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, 2010, the Authority's money market and fixed income investments have an average maturity of less than one year.

Redevelopment Authority of the City of Harrisburg

Investments

The fair value of the investments of the Redevelopment Authority at December 31, 2010 was as follows:

Investments	Fair (Contract) Value
Money market funds	$ 155,977
External investment pool	845
Guaranteed investment contracts	2,700,139
Total investments	$ 2,856,961
Investments	
Unrestricted	$ 122,508
Restricted	2,734,453
Total investments	$ 2,856,961

The Redevelopment Authority uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for the Redevelopment Authority'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 that are available to the public. The fair value of the Redevelopment Authority'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.

Custodial Credit Risk. The Redevelopment Authority does not have an investment policy for custodial credit risk. At December 31, 2010, the Redevelopment Authority was not exposed to custodial credit risk, because the investments held by the Redevelopment Authority are not evidenced by securities in book entry or paper form.

Concentration of Credit Risk. The Redevelopment Authority places no limit on the amount the Redevelopment Authority may invest in any one issuer. At December 31, 2010, more than 5 percent of the Redevelopment Authority's investments were held with the following issuer:

Issuer	Contract Value	Percentage
Guaranteed investment contracts		
Bank of America - 5.3%	$ 2,700,139	94.51%

Credit Risk. The Redevelopment Authority does not have a formal policy that would limit its investment choices with regard to credit risk. The Redevelopment Authority's investments had the following level of exposure to credit risk as of December 31, 2010:

	Fair (Contract) Value	Rating
Money market funds	$ 155,977	AAA
External investment pool	845	AAA
Guaranteed investment contracts	2,700,139	Unrated

Interest Rate Risk. The Redevelopment 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 Redevelopment Authority's investments and their related average maturities as of December 31, 2010:

		Investment Maturities			
	Fair (Contract) Value	2011	2012-2016	2017-2021	2022 and beyond
Money market funds	$ 155,977	$ 155,977	$ -	$ -	$ -
External investment pool	845	845	-	-	-
Guaranteed investment contracts	2,700,139	-	1,205,762	-	1,494,377
Total	$ 2,856,961	$ 156,822	$ 1,205,762	$ -	$ 1,494,377

3. PROPERTY TAXES

Based upon assessed valuations provided by 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 2010 is as follows:

January 1, 2010	- lien date
January 31, 2010	- original levy date
January 31 – March 31, 2010	- 2% discount period
April 1 – May 31, 2010	- face payment period
June 1 – December 31, 2010	- 10% penalty period
January 1, 2011	- 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 2010 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 10.0185 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, 2010 is as follows:

Primary Government	Due from Other Funds	Due to Other Funds
General Fund	$ 1,493,687	$ 1,189,397
Grant Programs Fund	747,195	384,240
Nonmajor governmental funds	185,998	628,734
Total governmental funds	2,426,880	2,202,371
Sewer Fund	515,000	143,244
Harrisburg Senators Fund	78,386	-
Incinerator Fund	309,874	-
Sanitation Fund	-	668,597
Total proprietary funds	903,260	811,841
Agency Fund	-	315,928
Total primary government	$ 3,330,140	$ 3,330,140

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 Component Units	Due to Primary Government	Advances to Primary Government	Advances from Component Units
Primary Government				
General Fund	$ 787,918	$ -	$ -	$ 355,825
Nonmajor gonvernmental funds	366,404	-	-	-
Sewer Fund	829,677	-	-	1,633,406
Harrisburg Senators Fund	1,235,977	-	-	-
Incinerator Fund	382,025	-	-	979,199
Sanitation Fund	920,689	-	-	-
Component Units	-	58,122,195	2,968,430	-
Total	$ 4,522,690	$ 58,122,195	$ 2,968,430	$ 2,968,430

Amounts due to the City do not equal amounts receivable from component units. There are amounts due from component unit, specifically The Harrisburg Authority, for debt service paid by the City under the guarantee of The Harrisburg Authority Resource Recovery Facility debt as discussed further in Note 23. At the time of the various guarantees, the City and The Harrisburg Authority entered into reimbursement agreements, requiring repayment by The Harrisburg Authority in the event that the City had to pay under the guarantees. However, while the City maintains that there is a legal claim against The Harrisburg Authority for the approximately $6 million in debt service payments made by the City under the guarantees and the approximately $48 million paid by the second guarantor and the bond insurer during the year ended December 31, 2010, the City has deemed the likelihood of collection as remote and a full allowance has been established. The City continues to anticipate continued pursuit of collection against The Harrisburg Authority in the event of available excess revenues or through sale of the facility.

The composition of interfund transfers for the year ended December 31, 2010 is as follows:

Primary Government	Transfers In	Transfers Out
General Fund	$ 2,370,038	$ 11,403,805
Grants Programs Fund	-	360,335
Debt Service Fund	11,343,200	204,047
Nonmajor governmental funds	128,287	781,682
Total governmental funds	13,841,525	12,749,869
Harrisburg Senators Fund	204,047	-
Sanitation Fund	-	1,295,703
Total proprietary funds	204,047	1,295,703
Total primary government	$ 14,045,572	$ 14,045,572

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, 2010 is as follows:

Commonwealth of Pennsylvania, Pension System Aid	$ 2,651,339
Harrisburg Parking Authority, excess parking revenue	2,664,000
Commonwealth of Pennsylvania, Capital fire protection	987,000
Utilities payments in lieu of taxes from other governments	38,093
	$ 6,340,432

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	$ 2,356,749
Lead Based Paint Grant	1,100,358
HOME Program	462,360
Section 108 Program	396,337
Federal Emergency Management Agency grants	1,005,275
Capital improvement grants	671,451
Justice Assistance Grant	953,344
Homelessness Prevention and Rapid Re-housing Program	352,358
Other state/federal grants	289,637
	$ 7,587,869

The Grant Programs Fund had deferred revenue of $2,684,193 at December 31, 2010, representing payments received in advance for various grant programs. The remaining deferred revenues of $2,781,246 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 or contractual obligations.

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. As of December 31, 2010, the City has sold artifacts with an approximate cost of $2.1 million. The proceeds of the sale, through December 31, 2010, amounted to approximately $1.7 million.

Additionally, artifacts bought by the City from a certain vendor have been deemed to be inauthentic. 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. During the year ended

December 31, 2010, the City entered into an agreement with the aforementioned vendor's estate, which resulted in a $450,000 settlement to the City. This settlement is reported as proceeds from the sale of capital assets on the Statement of Revenues, Expenditures and Changes in Fund Balance of the Capital Projects fund during the year ended December 31, 2010 and was recognized as revenue on the government-wide Statement of Activities during the year ended December 31, 2009.

Finally, during the year ended December 31, 2008, the City had 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 during the year ended December 31, 2008. No revaluation has been performed through the date of this report.

8. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 is as follows:

Primary Government

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Governmental activities				
Capital assets, not being depreciated				
Land	$ 7,144,863	$ -	$ -	$ 7,144,863
Construction in progress	265,488	691,947	-	957,435
Artifacts	18,649,000	-	-	18,649,000
Total capital assets, not being depreciated	26,059,351	691,947	-	26,751,298
Capital assets, being depreciated				
Buildings	64,022,367	-	-	64,022,367
Improvements	16,530,523	118,820	-	16,649,343
Equipment and furniture	33,663,180	224,017	(933,201)	32,953,996
Infrastructure	96,407,903	223,664	-	96,631,567
Total capital assets, being depreciated	210,623,973	566,501	(933,201)	210,257,273
Less accumulated depreciation for				
Buildings	(28,322,103)	(1,587,066)	-	(29,909,169)
Improvements	(6,133,575)	(372,810)	-	(6,506,385)
Equipment and furniture	(26,876,900)	(1,856,341)	921,701	(27,811,540)
Infrastructure	(61,072,292)	(2,770,820)	-	(63,843,112)
Total accumulated depreciation	(122,404,870)	(6,587,037)	921,701	(128,070,206)
Total capital assets, being depreciated, net	88,219,103	(6,020,536)	(11,500)	82,187,067
Governmental activities, capital assets, net	$ 114,278,454	$ (5,328,589)	$ (11,500)	$ 108,938,365

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions/ Transfers Out	End of Year
Business-type activities				
Capital assets, not being depreciated				
Land	$ 361,421	$ -	$ -	$ 361,421
Construction in progress	20,743,572	23,285,310	(42,694,272)	1,334,610
Total capital assets, not being depreciated	21,104,993	23,285,310	(42,694,272)	1,696,031
Capital assets, being depreciated				
Buildings	35,262,349	36,308,472	-	71,570,821
Improvements	2,685,962	-	-	2,685,962
Equipment and furniture	40,891,670	6,925,267	(476,063)	47,340,874
Infrastructure	13,790,448	-	-	13,790,448
Total capital assets, being depreciated	92,630,429	43,233,739	(476,063)	135,388,105
Less accumulated depreciation for				
Buildings	(18,927,705)	(1,360,930)	-	(20,288,635)
Improvements	(779,850)	(28,287)	-	(808,137)
Equipment and furniture	(30,442,140)	(1,188,512)	473,374	(31,157,278)
Infrastructure	(6,331,096)	(134,257)	-	(6,465,353)
Total accumulated depreciation	(56,480,791)	(2,711,986)	473,374	(58,719,403)
Total capital assets, being depreciated, net	36,149,638	40,521,753	(2,689)	76,668,702
Business-type activities, capital assets, net	$ 57,254,631	$ 63,807,063	$ (42,696,961)	$ 78,364,733

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

Governmental activities:	
General government	$ 1,710,820
Building and housing development	145,405
Public safety	1,136,945
Public works	2,750,489
Parks and recreation	843,378
Total depreciation expense - governmental activities	$ 6,587,037
Business-type activities:	
Sewer	$ 1,812,852
Harrisburg Senators	728,686
Sanitation	170,448
Total depreciation expense - business-type activities	$ 2,711,986

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	2,121,416	-	(2,121,416)	-
Total capital assets, not being depreciated	2,473,281	-	(2,121,416)	351,865
Capital assets, being depreciated:				
Land improvements	2,847,743	-	-	2,847,743
Buildings and improvements	127,880,620	2,396,494	-	130,277,114
Furniture and fixtures	663,695	-	-	663,695
Machinery and equipment	110,642,904	604,963	-	111,247,867
Total capital assets being depreciated	242,034,962	3,001,457	-	245,036,419
Less accumulated depreciation	(57,976,441)	(7,433,369)	-	(65,409,810)
Total accumulated depreciation	(57,976,441)	(7,433,369)	-	(65,409,810)
Total capital assets being depreciated, net	184,058,521	(4,431,912)	-	179,626,609
The Harrisburg Authority, capital assets, net	$ 186,531,802	$ (4,431,912)	$ (2,121,416)	$ 179,978,474

	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	1,286,835	632,087	(987,363)	931,559
Total capital assets, not being depreciated	8,226,047	632,087	(987,363)	7,870,771
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	84,496,275	1,118,802	-	85,615,077
Furniture and fixtures	327,566	2,316	-	329,882
Machinery and equipment	2,325,322	22,010	-	2,347,332
Total capital assets being depreciated	87,277,085	1,143,128	-	88,420,213
Less accumulated depreciation	(33,741,934)	(3,346,605)	-	(37,088,539)
Total accumulated depreciation	(33,741,934)	(3,346,605)	-	(37,088,539)
Total capital assets being depreciated, net	53,535,151	(2,203,477)	-	51,331,674
Harrisburg Parking Authority, capital assets, net	$ 61,761,198	$ (1,571,390)	$ (987,363)	$ 59,202,445

	Beginning of Year	Additions/ Transfers In	Retirements/ Transfers Out	End of Year
Redevelopment Authority of the City of Harrisburg:				
Capital assets, not being depreciated:				
Construction in progress	$ 122,574	$ 1,323,431	$ -	$ 1,446,005
Land	30,000	-	-	30,000
Total capital assets, not being depreciated	152,574	1,323,431	-	1,476,005
Capital assets, being depreciated:				
Buildings	2,093,040	-	-	2,093,040
Leasehold improvements	4,147,949	-	-	4,147,949
Total capital assets being depreciated	6,240,989	-	-	6,240,989
Less accumulated depreciation for:				
Buildings	(26,163)	(52,326)		(78,489)
Leasehold improvements	(207,398)	(103,699)	-	(311,097)
Total accumulated depreciation	(233,561)	(156,025)	-	(389,586)
Total capital assets being depreciated, net	6,007,428	(156,025)	-	5,851,403
Redevelopment Authority of the City of Harrisburg, capital assets, net	$ 6,160,002	$ 1,167,406	$ -	$ 7,327,408

9. LINE OF CREDIT

The Redevelopment Authority was assisting the City and Senators Baseball Club in applying for grants and financing for use on the rehabilitation of the city island baseball stadium. During the construction phase, there were gaps where funding was not received timely enough to pay construction-related invoices. To help alleviate the cash flow issues, the Redevelopment Authority entered into a $4 million line of credit agreement to be used for construction costs related to the project. The Redevelopment Authority's line of credit was paid down as grant funding was received. The line of credit expired August 31, 2010.

	Beginning of Year	Additions	Redeemed	End of Year
Line of credit	$ 72,964	$ 4,028,711	$ (4,101,675)	$ -

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2010 is as follows:

Primary Government

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Governmental activities:						
Workers' compensation claims	$ 3,321,640	$ 1,246,311	$ -	$ (1,065,245)	$ 3,502,706	$ 899,145
Bonds payable (Note 11)	43,253,528	-	2,036,265	(7,015,813)	38,273,980	5,065,322
Notes payable (Note 13)	49,892,925	-	2,246,562	(2,966,579)	49,172,908	4,738,141
Capital lease obligations (Note 15)	6,896,367	-	-	(2,019,594)	4,876,773	1,697,326
Vested compensated absences	8,300,439	3,731,507	-	(4,478,851)	7,553,095	959,321
Governmental activities Long-term liabilities	$ 111,664,899	$ 4,977,818	$ 4,282,827	$ (17,546,082)	$ 103,379,462	$ 13,359,255

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Business-type activities:						
Workers' compensation claims	$ 705,375	$ 368,822	$ -	$ (147,273)	$ 926,924	$ 237,942
Bonds payable (Note 11)	8,338,424	-	5,884	(284,187)	8,060,121	245,000
Capital lease obligations (Note 15)	504,316	-	-	(147,800)	356,516	134,125
Vested compensated absences	394,464	397,459	-	(381,486)	410,437	19,875
Lease rental payable (Note 15)	3,335,910	1,319,653	-	(1,610,294)	3,045,269	1,769,281
Business-type activities Long-term liabilities	$ 13,278,489	$ 2,085,934	$ 5,884	$ (2,571,040)	$ 12,799,267	$ 2,406,223

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

Component Units

	Beginning of Year - Restated	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
The Harrisburg Authority:						
Loans payable (Note 14)	$ 19,424,000	$ 1,037,000	$ -	$ (637,500)	$ 19,823,500	$ 4,251,694
Bonds payable (Note 11)	325,880,000	-	-	(12,700,000)	313,180,000	7,760,000
Notes payable (Note 13)	104,719,322	1,319,653	-	(35,654,626)	70,384,349	1,058,883
Capital lease obligation (Note 15)	15,000,000	-	-	-	15,000,000	15,000,000
Total long-term liabilities	465,023,322	2,356,653	-	(48,992,126)	418,387,849	28,070,577
Less:						
Deferred loss on refunding	(30,206,203)	-	2,953,791	-	(27,252,412)	-
Unamortized premium	4,748,174	314,800	1,167,585	590,946	6,821,505	-
The Harrisburg Authority Long-term liabilities	$ 439,565,293	$ 2,671,453	$ 4,121,376	$ (48,401,180)	$ 397,956,942	$ 28,070,577

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Harrisburg Parking Authority:						
Bonds payable (Note 11)	$ 107,790,000	$ -	$ -	$ (3,710,000)	$ 104,080,000	$ 3,525,000
Less:						
Deferred loss on refunding	(3,836,946)	-	417,305	-	(3,419,641)	-
Unamortized premium	585,217	-	(80,427)	-	504,790	-
Harrisburg Parking Authority Long-term liabilities	$ 104,538,271	$ -	$ 336,878	$ (3,710,000)	$ 101,165,149	$ 3,525,000

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Redevelopment Authority of the City of Harrisburg:						
Bonds payable (Note 11)	$ 93,590,000	$ -	$ -	$ -	$ 93,590,000	$ -
Notes payable (Note 13)	1,322,985	75,877	(33,333)	(20,228)	1,345,301	326,174
Due to other governments	170,832	-	-	-	170,832	-
Total long-term liabilities	95,083,817	75,877	(33,333)	(20,228)	95,106,133	326,174
Less:						
Unamortized discount	(49,755,895)	-	2,546,555	-	(47,209,340)	-
Redevelopment Authority of the City of Harrisburg Long-term liabilities	$ 45,327,922	$ 75,877	$ 2,513,222	$ (20,228)	$ 47,896,793	$ 326,174

11. BONDS PAYABLE

Bonds payable at December 31, 2010 are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
Bonds payable	$ 38,273,980	$ 8,110,000	$ 46,383,980
Unamortized discount	-	(49,879)	(49,879)
Total bonds payable	$ 38,273,980	$ 8,060,121	$ 46,334,101

	Component Units			
	The Harrisburg Authority	Harrisburg Parking Authority	Redevelopment Authority	Total Component Units
Bonds payable	$ 313,180,000	$ 104,080,000	$ 93,590,000	$ 510,850,000
Deferred loss on refunding	(27,252,412)	(3,419,641)	-	(30,672,053)
Unamortized premium (discount)	6,023,882	504,790	(47,209,340)	(40,680,668)
Total bonds payable	$ 291,951,470	$ 101,165,149	$ 46,380,660	$ 439,497,279

Bonds payable are accounted for in the following activities:

	Governmental Activities	Business-type Activities	Total Primary Government
General Obligation Bonds			
Series D of 1997	$ 34,327,832	$ -	$ 34,327,832
Total general obligation bonds	34,327,832	-	34,327,832
Revenue Bonds			
Senators Revenue Bonds			
Series A-2 of 2005	-	8,110,000	8,110,000
Less: Unamortized discount	-	(49,879)	(49,879)
Lease Revenue Bonds			
Series of 2006	3,946,148	-	3,946,148
Total revenue bonds	3,946,148	8,060,121	12,006,269
Total bonds payable	$ 38,273,980	$ 8,060,121	$ 46,334,101

Bonds payable are accounted for in the following component units:

	The Harrisburg Authority	Harrisburg Parking Authority	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	36,795,000	-	-	36,795,000
Water Revenue Bonds, Series A, B, C and D of 2002	46,585,000	-	-	46,585,000
Water Revenue Bonds, Series A of 2001	3,785,000	-	-	3,785,000
Sewer Revenue Refunding Bonds, Series of 1992	3,460,000	-	-	3,460,000
Resource Recovery Facility Revenue Bonds, Series of A, D, E and F of 2003	141,970,000	-	-	141,970,000
Resource Recovery Facility Revenue Bonds, Series of A of 1998	11,165,000	-	-	11,165,000
Office and Parking Revenue Bonds:				
Series K of 2000	-	11,800,000	-	11,800,000
Series J of 2001	-	27,350,000	-	27,350,000
Series N of 2003	-	4,090,000	-	4,090,000
Series O of 2003	-	9,010,000	-	9,010,000
Series P of 2005	-	16,565,000	-	16,565,000
Series R of 2007	-	16,625,000	-	16,625,000
Series T of 2007	-	18,640,000	-	18,640,000
Guaranteed Revenue Bonds, Series A and B of 1998	-	-	93,590,000	93,590,000
Less: Deferred loss on refunding and unamortized premium (discount)	(21,228,530)	(2,914,851)	(47,209,340)	(71,352,721)
Total bonds payable	$ 291,951,470	$ 101,165,149	$ 46,380,660	$ 439,497,279

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.

The composition of bonds outstanding included in the primary government at December 31, 2010 is as follows:

General Obligation Bonds	
5.30%-5.52%, General Obligation Refunding Bonds, Series D of 1997, dated December 30, 1997, principal payable in semi-annual installments of $871,439 to $4,335,322 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.	$ 34,327,832
Revenue Bonds	
4.51%-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.	8,110,000
2.25%, Revenue Bonds, Series of 2006, dated December 2006, principal payable in various installments through May 2015, to be serviced through general revenues of the City and proceeds from the sale of historic artifacts, issued to finance the lease payments of the McCormick Public Service Center.	3,946,148
Total primary government bonds payable	46,383,980
Less: unamortized discount	(49,879)
Net primary government bonds payable	$ 46,334,101

The composition of bonds outstanding included in the component units at December 31, 2010 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 2024 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.	36,795,000
2.26%-5.65%, 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.	46,585,000
3.40%-5.75%, Water Revenue Bonds, Series A of 2001, dated May 2001. The bonds mature at various amounts from 2002 through 2015.	3,785,000
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 bylease rentals paid by the City to the Authority.	3,460,000
4.45%-6.25%, Resource Recovery Facility Revenue Bonds, Series A, D, E, and F of 2003. Series A matures at various amounts from 2018 through 2034. Series D matures at various amounts from 2017 to 2033. Series E and F mature at various amounts from 2009 to 2017. Series D and E have the secondary guarantee by the County.	141,970,000
4.45%-5.00%, Resource Recovery Facility Revenue Bonds, Series A of 1998. Series A matures at various amounts from 2006 through 2021.	11,165,000
Total The Harrisburg Authority	313,180,000
Less: deferred loss on refunding and unamortized premium	(21,228,530)
Net The Harrisburg Authority	$ 291,951,470

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 BMA and was .38% at December 31, 2010.	$ 11,800,000
2.8%-5.125%, 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.	27,350,000
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.	4,090,000
1.5%-5.25%, 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.	9,010,000
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.	16,565,000
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.	16,625,000
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.	18,640,000
Total Harrisburg Parking Authority	104,080,000
Less: deferred loss on refunding and unamortized premium	(2,914,851)
Net Harrisburg Parking Authority	$ 101,165,149
Redevelopment Authority of the City of Harrisburg	
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	(47,209,340)
Net Redevelopment Authority of the City of Harrisburg	$ 46,380,660
Total component unit bonds payable	$ 439,497,279

The Harrisburg Authority

The Harrisburg Authority has entered into six 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 $5,013,198, at December 31, 2010, 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 unearned 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 unearned revenue resulting from these transactions of $1,949,360 at December 31, 2010, is being amortized over the respective life of each agreement under a method that approximates the interest method.

In September 2010, The Harrisburg Authority terminated a debt service forward delivery agreement with JP Morgan Chase Bank, N.A. on the Series A of 1998 Resource Recovery Bonds, which resulted in proceeds to The Harrisburg Authority of $570,000. These proceeds, in addition to the balance remaining with respect to the related deferred revenue of $72,344, are included in investment income.

The Harrisburg Authority is still 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 The Harrisburg Authority's 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 nor Lehman Special Financing has terminated the outstanding debt service forward delivery agreements, with the exception of the agreement on the Series A-1 of 1994 Water Bonds, which was terminated on March 31, 2011 and resulted in The Harrisburg Authority paying $173,300 to Lehman Special Financing.

Because debt service is not being paid by The Harrisburg Authority on certain Resource Recovery Facility obligations, there are limited funds to purchase securities under these agreements. Certain of the Resource Recovery Facility forward debt service delivery agreements give the provider the right, upon default, to terminate such agreements. If the provider determines to terminate the agreement, it must first give notice of such termination in accordance with the agreement. Upon termination, The Harrisburg Authority could owe an amount of money to the provider equal to the termination value which would be calculated in accordance with the agreement. The calculation would yield the present value at the time of termination of the amounts to be earned through the investment of the future remaining deposits. No such notice of termination has been given.

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 monies 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 unearned 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, 2010, totaled $44,589.

The debt service requirements for Series F Bonds were payable solely from and are secured by a pledge of (1) all the right, title, and interest of the Authority in and to the 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 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, 2010, the Authority was in not in compliance with such covenants. See Note 23 for information on further information on the Authority's compliance.

The annual requirements to amortize all bonds outstanding as of December 31, 2010, using interest rates in effect at December 31, 2010 for variable rate issues, are as follows:

	General Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Primary Government						
2011	$ 4,335,322	$ 159,678	$ 975,000	$ 476,332	$ 5,310,322	$ 636,010
2012	4,116,920	383,080	1,045,000	461,367	5,161,920	844,447
2013	3,902,469	597,531	1,115,000	430,256	5,017,469	1,027,787
2014	3,690,312	804,688	1,190,000	397,237	4,880,312	1,201,925
2015	3,490,103	1,004,897	971,148	365,379	4,461,251	1,370,276
2016-2020	13,056,002	6,403,998	1,710,000	1,549,265	14,766,002	7,953,263
2021-2025	1,736,704	1,513,296	2,200,000	1,051,265	3,936,704	2,564,561
2026-2030	-	-	2,850,000	392,782	2,850,000	392,782
	34,327,832	10,867,168	12,056,148	5,123,883	46,383,980	15,991,051
Less unamortized discount	-	-	(49,879)	-	(49,879)	-
Primary Government, net	$ 34,327,832	$ 10,867,168	$ 12,006,269	$ 5,123,883	$ 46,334,101	$ 15,991,051

	General Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Harrisburg Authority						
2011	$ -	$ -	$ 7,760,000	$ 14,637,026	$ 7,760,000	$ 14,637,026
2012	-	-	8,145,000	12,860,244	8,145,000	12,860,244
2013	-	-	6,865,000	12,596,977	6,865,000	12,596,977
2014	-	-	7,355,000	12,525,422	7,355,000	12,525,422
2015	-	-	8,735,000	12,228,852	8,735,000	12,228,852
2016-2020	-	-	58,925,000	54,896,141	58,925,000	54,896,141
2021-2025	-	-	83,935,000	39,333,316	83,935,000	39,333,316
2026-2030	-	-	85,535,000	21,325,457	85,535,000	21,325,457
2031-2034	-	-	45,925,000	4,136,452	45,925,000	4,136,452
	-	-	313,180,000	184,539,887	313,180,000	184,539,887
Less deferred loss on refunding and unamortized premium	-	-	(21,228,530)	-	(21,228,530)	-
The Harrisburg Authority, net	$ -	$ -	$ 291,951,470	$ 184,539,887	$ 291,951,470	$ 184,539,887

	General Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Harrisburg Parking Authority						
2011	$ -	$ -	$ 3,525,000	$ 4,351,772	$ 3,525,000	$ 4,351,772
2012	-	-	3,665,000	4,215,679	3,665,000	4,215,679
2013	-	-	3,805,000	4,077,917	3,805,000	4,077,917
2014	-	-	3,975,000	3,910,114	3,975,000	3,910,114
2015	-	-	4,185,000	3,735,126	4,185,000	3,735,126
2016-2020	-	-	25,280,000	15,329,604	25,280,000	15,329,604
2021-2025	-	-	35,270,000	9,287,744	35,270,000	9,287,744
2026-2030	-	-	18,645,000	3,036,463	18,645,000	3,036,463
2031-2035	-		4,665,000	783,563	4,665,000	783,563
2036	-	-	1,065,000	23,963	1,065,000	23,963
	-	-	104,080,000	48,751,945	104,080,000	48,751,945
Less deferred loss on refunding and unamortized premium	-	-	(2,914,851)	-	(2,914,851)	-
Harrisburg Parking Authority, net	$ -	$ -	$ 101,165,149	$ 48,751,945	$ 101,165,149	$ 48,751,945

	General Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Redevelopment Authority of the City of Harrisburg						
2016-2020	$ -	$ -	$ 33,360,000	$ -	$ 33,360,000	$ -
2021-2025	-	-	37,360,000	-	37,360,000	-
2026-2030	-	-	10,900,000	-	10,900,000	-
2031-2033	-	-	11,970,000	-	11,970,000	-
	-	-	93,590,000	-	93,590,000	-
Less unamortized discount	-	-	(47,209,340)	-	(47,209,340)	-
Redevelopment Authority of the City of Harrisburg, net	$ -	$ -	$ 46,380,660	$ -	$ 46,380,660	$ -
Total	$ 34,327,832	$ 10,867,168	$ 451,503,548	$ 238,415,715	$ 485,831,380	$ 249,282,883

During the year ended December 31, 2010, The Harrisburg Authority authorized the optional redemption of the 1989 Sewer Revenue Bonds, Series 2 and 3. As such, both Series of Bonds were redeemed on April 1, 2010.

12. 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, 2010, 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	1,730,000
Resource Recovery Revenue Bonds, Series A of 1998	14,150,000
Resource Recovery Revenue Bonds, Series B of 1998	6,555,000
Resource Recovery Revenue Bonds, Series C of 1998	2,925,000
Seventh Street Office & Parking Revenue Bonds, Series A of 1998	10,870,000
Seventh Street Office & Parking Revenue Bonds, Series B of 1998	6,185,000
Resource Recovery Revenue Notes, Series B of 2000	540,000
Harrisburg Parking Authority	
Guaranteed Parking Revenue Bonds, Series 2001 Bonds	15,360,000
Redevelopment Authority of the City of Harrisburg	
First Mortgage Office Building Revenue Bonds, Series of 2002	4,270,000
	$ 98,000,000

13. NOTES PAYABLE

The City 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 were to administer acquisition, relocation, and clearance of City properties. These notes do not have continuing compliance requirements.

As collateral, the City 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, 2010 is as follows:

5.75%-6.56%, Section 108 Note, dated May 13, 2000, interest payable semiannually and principal payable in annual installments of $220,000 to $335,000, through August 1, 2019, to be serviced through general revenues of the City.	$ 2,450,000
4.99%-5.77%, 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.	3,375,000
	5,825,000

The composition of notes payable included in the primary government at December 31, 2010 is as follows:

5.30%-5.52%, General Obligation Refunding Notes, Series F of 1997, dated December 31, 1997, principal payable in annual installments of $2,594,363 to $4,182,101 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.	41,151,774
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.	2,196,134
	43,347,908
Total primary government notes payable	$ 49,172,908

The composition of notes payable included in the component units at December 31, 2010 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.	$ 1,614,696
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.	14,080,000
1.01%-5.0%, The Harrisburg Authority, 2003 Guaranteed Resource RecoveryNotes, 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
1.27%-5.25%, The Harrisburg Authority, 2009 Guaranteed Sewer Revenue Note, payable through 2031, to finance capital improvements and replacements to the wastewater treatment facility.	1,319,653
Total The Harrisburg Authority	70,384,349
Plus: unamortized premium	797,623
Net The Harrisburg Authority	$ 71,181,972
Redevelopment Authority of the City of Harrisburg	
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 December 31, 2009. However, the final principal payment has not been paid as of December 31, 2010, as the Redevelopment Authority is seeking loan forgiveness.	$ 271,427
2008 loan agreement, for financing construction of Susquehanna Harbor Safe Haven and is to be forgiven over a fifteen-year period, given that certain compliance requirements are met.	450,000
4.83% for the first three years and variable based on the prime rate thereafter, 2008 loan agreement, for financing construction of Susquehanna Harbor Safe Haven and is payable through August 10, 2029.	623,874
Total Redevelopment Authority of the City of Harrisburg	$ 1,345,301
Total component units notes payable	$ 72,527,273

The annual requirements to amortize all notes payable outstanding as of December 31, 2010, using interest rates in effect at December 31, 2010 for variable rate issues, are as follows:

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest
Primary Government		
2011	$ 4,738,141	$ 580,364
2012	4,542,034	750,143
2013	4,368,594	911,537
2014	4,135,848	1,066,316
2015	3,974,876	1,213,229
2016-2020	18,620,352	9,144,409
2021-2025	8,568,063	6,760,957
2026	225,000	12,982
	$ 49,172,908	$ 20,439,937

Component Units:

Year Ending December 31,	The Harrisburg Authority Principal	The Harrisburg Authority Interest
2011	$ 1,058,883	$ 2,380,803
2012	1,138,886	2,329,955
2013	1,199,132	2,270,225
2014	1,270,465	2,209,427
2015	1,337,003	2,158,524
2016-2020	7,213,046	9,701,367
2021-2025	6,410,079	7,881,498
2026-2030	25,956,855	6,918,456
2031-2034	24,800,000	3,154,452
	70,384,349	39,004,707
Plus: unamortized premium	797,623	-
	$ 71,181,972	$ 39,004,707

Year Ending December 31,	Redevelopment Authority of the City of Harrisburg Principal	Redevelopment Authority of the City of Harrisburg Interest
2011	$ 326,174	$ 48,535
2012	55,804	28,620
2013	56,914	27,510
2014	58,079	26,345
2015	59,301	25,123
2016-2020	317,055	105,066
2021-2025	308,043	64,079
2026-2029	163,931	14,601
	$ 1,345,301	$ 339,879

14. LOANS PAYABLE

The composition of loans payable included in the component units at December 31, 2010 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	$ 19,823,500

During 2007, The Harrisburg 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, 2010, The Harrisburg Authority had drawn down $20,461,000. This loan constitutes subordinate debt of The Harrisburg Authority pursuant to the provisions of The Harrisburg Authority's various debt indentures. No interest accrues until July 1, 2011, at which time simple interest begins to accrue at the rate of 4% per annum until July 1, 2012 and at a rate of 8% per annum thereafter. Interest is payable beginning October 1, 2011 and continuing thereafter in quarterly installments due and payable on the first day of each calendar quarter. Principal was 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. Refer to Note 23 for information on payments made by the City under the guarantee.

The annual requirements to amortize all loans payable outstanding as of December 31, 2010 are as follows:

Component Unit:

	The Harrisburg Authority	
Year Ending December 31,	Principal	Interest
2011	$ 4,251,694	$ 159,985
2012	1,690,889	739,501
2013	1,618,696	1,062,714
2014	1,752,128	929,281
2015	1,896,560	784,850
2016-2018	8,613,533	1,441,751
	$ 19,823,500	$ 5,118,082

15. 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, respectively. 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.

On December 23, 2009, the City entered into a Fourth Supplemental Agreement of Lease pursuant to the issuance of The Harrisburg Authority's 2009 Guaranteed Sewer Revenue Note (2009 Note). The Fourth Supplemental Agreement of Lease was entered into providing for rental payments in an amount sufficient to provide for the principal and interest on the 2009 Note issued to finance the construction and acquisition of certain alterations, additions, improvements and extensions to the sewage conveyance and treatment 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
2011	$ 1,915,776	$ 250,000	$ 2,165,776
2012	74,773	$ 250,000	$ 2,165,776
2013	74,773		
2014	74,773		
2015	83,546		
2016 - 2020	417,730		
2021 - 2025	417,730		
2026 - 2030	417,730		
Total minimum lease payments	3,476,831		
Less amount representing interest	(431,562)		
Present value of net minimum lease payments	3,045,269		
Current portion	1,769,281		
Long-term portion	$ 1,275,988		

The net book value of equipment held under capital leases included in capital assets was $18,557,665 at December 31, 2010. Capital improvements to these systems under the lease agreements were $5,118,648 during 2010. Capital assets under the lease agreement have been treated as noncash transactions in the Statement of Cash Flows.

The City is required under the terms of the Second, Third, and Fourth 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, 2010 and, accordingly, no additional payment was due.

Capitalized Lease Obligations

Primary Government

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, 2007, and 2009. As of December 31, 2010, the governmental activities and the business-type activities included equipment and furniture under capital leases with a net book value of $6,340,865 and $682,249, respectively.

The future minimum payments under capital leases and the present value of the minimum lease payments at December 31, 2010 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2011	$ 1,867,642	$ 146,421	$ 2,014,063
2012	1,575,552	130,794	1,706,346
2013	730,597	41,786	772,383
2014	730,598	41,785	772,383
2015	125,962	7,205	133,167
2016	125,963	7,204	133,167
2017	110,698	7,221	117,919
Total minimum lease payments	5,267,012	382,416	5,649,428
Less amount representing interest	(390,239)	(25,900)	(416,139)
Present value of future minimum lease payments	$ 4,876,773	$ 356,516	$ 5,233,289

Component Units

Non-Exclusive Technology Sub-Licensing Agreement and Technology Purchase Agreement

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 Retrofit. 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 for $25 million. In turn, the 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 The Harrisburg Authority 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, 2008, 2009, or 2010. At December 31, 2010, The Harrisburg Authority's statement of net assets reflects the remaining balance due under this capital lease in the amount of $15,000,000, in addition to accrued interest of $2,704,438.

CIT is asserting that, pursuant to one of the many agreements signed on or about January 11, 2006, The Harrisburg 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 further argues that The Harrisburg Authority's obligation is an "operating expense" and that it should be given priority in payment ahead of The Harrisburg Authority's debt service obligations. The District Court entered judgment against The Harrisburg Authority in the amount of $19.3 million as of January 2012. The case is presently on appeal with the Circuit Court of Appeals. The Harrisburg Authority has defended against the claim by asserting that the agreements upon which CIT was basing its claims are unenforceable and ultra vires acts, and, among other arguments, that there was a lack of consideration for the agreements. The Harrisburg Authority will continue to pursue its position on appeal.

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 2016. Additionally, the Redevelopment Authority leases space to a non-profit corporation with a lease ending date of 2012.

These leases are noncancellable operating leases. Minimum rentals on noncancellable leases through 2016 are as follows:

Lease year ending December 31,	
2011	$ 771,672
2012	677,549
2013	493,913
2014	97,618
2015	55,227
2016	18,589
Total minimum lease payments	$ 2,114,568

Operating Lease

The Redevelopment Authority leases space from the National Railroad Passenger Corporation (Amtrak) through 2013. The minimum lease payments for the term of the lease are as follows:

Lease year ending December 31,	
2011	$ 127,447
2012	127,447
2013	127,447
Total minimum lease payments	$ 382,341

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, 2010 approximated $127,458.

16. 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 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 (terminated in 2008) with the objective to increase the expected cash flows and effectively lower the overall 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 paid Deutsche Bank a floating rate based on 67% of one-month LIBOR. Under the SIFMA CMS, The Harrisburg Authority received interest on the corresponding notional amount at a floating rate of 85.44% of USSMQ10 (ten-year SIFMA swap rate) and paid Deutsche Bank a floating rate based on the SIMFA Index. The notional amount of each of the LIBOR CMS and SIFMA CMS decreased as the outstanding principal amount of the corresponding 2008 Water Revenue Bonds decreased 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.

Termination risk. The LIBOR CMS and the SIFMA CMS were terminated in March 2010 and The Harrisburg Authority received $673,200 and $372,200, respectively. As of December 31, 2009, it would have cost Deutsche Bank, the Counterparty, $804,762 and $400,572 to terminate the LIBOR CMS and the SIFMA CMS, respectively. Changes in fair value, through the termination date, of ($131,562) and ($28,372) are recorded as a component of investment income on the statement of activities.

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 paid 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 paid 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 decreased as the outstanding principal amount of the corresponding 2004 Water Revenue Bonds decreased through maturing principal.

The 2006 amendment converted 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.

Termination risk. The 2005 Basis Swap was terminated in February 2010 and The Harrisburg Authority received $1,101,045. As of December 31, 2010, it would have cost Bank of America $1,646,588 to terminate the 2005 Basis Swap, as amended, with The Harrisburg Authority. Changes in fair value, through the termination date, of ($545,543) are recorded as a component of investment income on the statement of activities.

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 bore 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. 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%. On December 1, 2010, the Subseries D-1 of 2003 Bonds were remarketed to a fixed rate of 5.25% through December 1, 2013. To convert the interest rate on the 2003 D-1 and 2003 D-2 Bonds to a synthetic variable rate at the time of their issuance in 2003, 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 paid RBC floating amounts calculated by applying a floating rate per annum determined by reference to the SIFMA Index, and The Harrisburg Authority received 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 contained 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, for The Harrisburg Authority to pay a fixed rate not exceeding 3.35% and (i) to receive from June 1, 2006 to May 31, 2008 a SIFMA-based variable rate and (ii) to 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 1, 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.

Pursuant to the agreements, The Harrisburg Authority pays to or receives from the counterparty a net swap payment. For the year ended December 31, 2010, The Harrisburg Authority received $2,021,090 with respect to the D-2 Swap and the embedded D-2 Cap and paid $3,052,850 with respect to the 2005 Swap. For the year ended December 31, 2010, The Harrisburg Authority paid $569,232 for the D-1/D-2 Cap, as noted below.

Fair value. As of December 31, 2010, it would cost the Counterparty $4,550,233 to terminate the D-2 Swap and the embedded D-2 Cap and this amount is presented as a derivative asset on the statement of net assets. 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, 2010, it would cost The Harrisburg Authority $4,671,430 to terminate the D-1/D-2 Cap and this amount is presented as a derivative liability on the statement of net assets. 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. These payments are included as a component of interest expense as paid.

As of December 31, 2010, it would cost The Harrisburg Authority $1,522,956 to terminate the 2005 Swap and this amount is presented as a derivative liability on the statement of net assets.

Changes in fair value for the year ended December 31, 2010 of $545,029, ($819,464), and $2,454,148 for the D-2 Swap and the embedded D-2 Cap, D-1/D-2 Cap, and 2005 Swap, respectively, are recorded as a component of investment income on the statement of activities.

Credit risk. As of December 31, 2010, The Harrisburg Authority was not exposed to credit risk on the D-1/D-2 Cap, or the 2005 Swap because they both had negative fair values. 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, 2010, RBC was rated Aa1 by Moody's Investors Service and AA- by Standard & Poor's. If RBC's rating falls below A3 by Moody's Investors Service or A- by Standard & Poor's, and if the fair value of the swaps become positive for The Harrisburg Authority, then the Authority may choose to terminate the D-2 Swap and the 2005 Swap to mitigate credit risk.

Interest rate risk. The Harrisburg Authority entered into the 2005 Swap and the D-1/D-2 Cap to fix the interest rate as noted above and to limit their exposure to changes in interest rates. However, the D-2 Swap exposes The Harrisburg Authority to interest rate risk, as it is highly sensitive to changes in interest rates and the changes will have a material impact on the valuation of the Swap.

Subsequent Event. As of November 13, 2012, it would cost the Counterparty $3,083,987 to terminate the D-2 Swap and the embedded D-2 Cap. As of November 13, 2012, it would cost The Harrisburg Authority $5,048,011 to terminate the D-1/D-2 Cap.

RBC was rated AA- (negative outlook) by Standard & Poor's, Aa3 (stable outlook) by Moody's Investor Service, and AA (stable outlook) by Fitch as of November 13, 2012.

2003 Guaranteed Resource Recovery Revenue Notes, Series B

These Notes bear interest at a a tax-exempt weekly rate equal to the SIFMA index plus 75 basis points on each date of determination, 1.01 percent at December 31, 2010.

2002 Water Revenue Bonds, Series B

These Bonds bear interest at a tax-exempt weekly rate, 2.26 percent at December 31, 2010.

2002 Water Revenue Bonds, Series C

These Bonds bear interest at a taxable weekly rate, 2.6 percent at December 31, 2010.

1998 Guaranteed Sewer Revenue Notes, Series A

These Notes bear interest at a variable rate, 2.4375 percent at December 31, 2010.

17. 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-Ordinance No. 21 of 1998 and is controlled by the provisions of Ordinance No. 5 of 2001, as amended. 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 Pension 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 in excess of 20 years, up to a maximum of 65% of average monthly compensation for participants who complete 26 years of service. An additional 5% of average compensation is added to participants who complete 27 years of service, up to a maximum monthly pension of 70% of average monthly compensation. The Combined Police Pension plan defines average monthly compensation as the final annualized basic compensation rate, including longevity payments, or the average monthly compensation, including longevity payments, received during the last five years of employment, if higher.

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 City 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.

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.

Funded Status and 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)
Non-Uniformed Employees':						
1/1/2011	$ 77,363,937	$ 55,795,290	$ (21,568,647)	138.66%	$ 12,786,819	-168.68%
Firefighters'						
1/1/2011	$ 68,266,174	$ 55,064,548	$ (13,201,626)	123.97%	$ 5,279,457	-250.06%
Police Officers':						
1/1/2011	$ 63,759,040	$ 72,302,610	$ 8,543,570	88.18%	$ 10,398,023	82.17%

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year 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 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	1/1/11	1/1/11	1/1/11	1/1/11
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	4 years	13 years
Asset valuation method	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	Salary scale	Salary scale	Salary scale	5.0%

* - Each year, the investment gain (excess of actual investment income including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

Annual Required Contribution and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Plans at December 31, 2010 are as follows:

	Non-Uniformed Employees' Plan A	Non-Uniformed Employees' Plan B	Firefighters' Combined	Police Officers' Combined
Annual required contribution	$ -	$ -	$ -	$ 314,094
Contributions made	-	-	-	314,094
Change in net pension obligation	-	-	-	-
Net pension obligation – beginning of year	-	-	834	-
Net pension obligation – end of year	$ -	$ -	$ 834	$ -

Three-Year Trend Information

Non-Uniformed Employees' – Plan A	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2008	$ -	- %	$ -
December 31, 2009	-	-	-
December 31, 2010	-	-	-

Non-Uniformed Employees' – Plan B	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2008	$ -	- %	$ -
December 31, 2009	-	-	-
December 31, 2010	-	-	-

Firefighters' Combined	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2008	$ -	- %	$ -
December 31, 2009	834	-	834
December 31, 2010	-	-	-

Police Officers' – Combined	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2008	$ 285,274	100 %	$ -
December 31, 2009	275,869	100	-
December 31, 2010	314,094	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.

The Combined Police Pension Plan, through the City, is involved in litigation with the Fraternal Order of Police (FOP). The FOP has alleged that the City committed unfair labor practices when it failed to enact an amendment to the Police Pension Plan Ordinance that was agreed to in an amendment to the Basic Labor Agreement between the former mayor and the FOP. The proposed amendment would increase the maximum benefit incrementally to 80% of average monthly compensation for Plan members who retire with 21 to 27 years of credited service. The cost to the Combined Police Pension Plan would be $514,000 per year, as estimated by the actuarial cost study.

On September 17, 2010, the unfair labor practices charges were dismissed. The FOP appealed the ruling to the Commonwealth Court, who affirmed the ruling on November 1, 2011. The FOP has since filed a Petition for Allowance of Appeal to the Pennsylvania Supreme Court, who denied the appeal on May 14, 2012.

18. OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions

In addition to the pension benefits described in Note 17, 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.

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 for medical, prescription drug, dental, and vision for the retiree, including spouse and dependents.

All police officers hired prior to January 1, 1987, and retiring subsequent to January 1, 1987, who have completed twenty (20) years of actual service may continue to participate in the City's group health insurance (including family coverage) in effect at the time of retirement as noted above provided that the retired employee or his/her spouse does not have alternative health care coverage in the following six areas: (a) physician services, (b) hospital services, (c) major medical, (d) dental, (e) vision, (f) prescription. In those areas where alternative heath care coverage is available, the City is not required to provide coverage in that area.

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.

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.

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 for 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.

For firefighters retiring after January 1, 1987, when the firefighter is collecting a City pension under the City's fire pension plan, if prescription is provided by another agency, the City is not required to provide coverage in that area.

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.

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

Eligibility: Any non-uniformed 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.

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

Eligibility: Any non-uniformed 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.

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.

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 medical 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.

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 medical 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.

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 the medical 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.

Retire after June 1, 2007:

Eligibility: Non-uniformed 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 for medical 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.

A retiree may suspend coverage under the plan if the retiree and/or spouse become covered under the plan of another employer. Coverage may be reinstated only upon proof of the termination of coverage under the other employer's plan.

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, 2010, the City contributed $4,257,094 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 pays 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	1/1/2010
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	7.5% in 2010, decreasing by .05% per year to 5.5% in 2014, rates gradually decrease from 5.3% in 2015 to 4.2% in 2099

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, 2010 were as follows:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	$ 15,891,424	$ 584,460	$ 16,475,884
Interest on net OPEB obligation	1,108,351	57,712	1,166,063
Adjustment to ARC	(1,512,076)	(78,735)	(1,590,811)
Annual OPEB cost	15,487,699	563,437	16,051,136
Contribution made	(4,136,557)	(120,537)	(4,257,094)
Change in Net OPEB Obligation	11,351,142	442,900	11,794,042
Net OPEB Obligation, beginning	24,759,885	1,183,381	25,943,266
Net OPEB Obligation, ending	$ 36,111,027	$ 1,626,281	$ 37,737,308

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2010	$ 16,051,136	26.52%	$ 37,737,308
2009	17,622,295	28.27%	25,943,266
2008	17,836,610	25.42%	13,303,170

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)
1/1/2010	$ -	$ 177,796,013	$ 177,796,013	0.00%	$ 28,435,550	625.26%

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

19. SEGMENT INFORMATION

The Harrisburg Authority supports three 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. The Sewer Segment accounts for the leasing of the wastewater conveyance and treatment system to the City under a direct financing lease. Selected segment information as of and for the year ended December 31, 2010, is as follows:

CONDENSED STATEMENT OF NET ASSETS	Water Segment	Sewer Segment	Resource Recovery Segment
Assets			
Current assets			
Other current assets	$ 5,486,122	$ 2,400,150	$ 9,349,439
Due from (to) other funds	514,069	-	(537,413)
Due from the City	-	190,218	979,199
Total current assets	6,000,191	2,590,368	9,791,225
Restricted assets	34,587,614	5,953,318	13,672,335
Capital assets	64,747,131	-	114,879,478
Advances to the City	-	1,443,188	-
Other noncurrent assets	4,428,072	1,285,720	12,020,725
Total assets	109,763,008	11,272,594	150,363,763
Liabilities			
Current liabilities			
Other current liabilities	66,680	-	17,704,438
Due to the City	2,090,673	-	54,148,812
Total current liabilities	2,157,353	-	71,853,250
Liabilities payable from restricted assets	6,330,738	2,612,885	13,561,427
Noncurrent liabilities	138,249,528	4,566,621	238,004,022
Due to the City	197,086	-	-
Total liabilities	146,934,705	7,179,506	323,418,699
Net assets			
Invested in capital assets, net of related debt	(42,017,669)	-	(123,463,293)
Restricted	2,531,589	5,953,318	653,343
Unrestricted	2,314,383	(1,860,230)	(50,244,986)
Total net assets	$ (37,171,697)	$ 4,093,088	$ (173,054,936)

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

	Water Segment	Sewer Segment	Resource Recovery Segment
Operating revenues	$ 16,377,663	$ 250,000	$ 27,038,878
Operating expenses			
Operating	9,542,449	-	20,919,731
Administration	425,000	250,000	300,000
Depreciation	2,188,114	-	5,245,255
Total operating expenses	12,155,563	250,000	26,464,986
Operating income (loss)	4,222,100	-	573,892
Nonoperating revenues (expenses)			
Investment income	481,922	1,198	3,109,518
Lease rental income	-	298,804	-
Miscellaneous income (expense)	(57,747)	1,979	229,209
Transfers to City sewer fund	-	(625,128)	-
Interest expense	(8,754,131)	(518,843)	(17,044,305)
Amortization of bond issuance costs	(435,381)	(24,646)	(1,471,211)
Total nonoperating expenses	(8,765,337)	(866,636)	(15,176,789)
Change in net assets	(4,543,237)	(866,636)	(14,602,897)
Net assets, as restated - January 1, 2010	(32,628,460)	4,959,724	(158,452,039)
Net assets - December 31, 2010	$ (37,171,697)	$ 4,093,088	$ (173,054,936)

CONDENSED STATEMENT OF CASH FLOWS

	Water Segment	Sewer Segment	Resource Recovery Segment
Net cash provided by operating activities	$ 6,887,140	$ 81,979	$ 6,514,268
Net cash provided by investing activities	2,192,255	5,757,809	2,835,701
Net cash used in capital and related financing activities	(7,812,172)	(5,098,119)	(7,946,889)
Net increase in cash and cash equivalents	1,267,223	741,669	1,403,080
Cash and cash equivalents, January 1, 2010	3,910,824	8,076	8,557,030
Cash and cash equivalents, December 31, 2010	$ 5,178,047	$ 749,745	$ 9,960,110

20. ACCUMULATED DEFICITS

Harrisburg Parking Authority

The Authority has an accumulated deficit of $12,161,396. 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 $8,618,579.

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, 2010. 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 of 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 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, 2010 of $37,171,697 and $173,054,936, 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 Harrisburg Authority's Resource Recovery Facility, 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. The contractor defaulted and was terminated as of December 31, 2006. In 2007, Covanta was retained to complete the project and take over management responsibilities. The Resource Recovery Segment has experienced significant operating losses, has an accumulated deficit of approximately $173 million at December 31, 2010, is in violation of certain covenants under the trust indentures, and payment defaults have occurred. The Harrisburg 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 significant cost overruns.

In the fall of 2007, The Harrisburg Authority developed a recovery plan for the Resource Recovery Facility that required completion of construction of the facilities to bring the three burners on line and up to operating efficiently. The Harrisburg Authority engaged 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 were funded by a loan from Covanta to pay for such work. Payment of the debt service on the Covanta loan was subordinate in payment to The Harrisburg Authority's prior debt relating to the Resource Recovery Facility. Repayment of the debt service on the Covanta loan began prior to completion of the construction project. The Harrisburg Authority's revenues were insufficient to make payment on the loan and the City guarantee was called upon. The City made payments to Covanta until their financial situation precluded such payments in April 2010. As of October 2012, $8,392,968 remains unpaid to Covanta. Additionally, The Harrisburg Authority owes approximately $1.5 million to vendors on the retrofit completion project due to Covanta failing to release advance funds once The Harrisburg Authority and City were unable to make reimbursement payments.

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 matured 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. The Harrisburg Authority, City and County failed to reach agreement on the refinancing and as a result, the County alone refinanced the working capital loan.

Since 2008, the Resource Recovery Facility has been able to cover operating expenses but unable to generate sufficient revenue to cover debt service and amounts due under the interest rate cap. As such, The Harrisburg Authority has drawn on debt service reserves, called upon guarantors, and insurance policies in order to make sure that bondholders were paid. Fees associated with the guarantor and insurance agreements continue to accrue.

The Harrisburg Authority continues to pursue revenue enhancing and expense reducing activities, but will continue to rely upon reserves, guarantors and insurance until a coordinated solution is accomplished. To this end, The Harrisburg Authority is participating in the City's Act 47 process that seeks to provide a plan to eliminate the financial burden of the Resource Recovery Facility on the revenues, guarantors and insurance providers.

The Financially Distressed Municipalities Act, also known as Act 47, empowers the Pennsylvania Department of Community and Economic Development (DCED) to declare certain municipalities as financially distressed. On October, 1, 2010, Mayor Linda D. Thompson filed a request asking for the City to be designated a financially distressed municipality. DCED investigated the financial affairs of the City and, on December 15, 2010, following public hearings on the City's request, DCED issued a determination of municipal financial distress for the City.

A recovery plan (Coordinator's Act 47 Recovery Plan) was developed. However, on July 19, 2011, a majority of the Harrisburg City Council rejected the Coordinator's Act 47 Recovery Plan. Following the City Council's rejection of the Act 47 Recovery Plan, Mayor Thompson was tasked with developing and filing an alternate Recovery Plan pursuant the provisions of Act 47. The Mayor filed a

Recovery Plan on August 22, 2011 and on August 31, 2011, a majority of Harrisburg City Council rejected Mayor Thompson's Recovery Plan and again rejected a modified plan on September 13, 2011.

On September 20, 2011, Governor Tom Corbett signed into law Senate Bill 1151, amending Act 47 and providing for a Declaration of Fiscal Emergency in circumstances in which a financially distressed city of the third class fails to adopt a financial recovery plan. Additionally, the law provides for the appointment and confirmation of a receiver if the distressed city fails to enact a consent agreement to adopt and implement a recovery plan.

As a result of the fiscal circumstances existing in the City, Governor Corbett declared a fiscal emergency on October 24, 2011. As part of the Emergency Declaration, Governor Corbett directed the Secretary of DCED, C. Alan Walker, to develop an Emergency Action Plan to ensure all vital and necessary services are maintained in the City until a fiscal recovery plan is enacted.

On November 18, 2011, a Receiver was appointed, who is tasked with developing and submitting a fiscal recovery plan to the Commonwealth Court, DCED Secretary, City Council and the Mayor.

The Receiver's recovery plan was submitted, the Commonwealth Court held a hearing and the Court confirmed the Receiver's Recovery Plan.

At this time, the Office of the Receiver is pursuing implementation of the Receiver's Recovery Plan and actively negotiating resolution of the City's fiscal crisis and seeking resolution with creditors of the County, City and the Authority relating to the outstanding Resource Recovery Facility debt.

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, 2010.

Redevelopment Authority of the City of Harrisburg

The Redevelopment Authority net asset (deficit) at December 31, 2010 is related to the 1998 Series A and B bond issuances. Since the right to building is recorded at amortized cost and the debt includes appreciation, the total debt outstanding, less the asset's amortized cost, reduces net assets. The outstanding debt on these issuances is $46,380,660 and the amortized cost of the right to building is $20,369,411. These balances reduced the Redevelopment Authority's net assets from a positive $935,850 to the deficit balance of $25,075,399. The City 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.

21. FINANCIAL RECOVERY PLAN

For several years, the City has been exploring various options to close its structural budget gap and address its Resource Recovery Facility debt issue. In 2008, the City applied for and was awarded a $100,000 Pennsylvania Department of Community and Economic Development Act 47 Early Intervention Program Grant to develop a Management and Financial Audit and Five-Year Financial Plan. During 2009, the City hired a national management consulting firm to conduct a thorough review of the City's finances and operations and to develop the Plan. An Emergency Financial Plan and Five-Year Plan (Plan) was issued in March 2010 and implementation immediately began. Due to City Council's failure to adopt the Plan, the Administration filed a Petition for Determination of Municipal Financial Distress on October 1, 2010 under Pennsylvania's Municipalities Financial Recovery Act of 1987 (Act 47). The City was accepted into the Act 47 program on December 15, 2010. The Act 47 program allowed the City to obtain assistance from the Commonwealth of Pennsylvania in developing a new financial recovery plan. A Municipal Financial Recovery Act Recovery Plan (Recovery Plan) was submitted by the Act 47 coordinator to the City on June 13, 2011. City Council rejected the Recovery Plan in July 2011. Immediately thereafter, and pursuant to Act 47, the Mayor became the Act 47 coordinator. As such, she developed her own Plan and submitted it to City Council on August 2, 2011. City Council rejected this second Plan on August 31, 2011. The Mayor submitted an amended version of her Plan to City Council, but Council rejected this amended Plan on September 13, 2011.

Pennsylvania's governor signed legislation on October 20, 2011 authorizing the State to declare a fiscal emergency in Harrisburg. On November 18, 2011, a receiver was appointed under this legislation to implement a Recovery Plan and take control of the City's finances. The Receiver unveiled his Recovery Plan for the City on February 6, 2012. The full Recovery Plan can be viewed at the Receiver's website at "www.pa.gov/harrisburgreceiver". The Recovery Plan was approved by the Commonwealth Court on March 9, 2012. The City Receiver testimony in Commonwealth Court on March 1, 2012, pertaining to financial aspects of the Act 47 recovery plan, can be found at http://www.portal.state.pa.us/portal/server.pt?open=514&objID=1053490&parentname=ObjMgr&parentid=24&mode=2.

In the Recovery Plan, the Receiver indicated that the City's financial distress is a very complicated problem. He further indicated that it cannot be solved easily or quickly. He identified three primary challenges to be addressed in connection with the fiscal recovery of the City: first, the extraordinary amount of debt related to The Harrisburg Authority's Resource Recovery Facility (Incinerator) which the City guarantees; second, the City's structural budget deficit (the amount by which the City's operating expenditures consistently exceed its revenues); and third, filling of the Business Administrator/Chief of Staff position (termed Chief Operating Officer in the Plan) which had been vacant since January 2011, to lead and manage the entire staff and oversee the implementation of the Receiver's Recovery Plan Initiatives.

To address the burden of the Incinerator debt, the Receiver called for the possible sale and/or long-term lease of the Incinerator and separate parking facilities owned and operated by the Authority. The Recovery Plan also assumed the potential for so called "stranded debt" (the amount of debt remaining after the proceeds of the sale or lease of assets is applied to the Incinerator debt) and set forth contributions to be made by various stakeholders. Since the contributions required from stakeholders cannot be determined until the value of the assets is known, the Harrisburg Authority and the Authority were directed to participate in a Request for Qualifications and Proposals (RFQ&P) process to determine interested parties with respect to two sets of assets: the Incinerator and parking facilities.

Unrelated to the Incinerator debt problem, The Harrisburg Authority was also directed to undertake an RFQ&P process for management and operation of its water and wastewater assets.

With these processes, the Receiver, with the advice of the relevant Authority, would then be in a position to negotiate with one or more offerors, and ultimately with the various stakeholders regarding any stranded debt or other issues related to the asset transactions. Both Authorities have since undertaken these processes. The Receiver is authorized under Act 47 to proceed with all transactions related to the assets of the City and the Authorities, and to cause the sale, lease, conveyance, assignment or other use or disposition of those assets.

Assuming that a comprehensive solution is achieved, the Receiver will file an amendment to this Recovery Plan with the Commonwealth Court indicating consensual agreements with stakeholders. If a comprehensive solution is not agreed upon, the Receiver indicated he is prepared to file for bankruptcy under Chapter 9 of the Bankruptcy Code in order to protect the ability of the City to perform its vital and necessary services.

To address the City's structural budget deficit, an annual gap in excess of $11 million as estimated by the Receiver, the Recovery Plan calls for a combination of concessions from the labor unions, an increase in the resident Earned income Tax (EIT), service efficiencies, and additional revenues from fees and outside sources. During October 2012, City Council approved a 1% increase in the EIT effective January 1, 2013, and an Act 47 grant funded fee study was completed.

As for the third primary challenge, the City hired a Chief Operating Officer on April 18, 2012. His primary focus has been to see to the coordination and implementation of the Plan Initiatives.

The ultimate outcome of the City's Recovery Plan is subject to significant uncertainty.

22. 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 and compliance reviews are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits and compliance reviews could lead to reimbursement to the grantor agencies. The City believes the following disallowances, and others if any, will be immaterial, but wishes to disclose the following:

The United States Department of Energy (DOE) conducted an on-site monitoring of the City's $256,200 EECBG grant program (8/21/2009-8/20/2012) in November 2011 and forwarded a Notice of Non-Compliance dated April 4, 2012. In both the monitoring report (dated November 22, 2011) and Notice of Non-Compliance, DOE outlined several items requiring corrective action. Specifically, the DOE found that the City had not properly requested an amendment to the scope of work of the grant and had not adequately documented the use of grant funds for administrative purposes. Amongst the corrective actions called for the City to undertake were a return of advanced funds of $180,150 to the United States Treasury with interest and submission of delinquent 2009 and 2010 A-133 (Single) Audits. The City has responded to the monitoring report and Notice of Non-Compliance offering a work-out plan in response to DOE's prescribed Corrective Action Plan, but was unsuccessful in obtaining a waiver of the requirement to return the advanced grant funds. The advanced grant funds of

$180,150 were returned in August 2012 to the United States Treasury with interest of $452. In exchange, the DOE approved the workout plan in September 2012 allowing the grant funds to be used to complete the scope of the work.

The City received a Notice of Rejected Audit Report from PA DCED dated January 3, 2012, and has been unsuccessful in closing out this $100,000 Economic Advancement Program – SusqueCentennial Celebration Grant Contract (7/1/2007-6/30/2011). At issue were several unsubstantiated expenditures totaling $50,000 for which PA DCED has stated that the City would either have to identify and document eligible expenditures of a like amount or repay the amount to PA DCED. The City responded to the Audit Report and provided documentation to substantiate a number of the expenditures, however, there were numerous documents missing from the grant files maintained by the Harrisburg SusqueCentennial Commission's Executive Director. The City attempted to reconcile the $50,000 discrepancy. However, PA DCED opted to lessen a subsequent $2 million Financial Assistance Grant by the $50,000, closing the matter in 2012.

Construction Commitments

Primary Government

The City has contractual commitments for construction, engineering and licensing related to the City properties of approximately $381,136.

Component Units

The Harrisburg Authority

The Harrisburg Authority entered into an Administrative Services and Interim Operation and Maintenance Agreement (Interim Agreement) with 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 Harrisburg 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 Harrisburg 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 then 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.

The Harrisburg Authority has entered into various construction contracts related to the construction of the various facilities. The outstanding commitment under these contracts at December 31, 2010, excluding amounts in accounts payable, was approximately $3.7 million.

In June 2010, The Harrisburg Authority entered into a Consent Order and Agreement (COA) with the Pennsylvania Department of Environmental Protection (DEP) relative to the Resource Recovery Facility for violations of air quality-related emissions limits as of January 2007. In lieu of paying the total fine for the violations, the COA established the following:

- Civil penalty of $125,000 due at execution of COA.
- Additional civil penalty of $100,000 due no later than December 31, 2011, December 31, 2012, and December 31, 2013.

In lieu of paying civil penalties for the period of 2011 – 2013, The Harrisburg Authority may perform certain projects for the benefit of the residents of the City and/or the Borough of Steelton. In order for the funds expended on the projects to qualify as Project Credits under the COA, the Projects must be certain projects and meet certain conditions:

- Asthma Education Program for Community School Children – implement the American Lung Association's Open Airways for Schools Program. The Harrisburg Authority will provide funds to the Project Administrator (Hamilton Health Center).
- South Allison Hill Weed and Seed Revitalization Plan – bulk trash cleanup, cameras to monitor illegal dumping, and vacant lot cleanup. The Harrisburg Authority will participate by providing funds to Project Administrator (YMCA Weed and Seed).

For payments to qualify for the Project Credits, The Harrisburg Authority must:

- Receive written approval from the DEP for the draft contract between The Harrisburg Authority and the Project Administrators.
- Execute the DEP approved contract with the Project Administrator.
- Provide DEP with copy of executed contract with first quarterly report.
- Provide DEP with quarterly reports (within 30 days of the end of the quarter).

The $100,000 penalty for period of 2011 – 2013 will not be due for each year if The Harrisburg Authority demonstrates at least $50,000 of Project Credits pursuant to the Final Completion Reports submitted during each calendar year. If The Harrisburg Authority demonstrates any Project Credits pursuant to the Final Completion Reports submitted during the 2010 calendar year, the 2010 Project Credits shall be applied as Project Credits to the 2011 calendar year. If The Harrisburg Authority demonstrates more than $50,000 of Project Credits pursuant to Final Completion Reports submitted during 2011 and 2012 calendar years, the Project Credits exceeding $50,000 in any given year may be applied as Project Credits in the next calendar year.

On August 19, 2009, The Harrisburg Authority received the H2O Pennsylvania Act Grant in the sum of $5,520,000 from the Commonwealth Financing Authority for construction and improvements to the wastewater treatment plant located in Swatara Township. In accordance with the grant agreement, the project was completed prior to June 30, 2012. To receive payments under this grant, The Harrisburg Authority must submit requests for payment based on the estimate of expenditures. Total costs draw down under the grant were $3,354,275 at December 31, 2010.

On December 23, 2009, The Harrisburg Authority entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (Penn Vest) in an amount not to exceed $1,880,000 for capital improvements of the wastewater treatment facility. The loan is guaranteed by the City. As of December 31, 2009, $1,319,653 has been drawn down on the loan.

The Harrisburg Authority Resource Recovery Facility Forensic Investigation, which reviews matters concerning the financing of the Resource Recovery Facility, was issued on January 12, 2012, and can be found at http://www.hbgauthority.com/news/Forensic%20Investigation/Harrisburg%20Report.pdf. During October and November 2012, the PA Senate Local Government Committee held two public hearings to interview parties named in the forensic investigation to gain a better understanding of the details disclosed therein.

Redevelopment Authority of the City of Harrisburg

The Redevelopment Authority is committed for capital projects disbursements in the approximate amount of $174,991 as of December 31, 2010.

Downtown Coordinated Parking Fund

Parking revenue generated from ten 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 Authority to deposit, at least quarterly, the new revenues from the garages, parking meters, city lots and any unrestricted administrative fund balance into the Fund. The CPF currently secures the Authority's 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 $2,664,000 representing excess amounts deposited into the system for 2010.

Guarantees

The City is contingently liable under various agreements which guarantee debt of entities not included in the primary government's financial statements aggregating $417,756,364 at December 31, 2010, and maturing at various dates through 2034. Of the $417,756,364, $412,413,509 is for guarantees of component unit debt. See Notes 23 and 24 on the recording of the City's contingent liability with respect to the City's guarantee of The Harrisburg Authority's debt. Additionally, City Council failed to adopt funding appropriations in the 2010, 2011 and 2012 proposed Debt Service Fund budgets to honor these guarantees. The City has filed a notice of material event stating that the City does not expect to be able to fulfill its guarantee obligations with respect to the bonds for which the City is guarantor.

During July 2012, the City was released from approximately $17 million of component unit conduit debt guarantees, because the related debt was extinguished.

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 Line of Credit 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. 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.

The Harrisburg Authority has accrued $2,250,413 for landfill closure and post-closure care costs as of December 31, 2010, which represents the use of 95.53% of the estimated capacity of the disposal area. Based on the annual usage at December 31, 2010, the estimated remaining life of the landfill is approximately two years. 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, 2010.

As of December 31, 2010, cash and investments of $2,903,756 are held for closure and post-closure care expenses. Those funds are reported as restricted assets on the Statement of Net Assets.

Environmental Remediation Liability

The Redevelopment Authority assumed and acquired title to several properties which required environmental remediation. These properties were acquired for redevelopment. After the projects are complete, the properties will be acquired by a local educational institution and/or a nonprofit healthcare organization.

The Redevelopment Authority is required to remediate these properties. The Redevelopment Authority has estimated that total project costs will amount to $961,000 and $120,500. These estimates are based on projected remediation costs. The estimates are included in grant proposals, which were approved by the Department of Environmental Protection.

The $111,023 ending balance of the contamination liability is based on the total estimated project cost, less costs incurred to date. The Redevelopment Authority does not expect to receive insurance recoveries that have the potential to reduce the recorded liability. The estimated liability may potentially change, due to factors such as price increases or changes in technology. The Redevelopment Authority has made significant progress on the projects to date and continues work subsequent to year-end.

23. 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, except as noted throughout Notes 23 and 24.

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 24.

On October 28, 2009, the City received notice that Moody's downgraded its rating on its outstanding obligations to Ba2 from Baa2. On February 11, 2010, Moody's downgraded its rating on the City's general obligation bonds again to a rating of B2, with a negative outlook. In a notice of material event, filed by the City on Electronic Municipal Market Access (EMMA) on March 29, 2011, the City stated its October 2009 downgrade and that it has not provided an annual report for the fiscal year ended December 31, 2009. Subsequently, through its notice of failure to provide annual financial information as required, filed on July 13, 2012, the City stated that it had not filed its comprehensive annual financial report for the fiscal years ended December 31, 2009, 2010, and 2011. However, the City filed its 2009 comprehensive annual financial report (CAFR) on August 6, 2012. The City published a similar notice on October 12, 2012, for not filing its 2010 and 2011 CAFR's.

On March 9, 2012, the City issued a notice of material event with respect to the City's General Obligation Refunding Bonds and Notes, Series D and F of 1997. The notice stated that the City would not be making its scheduled debt service payments with respect to the City's General Obligation Refunding Bonds and Notes, Series D and F of 1997 of $2,735,000 and $2,530,000, respectively, due on March 15, 2012. These bonds and notes are insured by municipal bond insurance policies.

On September 14, 2012, the City issued a notice of material event with respect to the City's General Obligation Refunding Bonds and Notes, Series D and F of 1997. The notice stated that the City would not be making its scheduled debt service payments with respect to the City's General Obligation

Refunding Bonds and Notes, Series D and F of 1997 of $1,765,000 and $1,635,000, respectively, due on September 15, 2012. These bonds and notes are insured by municipal bond insurance policies.

The City's single audit is required to be filed with the Federal Audit Clearinghouse by each September 30, following their year-end. The City has not filed its single audit for the years ended December 31, 2010 and 2011 by the required dates.

The City is required under the Debt Act to maintain certain of their debt obligations below a specified legal debt limit. Because certain of City guaranteed The Harrisburg Authority Resource Recovery Facility debt are no longer considered self-liquidating, the City has exceeded its legal debt limit at December 31, 2010 by approximately $107.6 million.

Component Units

The Harrisburg Authority

Resource Recovery Facility

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. On September 29, 2011 and October 4, 2012, The Harrisburg Authority issued notices of material events with respect to the failure of The Harrisburg Authority to issue financial statements for the years ended December 31, 2010 and 2011, stating that neither were completed by the required dates.

Under the trust indentures, The Harrisburg Authority is required to maintain certain minimum balances in the Resource Recovery operating reserve fund. At December 31, 2009, The Harrisburg Authority's balance in the Resource Recovery operating reserve fund was $220 and the reserve requirement was $2,993,333. 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 monthly installments. The Resource Recovery operating reserve was replenished through a transfer from the revenue fund in the amount of approximately $3 million on July 29, 2010. At December 31, 2010, The Harrisburg Authority maintains the minimum operating reserve fund balance.

Under the trust indentures, The Harrisburg Authority is required to maintain certain minimum balances in the Resource Recovery debt service reserve funds. At December 31, 2010, The Harrisburg Authority's balances in the debt service reserve funds and the related reserve requirements are as follows:

Bond Series	Balance at December 31, 2010	Reserve Requirement
1998	$ 3,470,166	$ 3,900,215
2002	-	800,000
2003A - C	1,982,793	7,200,000
2003D	408,434	8,000,000
2003E	270,061	1,000,000
2003F	-	1,000,000

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 2012, The Harrisburg Authority has not replenished the Debt Service Reserve Accounts.

The 2010 consulting engineers' report, which was due, per the trust indenture, 90 days prior to the end of the calendar year, was not received by The Harrisburg Authority until December 2010. Finally, management has not instituted a system to calculate the rate covenant requirement noted earlier.

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.

On March 5, 2010, The Harrisburg Authority and the City issued a joint 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 $315,908 due on the 1998 Series A Bonds on September 1, 2009. There were no funds on deposit with the Trustee with respect to the 1998 Series A Bonds, resulting in a deficiency of $315,908. In accordance with the terms of the 1998 Indenture, the Trustee transferred funds from the 1998 Series Debt Service Reserve Account to the 1998 Series A, B, and C Debt Service Account in an amount sufficient to satisfy the deficiency and to enable the Trustee to make the necessary payment of interest on the 1998 Series A Bonds on September 1, 2009.

On March 8, 2010, The Harrisburg Authority and the City issued a joint 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 $280,085 due on the 1998 Series A Bonds on March 1, 2010. There were no funds on deposit with the Trustee with respect to the 1998 Series A Bonds, resulting in a deficiency of $280,085. In accordance with the terms of the 1998 Indenture, the Trustee transferred funds from the 1998 Series Debt Service Reserve Account to the 1998 Series A, B, and C Debt Service Account in an amount sufficient to satisfy the deficiency and to enable the Trustee to make the necessary payment of interest on the 1998 Series A Bonds on March 1, 2010.

On September 14, 2010, The Harrisburg Authority and the City issued a joint 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 principal and interest payment of $320,085 due on the 1998 Series A Bonds on September 1, 2010. There were no funds on deposit with the Trustee with respect to the 1998 Series A Bonds, resulting in a deficiency of $320,085. In accordance with the terms of the 1998 Indenture, the Trustee transferred funds from the 1998 Series Debt Service Reserve Account to the 1998 Series A, B, and C Debt Service Account in an amount sufficient to satisfy the deficiency and to enable the Trustee to make the necessary payment of interest on the 1998 Series A Bonds on September 1, 2010.

On September 14, 2012, The Harrisburg Authority and the City issued a joint 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 principal and interest payment of

$279,125 due on the 1998 Series A Bonds on September 1, 2012 resulting in a deficiency of $46,520. In accordance with the terms of the 1998 Indenture, the Trustee transferred funds from the 1998 Series Debt Service Reserve Account to the 1998 Series A, B, and C Debt Service Account in an amount sufficient to satisfy the deficiency and to enable the Trustee to make the necessary payment of interest on the 1998 Series A Bonds on September 1, 2012.

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.

On March 8, 2010, The Harrisburg Authority and the City issued a joint 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 debt service payment of $1,196,732 due on the 2002 Series A Notes on November 1, 2009. The amount of $88 was on deposit with the Trustee with respect to the 2002 Series A Notes, resulting in a deficiency of $1,196,644. 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. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was only able to transfer $396,732, which amount representing a portion of the funds required for the debt service payment due on the 2002 Series A Notes on November 1, 2009. Upon the failure of the City to advance sufficient monies as required under the City Note Guaranty, the Trustee then transferred funds from the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund in the amount of $799,912 to the 2002 Debt Service Account in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment the 2002 Series A Notes on November 1, 2009.

On May 4, 2010, The Harrisburg Authority and the City issued a joint 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 debt service payment of $425,282 due on the 2002 Series A Notes on May 1, 2010. On April 25, 2010, there were no funds on deposit with the Trustee with respect to the 2002 Series A Notes resulting in a deficiency of $425,282. 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. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was not able to provide any funds under the City Note Guaranty in order to make the May 1, 2010 payment. Upon the failure of the City to advance funds as required under the City Note Guaranty, the Trustee then transferred funds from the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund in the amount of $88 to the 2002 Debt Service Account. After transferring funds from the 2002 Debt Service Reserve Fund, the 2002 Debt Service Account was deficient in the amount of $425,194. In accordance with the 2002 Indenture, the Trustee then notified the 2002 Bond Insurer of the deficiency of funds on deposit in the 2002 Debt Service Account required to make the May 1, 2010 payment and requested that such shortfall be paid under the bond insurance policy. The 2002 Bond Insurer paid the amount $425,194 to the Trustee under the bond insurance policy, which amount, together with other funds on deposit in the 2002 Debt Service Account, was sufficient to pay the scheduled debt service payment on May 1, 2010

On November 3, 2010, The Harrisburg Authority and the City issued a joint 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 debt service payment of $1,215,282 due on the 2002 Series A Notes on November 1, 2010. On October 25, 2010, there were no funds on deposit with the Trustee with respect to the 2002 Series A Notes resulting in a deficiency of $1,215,282. 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. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was not able to provide any funds under the City Note Guaranty in order to make the November 1, 2010 payment. Upon the failure of the City to advance funds as required under the City Note Guaranty, the Trustee was required to transfer any funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund to the 2002 Debt Service Account of the Debt Service Fund. There were no funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund, resulting in a deficiency in the amount of $1,215,282. In accordance with the 2002 Indenture, the Trustee then notified the 2002 Bond Insurer of the deficiency of funds on deposit in the 2002 Debt Service Account required to make the November 1, 2010 payment and requested that such shortfall be paid under the bond insurance policy. The 2002 Bond Insurer paid the amount $1,215,282 to the Trustee under the bond insurance policy, which amount was sufficient to pay the scheduled debt service payment on November 1, 2010.

On May 2, 2011, The Harrisburg Authority and the City issued a joint 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 debt service payment of $402,688 due on the 2002 Series A Notes on May 1, 2011. On April 25, 2011, there were no funds on deposit with the Trustee with respect to the 2002 Series A Notes resulting in a deficiency of $402,688. 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. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was not able to provide any funds under the City Note Guaranty in order to make the May 1, 2011 payment. Upon the failure of the City to advance funds as required under the City Note Guaranty, the Trustee was required to transfer any funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund to the 2002 Debt Service Account of the Debt Service Fund. There were no funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund, resulting in a deficiency in the amount of $402,688. In accordance with the 2002 Indenture, the Trustee then notified the 2002 Bond Insurer of the deficiency of funds on deposit in the 2002 Debt Service Account required to make the May 1, 2011 payment and requested that such shortfall be paid under the bond insurance policy. The 2002 Bond Insurer paid the amount $402,688 to the Trustee under the bond insurance policy, which amount was sufficient to pay the scheduled debt service payment on May 1, 2011.

On November 1, 2011, The Harrisburg Authority and the City issued a joint 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 debt service payment of $1,242,688 due on the 2002 Series A Notes on November 1, 2011. On October 25, 2011, there were no funds on deposit with the Trustee with respect to the 2002 Series A Notes resulting in a deficiency of $1,242,688. 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. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was not able to provide any funds under the City Note Guaranty in order to make the November 1, 2011 payment. Upon the failure of the City to advance funds as required under the City Note Guaranty, the Trustee was required to transfer any funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund to the 2002 Debt Service Account of the Debt Service Fund. There were no funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund, resulting in a deficiency in the amount of $1,242,688. In accordance with the 2002 Indenture, the Trustee then notified the 2002 Bond Insurer of the deficiency of funds on deposit in the 2002 Debt Service Account required to make the November 1, 2011 payment and requested that such shortfall be paid under the bond insurance policy. The 2002 Bond Insurer paid the amount $1,242,688 to the Trustee under the bond insurance policy, which amount was sufficient to pay the scheduled debt service payment on November 1, 2011.

On May 1, 2012, The Harrisburg Authority and the City issued a joint 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 debt service payment of $378,664 due on the 2002 Series A Notes on May 1, 2012. On May 1, 2012, there were no funds on deposit with the Trustee with respect to the 2002 Series A Notes, resulting in a deficiency of $378,664. 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. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was not able to provide any funds under the City Note Guaranty in order to make the May 1, 2012 payment. Upon the failure of the City to advance funds as required under the City Note Guaranty, the Trustee was required to transfer any funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund to the 2002 Debt Service Account of the Debt Service Fund. There were no funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund, resulting in a deficiency in the amount of $378,664. In accordance with the 2002 Indenture, the Trustee then notified the 2002 Bond Insurer of the deficiency of funds on deposit in the 2002 Debt Service Account required to make the May 1, 2012 payment and requested that such shortfall be paid under the bond insurance policy. The 2002 Bond Insurer paid the amount $378,664 to the Trustee under the bond insurance policy, which amount was sufficient to pay the scheduled debt service payment on May 1, 2012.

On November 5, 2012, The Harrisburg Authority and the City issued a joint 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 debt service payment of $1,268,664 due on the 2002 Series A Notes on November 1, 2012. Under the terms of the City Note Guaranty, the City, as guarantor, was required to fund any deficiency in the 2002 Debt Service Account. The City notified the Trustee that the City was not able to provide any funds under the City Note Guaranty in order to make the November 1, 2012 payment. Upon the failure of the City to advance funds as required under the City Note Guaranty, the Trustee was required to transfer any funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund to the 2002 Debt Service Account of the Debt Service Fund. There were no funds on deposit in the 2002 Debt Service Reserve Account of the Debt Service Reserve Fund resulting in a deficiency in the amount of $1,268,664. In accordance with the 2002 Indenture, the Trustee then notified the 2002 Bond Insurer of the deficiency of funds on deposit in the 2002 Debt Service Account required to make the November 1, 2012 payment and requested that such shortfall be paid under the bond insurance policy. The 2002 Bond Insurer paid the amount

$1,268,664 to the Trustee under the bond insurance policy, which amount was sufficient to pay the scheduled debt service payment on November 1, 2012.

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, respectively. 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.

On March 8, 2010, The Harrisburg Authority and the City issued a joint 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 $607,120 due on the Series A, B, and C of 2003 Bonds, respectively, on September 1, 2009. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the September 1, 2009 debt service payment. However, the City notified the Trustee on August 25, 2009 that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on September 1, 2009. Upon the failure of the City to advance monies as required under the City Bond Guaranty, the Trustee then transferred funds from the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund to the Series of 2003 Debt Service Accounts in amounts sufficient to satisfy the respective deficiencies therein and to enable the Trustee to make the necessary payments of interest on the Series 2003 A, B, and C Obligations on September 1, 2009.

On March 9, 2010, The Harrisburg Authority and the City issued a joint 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 $607,120 due on the Series A, B, and C of 2003 Bonds, respectively, on March 1, 2010. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the March 1, 2010 debt service payment. However, the City notified the Trustee on February 23, 2010 that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on March 1, 2010. Upon the failure of the City to advance monies as required under the City Bond Guaranty, the Trustee then transferred funds from the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund to the Series of 2003 Debt Service Accounts in amounts sufficient to satisfy the respective deficiencies therein and to enable the Trustee to make the necessary payments of interest on the Series 2003 A, B, and C Obligations on March 1, 2010.

On September 2, 2010, The Harrisburg Authority and the City issued a joint 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, \$378,898, and \$607,120 due on the Series A, B, and C of 2003 Bonds, respectively, on September 1, 2010. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the September 1, 2010 debt service payment. However, the City notified the Trustee that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on September 1, 2010. Upon the failure of the City to advance monies as required under the City Bond Guaranty, the Trustee then transferred funds from the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund to the Series of 2003 Debt Service Accounts in amounts sufficient to satisfy the respective deficiencies therein and to enable the Trustee to make the necessary payments of interest on the Series 2003 A, B, and C Obligations on September 1, 2010.

On March 1, 2011, The Harrisburg Authority and the City issued a joint 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, \$147,612, and \$607,120 due on the Series A, B, and C of 2003 Bonds, respectively, on March 1, 2011. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the March 1, 2011 debt service payment. However, the City notified the Trustee that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on March 1, 2011. Upon the failure of the City to advance monies as required under the City Bond Guaranty, the Trustee then transferred funds from the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund to the Series of 2003 Debt Service Accounts in amounts sufficient to satisfy the respective deficiencies therein and to enable the Trustee to make the necessary payments of interest on the Series 2003 A, B, and C Obligations on March 1, 2011.

On September 1, 2011, The Harrisburg Authority and the City issued a joint 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, \$143,034, and \$607,125 due on the Series A, B, and C of 2003 Bonds, respectively, on September 1, 2011. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the September 1, 2011 debt service payment. However, the City notified the Trustee that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on September 1, 2011. Upon the failure of the City to advance monies as required under the City Bond Guaranty, the Trustee then transferred $580,868 consisting of all remaining funds on deposit in the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund to the Series of 2003 Debt Service Accounts. In accordance with the Series 2003 A, B, and C Indenture, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the Series of 2003 Debt Service Accounts required to make the September 1, 2011 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $816,551 to the Trustee under the bond insurance policy, which amount, together with the funds transferred from the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund, was sufficient to pay the scheduled debt service payment on September 1, 2011.

On March 1, 2012, The Harrisburg Authority and the City issued a joint 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, $147,572, and $607,125 due on the Series A, B, and C of 2003 Bonds, respectively, on March 1, 2012. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the March 1, 2012 debt service payment. However, the City notified the Trustee that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on March 1, 2012. Upon the failure of the City to advance monies as required under the City Bond Guaranty, the Trustee then transferred $10 consisting of all remaining funds on deposit in the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund to the Series of 2003 Debt Service Accounts. In accordance with the Series 2003 A, B, and C Indenture, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the Series of 2003 Debt Service Accounts required to make the March 1, 2012 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $1,401,950 to the Trustee under the bond insurance policy, which amount, together with the funds transferred from the 2003 Debt Service Reserve Account of the Debt Service Reserve Fund, was sufficient to pay the scheduled debt service payment on March 1, 2012.

On September 10, 2012, The Harrisburg Authority and the City issued a joint 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, $147,502, and $607,125 due on the Series A, B, and C of 2003 Bonds, respectively, on September 1, 2012. Pursuant to the terms of the Series 2003 A, B, and C Indenture and the City Bond Guaranty, the Trustee notified The Harrisburg Authority and the City of such deficiencies in the Series of 2003 Debt Service Accounts. The Series 2003 A, B, and C Indenture and the City Bond Guaranty 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 2003 A, B, and C Obligations, then the Trustee is to draw upon the City Bond Guaranty for the monies for debt service. The Trustee so notified the City of the respective deficiencies in the Series of 2003 Debt Service Accounts for the September 1, 2012 debt service payment. However, the City notified the Trustee that the City was not able to transfer funds for the debt service payment due on the Series 2003 A, B, and C Obligations on September 1, 2012. There being no funds on deposit in the Series of 2003 Debt Service Reserve Account of the Debt Service Reserve Fund, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the Series of 2003 Debt Service Accounts required to make the September 1, 2012 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $1,401,889 to the Trustee under the bond insurance policy, which amount was sufficient to pay the scheduled debt service payment on September 1, 2012.

On June 29, July 16 and July 22, 2009, The Harrisburg Authority and the City issued joint notices of material events 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, respectively. 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 in May 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.

On March 8 and March 9, 2010, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $1,062,450, $1,625,000, $1,743,030, and $1,684,895 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on December 1, 2009. There were no funds on deposit in the 2003 Retrofit Debt Services Accounts, resulting in a deficiency of $1,062,450, $1,625,000, $1,743,030, and $1,684,895, respectively. 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 could only able to transfer $127,613, $195,181, $209,358, and $202,376, respectively, for the Series D-1, D-2, E, and F Bonds of 2003, which amount represented a portion of the funds required for the debt service payment due on the Series D-1, D-2, E, and F Bonds on

December 1, 2009. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $2,364,656, $746,468, and $1,482,519, respectively, from the 2003D, E and F Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on December 1, 2009. However, after transferring funds from the 2003 E Bonds Subaccount of the Retrofit Debt Service Reserve Account, the 2003E Bonds Subaccount of the Retrofit Debt Service Account was still deficient in the amount of $787,204. Under the terms of the Indenture and the County Guaranty Agreement, dated as of December 1, 2003 (County Guaranty Agreement), among the County, The Harrisburg Authority and the Trustee, the County, as guarantor, was required to fund any deficiency in the 2003E Bonds Subaccount of the Retrofit Debt Service Account after deposits therein from the City under the City Bond Guaranty Agreement and from the 2003E Bonds Subaccount of the Retrofit Debt Service Reserve Account. Pursuant to the terms of the Indenture and the County Bond Guaranty Agreement, the Trustee notified The Harrisburg Authority and the County of such deficiency in the 2003 E Bonds Subaccount of the Retrofit Debt Service Account. The County, as guarantor, in accordance with the County Guaranty Agreement, transferred funds in the amount of $787,204 to the Trustee for deposit into the 2003E Bonds Subaccount of the Retrofit Debt Service Account in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment the Series E Bonds on December 1, 2009. In addition, the Series F Bonds Subaccount of the Retrofit Debt Service Reserve Account was deficient in the amount of $630,474, which required The Harrisburg Authority to draw on its debt service reserve fund surety policy. Such amount is presented as due to bond insurer on the face of the financial statement.

On June 1, 2010, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $1,062,450, $1,625,000, $322,103, and $314,745 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on June 1, 2010. The amount of $2, $3, $0, and $2 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 $1,062,448, $1,624,997, $322,103, and $314,743, respectively. 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 provide any funds under the City Bond Guaranty in order to make the debt service payment due on the Series D-1, D-2, E, and F Bonds on June 1, 2010. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $2,687,445, $322,103, and $314,743, respectively, from the 2003D, E and F Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on June 1, 2010. The funds on deposit in the 2003E Bonds Subaccount of the Retrofit Debt Service Reserve Account were derived from monthly deposits required to be made by the County under the terms of the County Guaranty Agreement.

On December 10, 2010, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $1,062,450, $1,625,000, $1,777,103, and $1,714,745 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on December 1, 2010. The amount of $161,436, $246,913, $270,025, and $260,550 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 $901,014, $1,378,087, $1,507,078, and $1,454,195, respectively. 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 provide any funds under the City Bond Guaranty in order to make the debt service payment due on the Series D-1, D-2, E, and F Bonds on December 1, 2010. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $2,279,101, $1,507,078, and $54,784, respectively, from the 2003D, E, and F Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on December 1, 2010. However, withdraw from the 2003 F Bonds Subaccount of the Retrofit Debt Service Reserve account was not sufficient to make the December 1, 2010 payment, in the amount of $1,399,411. The Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account required to make the December 1, 2010 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $1,399,411 to the Trustee under the bond insurance policy, which amount, together with funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account, was sufficient to pay the scheduled debt service payment on December 1, 2010. The funds on deposit in the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account were derived from monthly deposits required to be made by the County under the terms of the County Guaranty Agreement.

On June 2, 2011, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $826,350, $1,625,000, $289,729, and $283,245 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on June 1, 2011. The amount of $339,151, $502,022, $89,508, and $87,505 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 $487,199, $1,122,978, $200,221, and $195,740, respectively. 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 provide any funds under the City Bond Guaranty in order to make the debt service payment due on the Series D-1, D-2, E, and F Bonds on June 1, 2011. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $1,610,177 and $200,221, respectively, from the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on June 1, 2011. However, the Series F Bonds Subaccount of the Retrofit Debt Service Reserve Account did not have any funds on deposit therein. In accordance with the Indenture, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account required to make the June 1, 2011 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $195,740 to the Trustee under the bond insurance policy, which amount, together with funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account, was sufficient to pay the scheduled debt service payment on June 1, 2011. The funds on deposit in the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account were derived from monthly deposits required to be made by the County under the terms of the County Guaranty Agreement.

On December 2, 2011, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $826,350, $1,625,000, $1,809,729, and $1,748,245 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on December 1, 2011. The amount of $523,217, $1,028,596, $1,145,495, and $1,106,575 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 $303,133, $569,404, $664,234, and $641,670, respectively. 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 provide any funds under the City Bond Guaranty in order to make the debt service payment due on the Series D-1, D-2, E, and F Bonds on December 1, 2011. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $899,537 and $664,234, respectively, from the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on December 1, 2011. However, the Series F Bonds Subaccount of the Retrofit Debt Service Reserve Account did not have any funds on deposit therein. In accordance with the Indenture, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account required to make the December 1, 2011 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $664,670 to the Trustee under the bond insurance policy, which amount, together with funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account, was sufficient to pay the scheduled debt service payment on December 1, 2011. The funds on deposit in the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account were derived from monthly deposits required to be made by the County under the terms of the County Guaranty Agreement.

On June 4, 2012, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $826,350, $1,625,000, $255,909, and $250,283 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on June 1, 2012. The amount of $4, $28, $8, and $8 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 $826,346, $1,624,972, $255,901, and $250,275, respectively. 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 provide any funds under the City Bond Guaranty in order to make the debt service payment due on the Series D-1, D-2, E, and F Bonds on June 1, 2012. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $1,707,606 and $255,901, respectively, from the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on June 1, 2012. However, the Series F Bonds Subaccount of the Retrofit Debt Service Reserve Account did not have any funds on deposit therein. In accordance with the Indenture, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account required to make the June 1, 2012 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $250,275 to the Trustee under the bond insurance policy, which amount, together with funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account, was sufficient to pay the scheduled debt service payment on June 1, 2012. The funds on deposit in the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account were derived from monthly deposits required to be made by the County under the terms of the County Guaranty Agreement.

On December 4, 2012, The Harrisburg Authority and the City issued joint notices of material events 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 debt service payments in the amount of $826,350, $1,625,000, $1,840,909, and $1,780,283 due on the Series D-1, D-2, E, and F of 2003 Bonds, respectively, on December 1, 2012. There were no amounts on deposit with the Trustee with respect to the Series D-1, D-2, E, and F Bonds of 2003, resulting in a deficiency of $826,350, $1,625,000, $1,840,909, and $1,780,283, respectively. 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 provide any funds under the City Bond Guaranty in order to make the debt service payment due on the Series D-1, D-2, E, and F Bonds on December 1, 2012. Upon the failure of the City to advance sufficient monies as required under the City Bond Guaranty Agreement, the Trustee then withdrew $2,451,350 and $1,840,909, respectively, from the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account of the Debt Service Reserve Fund in order to satisfy the remaining deficiency therein and to enable the Trustee to make the necessary debt service payment on December 1, 2012. However, the Series F Bonds Subaccount of the Retrofit Debt Service Reserve Account did not have any funds on deposit therein. In accordance with the Indenture, the Trustee then notified the Bond Insurer of the deficiency of funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account required to make the December 1, 2012 payment and requested that such shortfall be paid under the bond insurance policy. The Bond Insurer paid the amount $1,780,283 to the Trustee under the bond insurance policy, which amount, together with funds on deposit in the 2003F Bonds Subaccount of the Retrofit Debt Service Account, was sufficient to pay the scheduled debt service payment on December 1, 2012. The funds on deposit in the 2003D and E Bonds Subaccount of the Retrofit Debt Service Reserve Account were derived from monthly deposits required to be made by the County under the terms of the County Guaranty Agreement.

On August 23, 2010, The Harrisburg Authority and the City issued a joint notice of material event with respect to The Harrisburg Authority's Series C and D Notes of 2007. The Trustee was required to notify the City and the County by August 1, 2010 of the amounts on deposit in the Series C Debt Service Account and the Series D Debt Service Account and the amount of the Stated Value at Maturity of the Series C Notes and the Series D Notes. In the event that the respective Stated Value at Maturity of the Series C Notes or the Series D Notes exceeded the respective amounts on deposit in the Series C Debt Service Account or the Series D Debt Service Account, the Trustee was required to instruct the City to transfer to the Trustee on or before August 15, 2010 amounts sufficient to cure such deficiency or deficiencies.

On July 30, 2010, the Trustee provided notice to the City and the County indicating that there was $0 on deposit in the Series C Debt Service Account and the Series D Debt Service Account and further instructing the City to transfer $23,920,000 to the Series C Debt Service Account and $10,764,999 to the Series D Debt Service Account by August 15, 2010 in order to cure the deficiency. Upon receipt of such notice by the Trustee, the City was to transfer the required amounts to the Series C Debt Service Account or the Series D Debt Service Account by August 15, 2010.

On August 13, 2010, the City notified the Trustee that its current financial condition precluded the City from making the required transfers under the Guaranty Agreement. Upon such failure by the City under the Guaranty Agreement, the Trustee was required under the Indenture to notify the County by August 20, 2010 of the amounts on deposit in the Series C Debt Service Account, the Series D Debt Service Account, the Series C City Guaranty Subaccount and the Series D City Guaranty Subaccount. In the event that the Stated Value at Maturity of the Series C Notes or the Series D Notes exceeds the aggregate amounts on deposit in the corresponding aforementioned Accounts and Subaccounts, the Trustee was required to instruct the County to transfer to the Trustee on or before December 1, 2010 amounts to cure such deficiency or deficiencies. In accordance with the provisions of the County Guaranty Agreement, dated as of December 15, 2007 (County Guaranty Agreement), among the County, The Harrisburg Authority and the Trustee, the County agreed to transfer the required amounts to the Series C Debt Service Account and the Series D Debt Service Account by December 1, 2010.

On August 20, 2010, the Trustee provided notice to the County indicating that there was a deficiency in the Series C Debt Service Account and the Series C City Guaranty Subaccount in the amount of $23,920,000 and a deficiency in the Series D Debt Service Account and the Series D City Guaranty Subaccount in the amount of $10,765,000 and requesting a transfer of funds sufficient to cure such deficiencies by December 1, 2010. Upon receipt of such notice by the Trustee, the County pursuant to the County Guaranty Agreement agreed to transfer the required amounts to the Series C Debt Service Account or the Series D Debt Service Account by December 1, 2010.

On December 17, 2010, The Harrisburg Authority and the City issued a joint notice of material event with respect to The Harrisburg Authority's Series C and D Notes of 2007. The Series C Debt Service Account and the Series D Debt Service Account did not have sufficient funds on deposit on November 30, 2010 to pay the Stated Value at Maturity of the Series C Notes or the Series D Notes on December 15, 2010. In accordance with the provisions of the Indenture and the County Guaranty Agreement, dated as of December 15, 2007 (County Guaranty Agreement), among the County, The Harrisburg Authority and the Trustee, the County transferred the required amounts to the Series C Debt Service Account and the Series D Debt Service Account on or about December 1, 2010. The Trustee applied such amounts deposited by the County to the Series C Debt Service Account and the Series D Debt Service Account to pay the Stated Value at Maturity of the Series C Notes and the Series D Notes on December 15, 2010. The Series C Notes and the Series D Notes are no longer outstanding.

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 also made payments in the amount of $250,430 and $469,833 on November 27, 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 City also made a payment in the amount of $98,322 on December 1, 2009 under the City Guaranty with respect to the Series D-1 and D-2 Swap agreement. On June 1, 2010, December 1, 2010, and June 1, 2011, the County made payments in the amount of $804,152, $675,762, and $541,090, respectively, under the Swap/Cap agreements. Beginning in October 2010, the County began making monthly deposits into the Series D, E and F Debt Service Reserve Funds. These deposits have been used to make subsequent Swap/Cap payments.

The City made payments in the amount of $637,500 during July 2009, October 2009, and January 2010 under the guaranty with respect to a construction loan from Covanta. There have been no subsequent payments to Covanta with respect to the construction loan.

Water Fund

The Harrisburg Authority's Water Facility's 2010 budget was approved by the Board in November 2010. 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. Finally, management has not instituted a system to calculate the rate covenant requirement.

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. On September 29, 2011 and October 4, 2012, The Harrisburg Authority issued a notice of material event with respect to the failure of The Harrisburg Authority to issue financial statements for the years ended December 31, 2010 and 2011, stating that neither were completed by the required dates.

On January 18, 2011, The Harrisburg Authority issued a notice of material event with respect to the Moody's Investor Service (Moody's) downgrade to Ba1 from A1 of The Harrisburg Authority's 2008 Water Revenue Bonds. In addition, Moody's has removed The Harrisburg Authority's 2008 Water Revenue Bonds from watchlist and a negative outlook has been assigned. On November 15, 2011, Moody's downgraded to Ba3 with negative outlook from Ba1 the rating on The Harrisburg Authority's 2008 Water Revenue Bonds and then withdrew the rating. Accordingly, The Harrisburg Authority's 2008 Water Revenue Bonds are no longer rated by Moody's.

On June 7, 2012, The Harrisburg Authority issued a notice of expiration of liquidity facility without replacement. The standby bond purchase agreement (liquidity facility), dated July 18, 2002, was due to expire on July 18, 2012. The liquidity facility provides liquidity for The Harrisburg Authority's Variable Rate Water Revenue Refunding Bonds, Series B of 2002 The Harrisburg Authority's Variable

Rate Water Revenue Refunding Bonds, Series C of 2002. The Harrisburg Authority was notified that the liquidity facility would not be extended beyond the expiration date. As a result, The Harrisburg Authority issued a request for proposal dated April 12, 2012 seeking a replacement facility or a direct loan to replace the liquidity facility. Responses to the request for proposal were due on or before May 16, 2012. The Harrisburg Authority received no responses to this request for proposal. As a result, the 2002 Bonds are expected to be subject to mandatory tender for purchase on the fifth business day preceding the expiration date or July 11, 2012. It is expected that notice of such mandatory tender will be given in accordance with terms of the Ninth Supplemental Trust Indenture dated as of July 1, 2002 between The Harrisburg Authority and the Trustee (Ninth Supplement) under which the 2002 Bonds were issued, and that the 2002 Bonds so tendered will be purchased with moneys advanced under the Liquidity Facility. It is not expected that the 2002 Bonds will be remarketed following such tender but rather it is expected that the 2002 Bonds will be held by the liquidity provider and will be subject to special mandatory sinking fund redemption on a level principal basis beginning on January 15, 2013 and on each January 15 and July 15 thereafter until July 15, 2017 in the case of the 2002B Bonds and until July 15, 2019 in the case of the 2002C Bonds. Subsequently, the 2002 Bonds were tendered and are held by the liquidity provider.

Under the 2008 Water Revenue Bond trust indenture, The Harrisburg Authority is required to maintain certain minimum balances in the 2008 Water Debt Service Reserve Fund. At December 31, 2010, The Harrisburg Authority's balance in the 2008 Water Debt Service Reserve Fund was $6,554,589 and the required balance was $6,942,000. The trust indenture states that if the balance in the Water operating reserve fund becomes deficient, The Harrisburg Authority is to restore the balance with twelve substantially equal monthly installments. The Water Debt Service Reserve Fund was replenished through increases in the fair value of investments.

The Harrisburg Authority was to transfer 1/12 of the next principal payment due, from the Water Revenue Fund to the 2002 Water Debt Service Fund, for the 2002 Water Revenue Bonds, Series A. These transfers did not occur in November or December of 2010. Additional transfers were required in January 2011 to provide sufficient funds to pay the January 15, 2011 interest payment.

The Harrisburg Authority was to transfer 1/12 of the next principal payment due, from the Water Revenue Fund to the 2002 Water Debt Service Fund, for the 2002 Water Revenue Bonds, Series D. These transfers did not occur in August through December of 2010. However, there were sufficient funds in the 2002 Water Debt Service Fund to pay the February 15, 2011 interest payment.

The Harrisburg Authority was to transfer 1/12 of the next principal payment due and 1/6 of the next interest payment due, from the Water Revenue Fund to the 2004 Water Debt Service Fund, for the 2004 Water Revenue Bonds. These transfers did not occur in November or December of 2010. However, there were sufficient funds in the 2004 Water Debt Service Fund to pay the January 15, 2011 interest payment.

The Harrisburg Authority was to transfer 1/12 of the next principal payment due and 1/6 of the next interest payment due, from the Water Revenue Fund to the 2008 Water Debt Service Fund, for the 2008 Water Revenue Bonds. These transfers did not occur in November or December of 2010. Additional transfers were required in January 2011 to provide sufficient funds to pay the January 15, 2011 interest payment.

Sewer Fund

The 2010 Sewer Fund Collection System and Conveyance System's consulting engineers' reports, which were due, per the trust indenture, by November 1 of each year, were not received The Harrisburg Authority until December 2010 and November 2010, respectively.

The various trust indentures require The Harrisburg Authority to submit its audited financial statements to the Trustee within 180 days. The Harrisburg Authority's financial statements for the years ended December 31, 2010 and 2011 were not completed by the required dates

Harrisburg University

Pursuant to a Trust Indenture dated as of January 1, 2007 (Indenture), The Harrisburg Authority issued its University Revenue Bonds, Series of 2007 (The Harrisburg University of Science and Technology Project) in the aggregate principal amount of $87,915,000, comprised of its University Revenue Bonds, Series A of 2007 (The Harrisburg University of Science and Technology Project) in the aggregate principal amount of $27,690,000 (Series A Bonds) and its University Revenue Bonds, Series B of 2007 (The Harrisburg University of Science and Technology Project) in the aggregate principal amount of $60,225,000 (Series B Bonds, and together with the Harrisburg University Series A Bonds, the Bonds). The Series A Bonds have been paid and are no longer outstanding under the Indenture.

In order to secure the Bonds, The Harrisburg Authority assigned to the trustee under the Indenture all of its right, title and interest in and to all funds and accounts established under the Indenture (other than the rebate fund created thereunder) and the pledged revenues, as defined in the Indenture. Further, the performance of the obligations of The Harrisburg University of Science and Technology (University) under a certain Loan Agreement dated as of January 1, 2007 (Loan Agreement) by and between The Harrisburg Authority and the University is secured by a certain Open-End Mortgage and Security Agreement dated as of January 1, 2007 (Mortgage). Capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture and Loan Agreement, as applicable.

The Series B Bonds are also secured by the provisions of a certain credit support agreement (Credit Support Agreement) and a guaranty agreement (Guaranty), whereby the County will undertake for a ten-year period (commencing January 1, 2010 and subject to certain earlier rights of termination) to guarantee payment of a portion of the debt service on the Series B Bonds in the maximum amount of $1,500,000 each year over such ten-year period, for a total maximum amount of $15,000,000.

The Series B Bonds were also secured by a certain Standby Letter of Credit issued by Metro Bank, successor to Commerce Bank/Harrisburg, National Association (Letter of Credit Bank), as of January 1, 2007 (Standby Letter of Credit) under and pursuant to a Reimbursement Agreement dated as of January 1, 2007, by and among The Harrisburg Authority, the Harrisburg University and the Letter of Credit Bank (Reimbursement Agreement). The Standby Letter of Credit was initially issued in the amount of $3,300,000. The Standby Letter of Credit expired as of September 1, 2011. The Standby Letter of Credit has not been replaced.

The Loan Agreement provides that the University is required to make, as Loan Payments, payments which correspond, as to amounts and due dates, to the Bonds Debt Service, at least seventy-five (75) Business Days (or earlier if required by the Indenture) prior to the date when such principal, premium, if any, and interest is due and payable. By written notice dated December 5, 2011, the Trustee notified the University of its failure to make the required Loan Payment, in anticipation of the Bonds Debt Service payment due on March 1, 2012. The amount due on March 1, 2012 equaled $1,806,650 (calculated as the amount due of $1,806,750 minus the amount of $100 currently on deposit in the Series B Bonds Debt Service Fund of the Indenture).

The Indenture requires that if on the sixty fifth (65th) Business Day prior to any principal or interest payment date there are not sufficient moneys in the Series B Bonds Debt Service Fund on such date to pay principal of and interest on the Series B Bonds to become due and owing on such date, the trustee shall immediately notify the County of such shortfall, not less that sixty (60) days prior to such principal or interest payment date pursuant to the terms of the Guaranty, and moneys will be transferred to the Series B Bonds Debt Service Fund from the sources described in the Indenture in an amount which, together with the amount then on deposit in the Series B Bonds Debt Service Fund, will result in the Series B Bonds Debt Service Fund having the balance required to be on deposit therein in order to pay interest and principal to become due and payable on such date. As the Standby Letter of Credit has expired, the first source available to the trustee to undertake the required transfer is the Guaranty. The trustee notified the County and the University of such deficiency by letter dated December 6, 2011.

Pursuant to the Loan Agreement, the University's failure to observe and perform a term or condition of the Loan Agreement, including its requirements as stated in the immediately preceding paragraph, for a period of 30 days after notice thereof, or such longer period as The Harrisburg Authority and the trustee may agree to in writing but in no event longer than one hundred twenty (120) days, would constitute an Event of Default. By letter agreement dated February 26, 2012, the trustee and The Harrisburg Authority agreed to extend the thirty (30) day cure period provided in the Loan Agreement by one hundred twenty (120) days, or to April 3, 2012.

Under the Credit Support Agreement, the County is required to transfer to the trustee not later than three (3) days prior to March 1, 2012, an amount equal to the amount as requested by the trustee, and in this case, $1,500,000.

The University was not able to accomplish, in full, the Loan Payment due on March 1, 2012. As a result of such failure, and in order to satisfy the Bonds Debt Service payment due on March 1, 2012, the trustee has drawn on the Guaranty in the amount of $1,500,000. The remainder due of $306,650 was paid from funds of the University.

The draw on the Guaranty does not constitute an event of default under the Indenture, the Loan Agreement, the Guaranty, the Credit Support Agreement or any of the other finance documents relative to the Bonds.

Under the Credit Support Agreement, in the event that any funds paid by the County to the trustee are not returned to the County by close of business on the third business day following the debt service payment date for which such sums were advanced, the University is required to pay to the County interest on such funds, payable on demand and in any event on the date on which such funds are returned to the County, at a default rate of six (6%) percent, subject, however, to such different or additional terms as may be mutually acceptable to the University and the County.

Pursuant to section 4.2 of the Loan Agreement, the University was required to make a Loan Payment to the Trustee, in the amount of $1,806,750 at least seventy-five (75) Business Days prior to September 1, 2012. The University failed to make that payment. Such failure constitutes an event of default under section 7.1(a) of the Loan Agreement and section 6.1(e) of the Indenture. Through the date of the notice of material event, August 17, 2012, no payments relating to the September 1, 2012 payment have been received from the University.

Harrisburg Parking Authority

The Authority bond indentures contain financial and reporting covenants. During the year ended December 31, 2010, the Authority was unable to meet Series R Bonds debt covenant requirement 6.05, which states that the Authority shall maintain in the Series R Debt Service Reserve Fund moneys and investments with a value equal to the Debt Service Reserve Requirement with respect to the Series R Bonds. The covenant also requires any deficiency in the Series R Debt Service Reserve Fund to be replenished within 12 months of the Authority's receipt of the notification of the deficiency. On May 17, 2010, $547,494 was withdrawn from the Debt Service Reserve Fund in order to meet the May 2010 debt service payment. Beginning in June 2010, the Authority made monthly transfers of $45,625, in an effort to replenish the Debt Service Reserve Fund within the required 12 months. The replenishments for the months of November 2010 through March 2011 were made in March 2011. As of December 3I, 2010, $319,369 of the May 2010 transfer remained due to the Debt Service Reserve Fund. On November 15, 2010, $371,388 was withdrawn from the Debt Service Reserve Fund in order to meet the November 2010 debt service payment. As of December 31, 2010, the full balance of $371,388 remained due to the Debt Service Reserve Fund. The replenishments for the months of December 2010 through March 2011 were made in March 2011.

In November 2010, the Authority received notice that, based upon the City's statements in the Act 47 Petition, the bond insurer concluded that an Event of Default occurred under Section 10.01(c)(ii) of the Indenture as of October 1, 2010 (the date the Act 47 Petition was filed by the City) by declaring in writing its inability to pay when due its debts generally as they become due. The bond insurer informed the trustee that under Section 7.03 of the Indenture, such Event of Default allows the insurer to control all available remedies with respect to the Series J Bonds and directs the trustee to refrain from exercising any remedies or taking any other actions with respect to the Series J Bonds unless and until directed in writing by the insurer.

On July 20, 2012, the Authority issued a material event notice stating that on July 10, 2012, The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), as successor trustee with respect to the Authority’s Series J Bonds, the Series O Bonds, the Series P Bonds and the Series R Bonds, provided notice to holders of the Series J Bonds, the Series O Bonds, the Series P Bonds and the Series R Bonds, of the occurrence of an Event of Default. The Trustee found that an Event of Default has occurred by reason of the City’s admitting in writing that it is unable to pay its debts as they generally become due as evidenced by, inter alia, the City’s admission that it was unable to pay, on March 15, 2012, the debt service payment due on certain of its general obligation debt issues which became due and payable on that date. The Trustee notified the holders that the bond insurance policies guaranteeing the scheduled payment of principal of and interest on the Series J Bonds, the Series O Bonds, the Series P Bonds and the Series R Bonds remain in full force and effect, and that, as long as each bond insurance policy remains in effect with respect to a series of Bonds, and the bond insurer for such series is not in default thereunder, neither the Trustee nor the Registered Owners have any rights to exercise any remedies respecting the series of Bonds upon the occurrence of an Event of Default, and the bond insurer has the right to direct the Trustee to exercise such remedies as it may deem appropriate and are otherwise permitted under the indenture governing the bonds.

Further notice is given that National Public Finance Guarantee Corporation (“National”), as bond insurer for the Authority’s Series J Bonds, has asserted in a letter to the Trustee that National will control all available remedies with respect to the Series J Bonds and directed the Trustee to refrain from exercising any remedies or taking other actions with respect to the Series J Bonds unless and until directed in writing by National. The bond insurers for the Series O Bonds, the Series P Bonds and the

Series R Bonds have not communicated with the Authority or, to the Authority's knowledge, with the Trustee with respect to the Event of Default.

To date, there has been no default by the Authority on the payment of principal of or interest on the Series J Bonds, the Series O Bonds, the Series P Bonds or the Series R Bonds when due; consequently, the Trustee has not been required to notify the City of any payment to be made by the City under the City's guaranty. The Authority does not expect that the City's financial difficulties will negatively impact its ability to meet its obligations. Because National has not disclosed what remedies, if any, it will direct, however, no assurances can be given that such remedies will not prevent the Authority from paying its debt obligations in the future.

Redevelopment Authority of the City of Harrisburg

On March 15 2012, the Redevelopment Authority was given notice of an event of default which occurred under a trust indenture, dated as of December 1, 2001 between the Redevelopment Authority and the trustee related to the Taxable Guaranteed Revenue Bonds, Series of 2001. Pursuant to a guarantee agreement dated December 1, 2001, among the issuer, the trustee and the City, the City has guaranteed the payment of principal and interest on the bonds when due. To date, there has been no default on the payment of principal or interest on the bonds when due; consequently, the trustee has not been required to notify the City of any payment to be made by the City under the guarantee.

The event of default has occurred under Section 7.01(g)(ii) of the indenture by reason of the City admitting in writing that it is unable to pay its debts as they generally become due, as evidenced by the City's admission that it is unable to pay, on March 15, 2012, debt service on certain of its general obligation debt which became due and payable on that date.

The financial statements do not include any adjustments that might result from the outcome of this contingency.

24. LITIGATION

Primary Government

The City and its component units are involved in several lawsuits. Management of each entity believes that none of the litigation outstanding against the City or its component units will have a material adverse effect on the financial position of the City or its component units at December 31, 2010, except for The Harrisburg Authority guarantees as below.

Guarantees

The principal and interest on The Harrisburg Authority's Resource Recovery Facility debt is to be paid from revenue generated by the upgraded Incinerator. However, if the revenue generated proves insufficient to make the payments due, then the City, as first guarantor, and the County, as second guarantor of certain debt issuances, have agreed to pay any amounts which the Authority fails to pay. If the City and the County fail to make payments pursuant to their respective guaranties, then payment of the amounts due are insured by a municipal bond insurer.

With respect to certain Resource Recovery Facility debt in the combined principal amount of approximately $218 million, certain plaintiffs claim that the City has not paid more than $30 million dollars which it should have paid pursuant to the City's guaranties of the Resource Recovery Facility debt. The plaintiffs seek: (a) judgment against the City for the amounts which they assert that the City should have paid, plus interest, costs of suit and attorneys' fees; (b) an order of mandamus, directing the City to pay all of the revenue which it receives to the plaintiffs until the full amount owed under the City's guaranties of the Resource Recovery Facility debt is paid; (c) an order under the Debt Act directing the City to include in its annual budget amounts due on the Resource Recovery Facility debt; and (d) an order under the Debt Act directing the City to levy taxes in an amount sufficient to pay all amounts due under its guaranties of the Resource Recovery Facility debt.

On or about November 9, 2010, the plaintiffs filed a motion for an order of mandamus and other relief under the Debt Act. The Court held a hearing on plaintiffs' motion on September 22, 2011. The parties subsequently briefed the motion and it is pending with the Court. The City has responded aggressively to the plaintiffs' complaint and to the plaintiffs' request for an order of mandamus.

The City has asserted substantial defenses to the mandamus request. In addition, the Receiver for the City appointed by the Commonwealth Court has intervened in this matter and has opposed plaintiffs' request for mandamus relief. The City believes that the request for mandamus relief should be denied.

In a separate action, with respect to certain Resource Recovery Facility debt with a maturity value of approximately $35 million, a certain plaintiff claims the City should have deposited approximately $35 million into the debt service account on or before August 15, 2010. When the City did not deposit these funds, a complaint was filed by the plaintiff. When such debt matured on December 15, 2010, the County paid the debt in full. The plaintiff seeks: (a) an order of mandamus, pursuant to the Debt Act, directing the City to pay all of the revenue which it receives to the plaintiff until the full amount that was due at maturity is paid; and (b) an order under the Debt Act directing the City to levy taxes in an amount sufficient to pay all amounts that were due at maturity.

On or about December 2, 2010, the plaintiff filed a motion for an order of mandamus under the Debt Act. The Court held a hearing on plaintiff's motion on September 22, 2011. The parties subsequently briefed the motion and it is pending with the Court. The City has responded aggressively to the plaintiff's complaint and to the plaintiff's request for an order of mandamus.

The City has asserted substantial defenses to the mandamus request. In addition, the Receiver for the City appointed by the Commonwealth Court has intervened in this matter and has opposed plaintiffs' request for mandamus relief. The City believes that the request for mandamus relief should be denied. Further, the City believes the plaintiff's complaint should be dismissed, and to the extent that a claim against the City for failure to make payments due on such debt exists, that the claim must be brought by the County under the related reimbursement agreement, entered into between the City and the County.

In another action, the City guaranteed the repayment of a loan made by Covanta to The Harrisburg Authority. The Harrisburg Authority and Covanta entered into a Management and Professional Services Agreement, to which Covanta agreed to help The Harrisburg Authority finish constructing the improvements to the Resource Recovery Facility and to loan The Harrisburg Authority up to $25.5 million to be applied to the cost of the improvements' completion. The City guaranteed the repayment to Covanta of any amount which Covanta advanced to The Harrisburg Authority. Covanta alleges that it loaned The Harrisburg Authority $21,736,000. The Harrisburg Authority then failed to make payments due on the loan on April 1, July 1, and October 1, 2010. Together, these missed payments totaled $1,980,117. When the City also failed to make the payments pursuant to its guaranty of Covanta's loan to The Harrisburg Authority, Covanta filed a complaint against the City on October 5, 2010. In its complaint, Covanta seeks: (a) judgment against the City in the amount of $1,912,500, plus interest, costs and attorneys' fees; (b) an order of mandamus pursuant to the Debt Act directing the City to pay all of the revenue which it receives to Covanta until the full amount due to Covanta has been paid; and (c) an order rendering any judgment obtained by Covanta a priority judgment under the Debt Act.

On or about July 19, 2011, Covanta filed a motion for summary judgment. The parties have briefed the motion, but the Court has not yet heard argument or entered a decision.

The City intends to continue to respond aggressively to Covanta's claims. In addition, the Receiver for the City appointed by the Commonwealth Court has intervened in this matter.

The City and its elected officials, including the Mayor, members of City Council, Treasurer, and Controller, have been named in the following 2009 suit. In this litigation, the County and two individual taxpayers are seeking to enforce certain agreements entered into by the City in connection with what is known as the 2003 Retrofit Financing, including the City's guarantee agreement as well as a reimbursement agreement among the County; City, and The Harrisburg Authority. Plaintiffs' claims are premised on the City's alleged defaults in both current and prospective obligations arising under these agreements. The Court granted in part the preliminary objections of the City, permitting only the taxpayers' claim for mandamus against the Treasurer to go forward. The taxpayers sought a hearing on this claim. However, prior to such hearing, the parties agreed to continue the litigation, pending application of the Commonwealth's Act 47 recovery plan for the City. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

The City and its elected officials, including the Mayor, members of City Council, Treasurer, and Controller, have been named in the following 2009 suit. In this litigation, the County and two individual taxpayers are seeking to enforce certain agreements entered into by the City in connection with what is known as the 2007 Retrofit Financing, including the City's guarantee agreement as well as a reimbursement agreement between the County and the City. Plaintiffs' claims are premised on the City's alleged defaults in both current and prospective obligations arising under these agreements. The Court granted in total the preliminary objections of the City, dismissing the County and taxpayers' claims. However, plaintiffs appealed to the Commonwealth Court, which reversed in part the trial court's dismissal, reinstating only the County's claim for specific performance against the City, and the taxpayers' claim for mandamus against the Treasurer. The Supreme Court has since denied the City's request to consider these issues. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

The City has been named as a defendant in another suit filed in 2010 by the County. Following dismissal of its equitable claims in the 2009 case mentioned above, the County brought this suit at law, seeking damages for breach of certain obligations in connection with what is known as the 2003 Retrofit Financing, including the City bond guaranty agreement, the City swap guaranty agreement, and the reimbursement agreement. The County has demanded damages in the amount of $6,743,197, plus costs, fees, expenses, and interest. The City has answered the complaint, setting forth its defenses. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

The City has been named as a defendant in an additional suit filed in 2011. Following dismissal of its equitable claims in the 2009 case mentioned above, the County brought this suit at law, seeking damages for breach of certain obligations in connection with what is known as the 2003 Retrofit

Financing, including the retrofit indenture, the City swap guaranty agreement, and the reimbursement agreement. The County has demanded damages in the amount of $675,762 plus costs, fees, expenses, and interest. The City has answered the complaint; setting forth its defenses. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

If these matters are not resolved, then the City may face a substantial financial loss. At December 31, 2010, amounts paid by the second guarantor and bond insurer through December 31, 2010 are presented on the statement of net assets and the balance sheet as due to the respective organizations. In addition, approximately $234 million, the principal amount of the guaranteed Resource Recovery Facility debt outstanding at December 31, 2010, net of applicable debt service reserve funds, has been accrued as a contingent liability.

Debt

A municipal bond insurer insures the bondholders of general obligation bonds issued by the City in 1997, to which the City is in the process of repayment. In March 2012, the City missed its scheduled debt service payment on the bonds in the amount of $5,265,000 at the direction of the former Receiver for the City, and subsequently the insurer proceeded pursuant to its subrogation rights against the City to recover amounts that were due under the bonds and remedies under the Debt Act including mandamus. The insurer filed its complaint on April 6, 2012. The insurer has granted several extensions to the City to file a responsive pleading. Presently, the City has a deadline of the end of December 5, 2012 to file a responsive pleading.

The City will assert a vigorous defense against the effort of the plaintiff to obtain a mandamus order against the City as such an order would disable the City from being able to provide essential services and seriously compromise the Recovery Plan, which the Receiver is attempting to implement.

Although there is little likelihood, if any, that the City can prevent judgment from being entered against the City, the City remains hopeful that the Court will not order mandamus against the City. The City also expects the Receiver's Office to intervene and argue that mandamus relief would interfere with their attempts to effectuate an economic recovery plan for the City.

Other

On December 7, 2010, certain plaintiffs filed a complaint against numerous defendants, including the City's Mayor, regarding the alleged "rescission" of their employment contracts with the School District. With regard to the City's Mayor, the complaint alleged that the Mayor had violated the plaintiff's due process rights.

On January 14, 2011, the named defendants jointly removed the case to the United States District Court for the Middle District of Pennsylvania. On February 11, 2011, the Mayor filed a motion to dismiss the plaintiff's due process claim for failure to state a claim for which relief could be granted. On March 8, 2011, the Mayor filed a subsequent motion to dismiss the plaintiff's amended complaint again for failure to state a claim for which relief could be granted. On September 22, 2011, the court dismissed the plaintiff's claim against the Mayor and also dismissed the Mayor from the action entirely.

On January 27, 2012, the School District filed a joinder complaint against third-party defendants, including the City's Mayor under the same matter. The joinder complaint alleged a civil conspiracy claim and a tortuous interference with contract claim against the Mayor and another of the defendants. Essentially, the theory of the joinder complaint is that if the School District were found to be liable to the plaintiffs, it would only be because of alleged wrongdoing on the part of the third-party defendants. Thus, the School District argues that any potential liability should shift to the third-party defendants, including the Mayor.

On February 28, 2012, the Mayor filed a motion to dismiss the joinder complaint for failure to state a claim for which relief could be granted. On May 7, 2012, the court dismissed the tortious interference with contract claim against the Mayor, but did not dismiss the civil conspiracy claim. Thus, the only pending litigation regarding the Mayor is the third-party civil conspiracy claim filed by the School District.

Currently, all attempts at settlement have failed. At this time, the Mayor has no intention to seek a settlement. Therefore, the City is preparing to contest the case vigorously as the City believes the City will prevail should the case go to trial. Due to the broad range of relief requested by the plaintiffs, it is impossible to predict the potential financial loss, if any, should the City not prevail at trial.

The City's insurance company has refused coverage in this matter, citing an exception in the City's policy. The City is disputing the insurance company's claim that the City is not covered. Whether the City prevail in its dispute with the insurance company regarding coverage may impact the City's exposure.

In another matter, a number of contractors that provided construction services to the developer of the Capital View Commerce Center (CVCC Project) have asserted claims against the City and a financial institution (Bank), both of which were involved in financing for the CVCC Project. Plaintiff contractors claim that they have not been paid by the developer of the CVCC Project and that, on a variety of legal theories, they are entitled to payment directly by the City and the Bank. The City has asserted preliminary objections to the contractors' claims, including that the Court lacks jurisdiction and that the claims asserted by the plaintiff contractors have no legal merit. The City's preliminary objections have been briefed and argued to the Court, which has not indicated when it will render its decision. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

On November 3, 2010, the United States Securities and Exchange Commission (SEC) issued a formal order of investigation in the matter of City municipal bonds. This "Order Directing Private Investigation and Designating Officers to Take Testimony" (Formal Order) stated that the SEC has information regarding possible violations, including securities fraud, by certain persons "from at least January 2008 to the present," of Section 17(a) of the Securities Act and Section 10(b) of the Securities Exchange Act, and Rule 10b-5 thereunder, in connection with the offer, purchase or sale of securities. The effect of the Formal Order was to initiate a "private investigation" under Section 20(a) of the Securities Act and Section 21(a) of the Exchange Act "to determine whether any persons or entities have engaged in, or are about to engage in, any of the reported acts or practices or any acts or practices of similar purport or object" to those reported in the Formal Order. The SEC commenced this private investigation shortly thereafter and has subpoenaed documents from the City and third parties, and has taken the testimony of current and former City officials and employees, and of third parties.

Legal counsel for the City has participated in settlement negotiations with the SEC, and the parties have agreed in principle on terms that will result in a settlement of the matter in SEC administrative cease and desist proceedings. In these proceedings, the City will consent to the SEC's administrative finding of numerous securities law violations, including securities fraud in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, but will neither admit nor deny that the City and/or City officials or employees committed any of the violations found by the SEC, and will not be required to pay any financial penalty or other costs. The parties are currently awaiting the SEC Commissioners' final approval of the settlement. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

The City is party to a suit arising from the City's economic development and transportation project commonly known as the Southern Gateway Project. Plaintiffs sought a declaration that a de facto taking had occurred as a result of the City's publicity of the project and payment of just compensation for the property. The lawsuit also seeks statutorily authorized damages in the form of attorneys' fees and other costs and fees.

The court issued an order declaring a de facto taking occurred and issued an award of just compensation in the amount of $530,000. The Court also appointed a special master to determine the supplemental damages to which Plaintiffs were entitled. The Special Master issued a decision on December 30, 2009, awarding statutory interest in the amount of $66,250 and other costs and fees in the amount of $45,053, if paid as of December 31, 2009, for a total award of $641,303. Subsequently, the City entered into a settlement agreement dated June 29, 2010 to pay the damages over a two-year period. The agreement called for the City to pay $320,652 on or before July 9, 2010, and then to pay $320,652 plus additional interest and additional attorneys fees incurred after the special master's decision on or before July 1, 2011. The total amount of the second installment was $371,295. The City has satisfied the judgment, and the Plaintiffs filed a discontinuance of the action, such that the City owns the property in fee simple with no liens. The case is closed as of November 2, 2011.

A paving contractor that performed a major street paving project for the City in 2008 is seeking damages in the form of a price escalation clause that they allege was incorporated into the contract. The City has taken the position that the contractor was bound to the prices included in their bid, and that there was no price escalation clause in the contract. The City has responded to the plaintiff's requests for discovery. The plaintiff filed a motion for summary judgment, to which the City filed a response. The Court ruled in the City's favor denying the plaintiff's motion for summary judgment by Order of Court dated May 19, 2011. Because of the bankruptcy filing of City Council in October 2011, and subsequently due to the confirmation of a Receiver, the contractor and the City have agreed to a temporary stay in this case until September 2012. Since September, the plaintiff has made no attempt to lift the stay. The City has and will continue to vigorously defend this lawsuit and believes it is reasonably possible that the City will prevail. This case amounts to approximately $250,000.

The United States Environmental Protection Agency (EPA) has issued an order against the City under the Clean Water Act, requiring the City to provide certain information dating back to 2006 in response to EPA inquiries into the issues involving the City's combined sewer overflows and its municipal separate storm system program. The EPA has issued a letter stating that they believe the City is in violation of the Clean Water Act and other regulatory mandates. The City, The Harrisburg Authority, and the EPA are parties to a tolling agreement that allows for the City and The Harrisburg Authority to negotiate a resolution to the violations to avoid monetary penalties. There is a good possibility that these negotiations could result in a consent decrees in which the City, The Harrisburg Authority, and the EPA agree to a timeline for the City and The Harrisburg Authority to come into regulatory compliance.

An attorney has been retained by the municipalities with whom the City has an agreement to transport and treat sewage, and from whom the City collects fees for such transportation and treatment. The municipalities allege that the City has overcharged for at least 10 years evidenced by the alleged excessive transfer of "administrative fees" from the sewer fund into the City's general fund. The municipalities claim they are owed approximately $15 million in reimbursement. Recently, the municipalities have begun to submit fees that are at the previous lower rate. The City expects that resolution of these possible claims will be incorporated into the recovery plan and has not accrued amounts due back to the sewer fund or to the surrounding municipalities for the alleged overcharge. At this point, the City is unable to state whether an outcome unfavorable to the City is either probable or remote, nor is the City able to estimate the amount or range of loss, if any, in the event of an unfavorable outcome.

Component Units

The Harrisburg Authority

The Harrisburg Authority had contractual relations with several vendors who completed the Resource Recovery Facility. These vendors were to be paid through a draw down from a construction advance provided by Covanta. Covanta failed to advance funds to pay these vendors when The Harrisburg Authority failed to reimburse Covanta on the advance, and the City failed under its guaranty of The Harrisburg Authority reimbursement. The Harrisburg Authority has been unable to pay the vendors since it does not believe the vendors costs are properly termed "operating expenses" and thus cannot be paid prior to debt service. The Harrisburg Authority has no defense to the claims as the work was approved by Covanta, The Harrisburg Authority, and The Harrisburg Authority's consulting engineer on the job. All have, at some point, demanded payment. One vendor has initiated a lawsuit. The Harrisburg Authority has stipulated to judgments of three vendors in the principal amount of $1,021,985 plus interest and court costs. Only one of the three vendors has sought payment through mandamus at this point. This vendor seeks an order that The Harrisburg Authority pay immediately. While not contesting the work or the right of each vendor to be paid, The Harrisburg Authority believes the vendors should be paid by Covanta through draw downs from the Covanta construction advance. Furthermore, The Harrisburg Authority recognizes the rights of the bond trustees, which hold security interests in the Resource Recovery Facility revenues and has resisted paying the vendors ahead of debt service obligations. The Harrisburg Authority has involved the trustees in discussions and litigation at this point. The Harrisburg Authority seeks to have the Court consider the equities and all interested parties and set forth a plan to get all vendors paid the amounts due. The Harrisburg Authority believes the law supports such an outcome. No trial date has been set on the mandamus action. The Harrisburg Authority has a reasonable and valid basis for the positions it has taken. The principal amount due is accrued on The Harrisburg Authority’s December 31, 2010 financial statements and may be handled through payment via a plan under Act 47, as amended.

There is one pending case in which a subcontractor of Barlow, unable to collect from Barlow for work performed at the Resource Recovery Facility, has sued The Harrisburg Authority, in the amount of $529,550 plus interest, costs, etc. The Harrisburg Authority has no contractual privity with this subcontractor. The Harrisburg Authority does not believe it is liable under the law and is defending this case vigorously. The Harrisburg Authority believes it has a reasonable position on the cross-motions, which may result in dismissal of the case. As such, no liability for this case is reported in The Harrisburg Authority’s December 31, 2010 financial statements.

During the years ended December 31, 2011 and 2012, The Harrisburg Authority conducted a forensic audit of the debt financings related to the Resource Recovery Facility. The Harrisburg Authority is evaluating the results of the forensic audit and any related outcome is subject to significant uncertainty.

The County is seeking $6,743,197 as of October 26, 2010 for reimbursement of payments it made as guarantor of Swap Payments in June and December of 2009, June 2010, and payments under Retrofit Indentures, Series D and E of 2003. The County also demands interest and costs. On February 15, 2011, the County is seeking $675,762 for reimbursement of payments made as guarantor of Swap Payments made in December 2010. The pleadings are closed and the case has been inactive. No trial date has been set. The Harrisburg Authority has defended by asserting that the County has frustrated The Harrisburg Authority's ability to charge rates that would have allowed it to meet its debt service. The Harrisburg Authority has also raised that the County has not been diligent in enforcing flow control ordinance, thus costing The Harrisburg Authority tipping fees, that otherwise would have been recovered. The Harrisburg Authority will defend itself vigorously. The Harrisburg Authority believes that it has a reasonable and valid basis for its position. The loss may be handled through payment via a plan under Act 47 (Municipalities Financial Recovery Act), as amended.

The Trustees of bondholders and bond insurer have made a claim against The Harrisburg Authority to recover amounts The Harrisburg Authority has not paid by under its various debt service obligations. Plaintiffs further seek all costs and attorneys fees associated with The Harrisburg Authority default and that these costs and fees be a "first draw" on Resource Recovery Facility revenues. The Lower Court granted the request for a receiver which The Harrisburg Authority appealed and which is pending before the Commonwealth Court. Plaintiffs may seek payment of its costs and fees if a receiver is appointed. The portion of the claim requesting monetary relief has been inactive and no trial date has been set. The Harrisburg Authority has responded to the claim for monetary relief in two ways. First, for the claims of the bond trustees, The Harrisburg Authority has defended that any amounts paid by the County cannot be recovered, and that the only rights to reimbursement are the County's under its Reimbursement Agreement. There does not appear to be a dispute that the bond insurer paid under its bond insurance policy, thus there is a likelihood that the insurer's claim for reimbursement will be successful. The potential loss is in excess of $9 million. The Harrisburg Authority believes there is a reasonable and valid basis for its position as to the Trustee/Plaintiffs' claim for payment. The Harrisburg Authority believes Plaintiffs' claims for costs and fees to be excessive and may challenge certain portions of the claim for costs. The amount due may be handled through payment via a plan under Act 47, as amended.

Unless resolved through a plan under Act 47, it is likely that for each payment the County or the bond insurer make as guarantor and insurer, respectively, they will make a claim against The Harrisburg Authority for the amounts paid as well as costs and attorneys. As of November 5, 2012, the County and bond insurer have made payments to cover The Harrisburg Authority's debt service of $48,737,813 and $12,040,646, respectively

Harrisburg Parking Authority

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 consists 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, 2010, $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, 2010.

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 will 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.

On, January 27, 2010, the Authority filed a material event notice. A portion of the funds derived from the Series R Bonds are being used by the Authority to acquire a condominium unit in a building constructed by the University. The condominium unit consists of seven floors of parking facilities which will include approximately 392 parking spaces. Under the parking license, in any year in which revenues from operation of the parking facility fail to meet the Authority's debt service requirements on the Series R Bonds and the operation and maintenance costs of the parking facility, the University is required to pay the difference up to an annual cap (HU Subsidy) to the Authority.

Under the Indenture, the Authority agreed to pay debt service on the Series R Bonds from a debt service account funded, in part, with revenues of the parking facility, including the HU Subsidy and other payments to be made by the University under the parking license. In the event of a shortfall in the debt service account, the Authority agreed to pay debt service from a debt service reserve account.

Despite demand, the University failed to make the first payment of the HU Subsidy on or before November 10, 2009, as required by the parking license. To avoid a draw on the debt service reserve account to make the debt service payment on November 15, 2009, the Authority deposited money from its general fund into the debt service account. During the years ended December 31, 2011 and 2010, the University failed to make any payments of the HU Subsidy, as required by the parking license. As mentioned previously, the Authority withdrew a total of $918,882 from the Debt Service Reserve Account during the year ended December 31, 2010 in order to make the debt services payments on May 15, 2010 and November 15, 2010. The Authority withdrew a total of $523,464 from the Debt Service Reserve Account during the year ended December 31, 2011 in order to make the debt service payment on May 15, 2011. The Authority transferred $574,454 from its main checking account in order to make the debt service payment on November 15, 2011. If the University fails to make future debt service payments on the Series R Bonds, the debt service payments will continue to be paid from the Debt Service Reserve Fund or the main checking account. As of December 31, 2011, settlement regarding the amount of the HU Subsidy is pending.

At December 31, 2011, the Authority was unable to meet Series R Bonds debt covenant requirement 6.05. On May 16, 2011, $523,464 was withdrawn from the Debt Service Reserve Fund in order to meet the May 2011 debt service payment. Beginning in June 2011, the Authority made monthly transfers of $74,572, in an effort to replenish the Debt Service Reserve Fund within the required 12 months. As of December 31, 2011, $217,979 of the May 2011 transfer remained due to the Debt Service Reserve Fund. As a result of the deficiency in the Debt Service Reserve Fund, the Authority was unable to withdraw funds for the November 2011 debt service payment. On November 14, 2011, $574,454 was transferred from the Authority's main checking account in order to meet the November 2011 debt service payment.

On May 23, 2012, despite demand, the University failed to make the payment of the HU Subsidy on or before May 10, 2012, as required by the parking license. As a result, there were insufficient funds in the debt service account to make the debt service payment due May 15, 2012. A total payment of $729,954 was due to the bondholders on May 15, 2012, and such amount was transferred by the Trustee to the debt service account from other available funds of the Authority.

On January 18, 2011, the Authority received notice that Moody's Investor Service downgraded its rating on the Authority's Series T of 2007 Bonds to "Ba3" from "Baa2". In addition, a "negative outlook" was assigned to the rating on the Series T of 2007 Bonds. Per Moody's disclosure, such rating downgrade was due to the City filing for Act 47.

In February 2012, the Authority issued a notice of mandatory tender for exchange, stating that the Authority called for mandatory tender for exchange on March 8, 2012 all of the outstanding principal amount of the Series U-1 Bonds. Pursuant to the terms of the Series U-1 Bonds and the indenture, the federally taxable period for the Series U-1 Bonds terminated as of March 1, 2012. The federally taxable Series U-1 Bonds were to be exchanged on the mandatory tender date for federally tax-exempt Series U-1 Bonds, which bear interest at a rate of 8.5%, pursuant to the terms of the indenture.

25. TRANSACTIONS WITH COMPONENT UNIT

In accordance with the respective Articles 5 of the Second Supplemental Agreement of Lease, as amended by the Third and Fourth 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, 2010 were $3,579,283.

26. RESTATEMENT

The Harrisburg Authority

Effective January 1, 2010, The Harrisburg Authority adopted GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets."* This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. During the year ended December 31, 2005, The Harrisburg Authority purchased a nonexclusive license for the use of the combustion technology, which was to be installed in the Resource Recovery Facility. The transaction, more fully described in Note 15, resulted in the purchase of an intangible asset and a capital lease. However, the license was considered impaired at December 31, 2009 and is deemed to have no value, as the technology underlying the license is not being used. The capital lease related to the license has been recorded at the outstanding balance as of December 31, 2009 of $15 million plus accrued interest through December 31, 2009 of $1,488,575.

Effective January 1, 2010, The Harrisburg Authority adopted GASB 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 Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements. The standard requires that accounting changes to conform with the provisions of this Statement be applied retroactively. At December 31, 2009, the fair value of The Harrisburg Authority's derivative transactions were derivative assets of $6,857,126 and derivative liabilities of $7,829,070, resulting in a net decrease in beginning net assets of $971,944.

Beginning net assets as of December 31, 2009 were restated to comply with the provisions of these statements as follows:

Net assets, December 31, 2009, as originally reported	$ (168,684,953)
Restatement for GASB 51	(16,488,575)
Restatement for GASB 53	(971,944)
Net assets, December 31, 2009, as restated	$ (186,145,472)

Redevelopment Authority of the City of Harrisburg

The Redevelopment Authority implemented GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets."* The right to building is specifically excluded from this Statement. Therefore, the Redevelopment Authority applied GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* to this transaction. The requirements of GASB Statement No. 31 provide for the right to building to be accounted for at amortized cost. The Redevelopment Authority has restated net assets by $20,369,411, the cost paid for the right in 1998. No amortization was required to be recorded through December 31, 2010. This restatement increased the net assets reported at December 31, 2009 from ($35,661,779) to ($15,292,368).

27. SUBSEQUENT EVENTS

The Combined Police Pension Plan's funds are invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near-term and that such a change could materially affect the amount reported on the statement of fiduciary net assets.

Subsequent events with respect to material event notices, debt related items, and receivership and financial recovery plan are included in the respective notes.

In March 2011, The Harrisburg Authority entered into a professional services agreement with respect to The Harrisburg Authority's sewer facility, for technical services, in an amount not to exceed $2.871 million. The contact includes a provision whereby The Harrisburg Authority will give notice to proceed at each defined phase of the service. In March 2012, The Harrisburg Authority entered into a second professional services agreement with respect to The Harrisburg Authority's sewer facility, for technical services related to Phase 2 design, in the amount of $937,000.

In April 2011, The Harrisburg Authority applied for a PennVest loan, in the amount not to exceed $5.7 million for the purpose of financing The Harrisburg Authority's water system improvements. As of the date of this report, this loan has not settled.

In August 2011, The Harrisburg Authority entered into an agreement with Covanta to manage all aspects of the air heater project at the Resource Recovery Facility, at an estimated cost of $1.2 million for both units.

In March 2012, The Harrisburg Authority entered into an agreement with respect to the Resource Recovery Facility for sitework for the ash disposal landfill interim grading plan project, in an amount not to exceed $3,798,930.

In September 2011, the Authority issued the "Harrisburg Parking Authority Tax Convertible Parking Revenue Bonds, Series U of 2011" (Series U Bonds) principal amount of $10,645,000 (less an original issue discount of $212,900) with an interest rate of 10.75% during the Federally Taxable Period, to provide for the financing of certain improvements to the Walnut Street Garage, including reimbursement of certain costs paid by the Authority; financing of certain change orders to the Harrisburg University Garage; prepaying of rent to the City for an extension of the lease for the Walnut Street Garage, Chestnut Street Garage, and Fifth Street Garage; and paying the costs of issuing the bonds. Series U Bonds are collectively comprised of three subseries; "Series U-1 Bonds" principal amount of $7,885,000, "Series U-2 Bonds" principal amount of $2,135,000, and "Series U-3 Bonds" principal amount of $625,000. In February 2012, the Series U-1 Bonds converted from a 10.75% interest rate to a federally tax-exempt obligation rate of 8.50% on the bonds.

The City receives State Aid from the Commonwealth of Pennsylvania in accordance with the Municipal Pension Plan Funding and Recovery Act (Act 205 of 1984). The City received $1,880,796 of State Aid on September 30, 2011; however, these funds were not deposited to the Plan until March 29, 2012.

Subsequent to year-end, the Redevelopment Authority amended the terms of the conduit debt agreement to purchase real estate tax liens from the Harrisburg School District. The line of credit was increased from $7.5 million to a maximum of $8 million. In addition, the total additional indebtedness incurred under the note was $5,189,362. Under the terms of the agreement, the Authority is not obligated for repayment of the line of credit as a result of the security agreement with the bank.

In June 2011, the Authority was awarded a $2.5 million Redevelopment Assistance Capital grant from the Commonwealth of Pennsylvania. The grant is to be used for the Furlow Building redevelopment, a project with projected costs of approximately $5 million. The grant terminates on January 31, 2016.

In October 2012, the City was awarded and received a $1.95 million PA DCED Financial Assistance Grant to fund for: Police and Fire protection services salaries, wages, FICA, and health benefits totaling $1.75 million; and for 2010 and 2011 audit preparation professional consulting support totaling $200,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY (NON-GAAP) BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010
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	$ 27,068,473	$ 27,068,473	$ -	$ 25,236,107	$ (1,832,366)
Licenses and permits	622,477	622,477	-	573,948	(48,529)
Intergovernmental revenue	8,036,000	8,036,000	-	6,816,432	(1,219,568)
Departmental earnings	21,347,156	21,347,156	-	20,003,462	(1,343,694)
Fines and forfeits	2,527,536	2,527,536	-	1,973,046	(554,490)
Investment income	176,434	176,434	-	125,644	(50,790)
Miscellaneous	798,547	798,547	-	911,472	112,925
Total revenues	60,576,623	60,576,623	-	55,640,111	(4,936,512)
Expenditures					
General government					
Elected and appointed offices					
City Council	370,518	370,518	-	334,739	35,779
Mayor	285,512	285,512	-	269,606	15,906
City Controller	184,761	184,761	-	161,342	23,419
City Treasurer	622,648	622,648	-	560,644	62,004
City Solicitor	476,773	476,773	-	363,518	113,255
Office of City Engineer	918,798	1,273,798	(355,000)	1,175,742	98,056
Human Relations Commission	157,731	157,731	-	148,488	9,243
Total elected and appointed offices	3,016,741	3,371,741	(355,000)	3,014,079	357,662
Office of administration					
Administration	4,511,650	4,558,550	(46,900)	3,366,792	1,191,758
General expenditures	14,257,971	12,506,473	1,751,498	12,245,559	260,914
Total general government	21,786,362	20,436,764	1,349,598	18,626,430	1,810,334
Building and housing development	1,236,404	1,236,404	-	1,027,764	208,640
Public safety	25,028,981	25,428,981	(400,000)	23,773,203	1,655,778
Public works	3,898,689	3,898,689	-	3,120,330	778,359
Parks and recreation	2,434,011	2,434,011	-	1,780,107	653,904
Incinerator	-	-	-	637,500	(637,500)
Total expenditures	54,384,447	53,434,849	949,598	48,965,334	4,469,515
Excess of revenues over (under) expenditures before other financing sources (uses)	6,192,176	7,141,774	949,598	6,674,777	(466,997)
Other financing sources (uses)					
Proceeds from the sale of capital assets	-	-	-	81,165	81,165
Transfers in	1,295,703	1,295,703	-	1,295,703	-
Transfers out	(10,325,921)	(11,275,519)	949,598	(11,275,518)	1
Total other financing sources (uses)	(9,030,218)	(9,979,816)	949,598	(9,898,650)	81,166
Net change in fund balance	(2,838,042)	(2,838,042)	-	(3,223,873)	(385,831)
Fund balance - beginning of year, budgetary basis	2,838,042	2,838,042	-	6,978,577	4,140,535
Fund balance - end of year, budgetary basis	$ -	$ -	$ -	$ 3,754,704	$ 3,754,704

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
- Incinerator 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 debt provisions and supplemental appropriations of City Council. 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 2010 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	Expenditures	Financing Sources (Uses) and Equity Transfer	Fund Balance, End of Year
Budgetary basis	$ 6,978,577	$ 55,640,111	$ (48,965,334)	$ (9,898,650)	$ 3,754,704
Taxes receivable	7,565,523	2,100,644	-	-	9,666,167
Accounts Receivable	156,809	(8,842)	-	-	147,967
Other assets	53,306	-	(6,259)	-	47,047
Accounts payable, net of items vouchered	(74,261)	-	(1,291,716)	-	(1,365,977)
Accrued liabilities	(3,993,392)	403,772	(44,911,074)	-	(48,500,694)
Advances and amounts due to other funds and component units	713,953	115,170	554,760	-	1,383,883
Deferred revenue	(10,012,392)	(1,711,565)	-	-	(11,723,957)
Other	2,625,694	(973,792)	152,336	946,048	2,750,286
GAAP basis	$ 4,013,817	$ 55,565,498	$ (94,467,287)	$ (8,952,602)	$ (43,840,574)

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.

3. COMPLIANCE

Because the legal level of budgetary control is so detailed that it is not practical to demonstrate compliance within this document, the City has prepared a separate budgetary report to demonstrate compliance at the line item level. However, there was an instance where the City exceeded the budgeted expenditure amount on a line item level.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINED NON-UNIFORMED EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress 01/01/98-01/01/11

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)
01/01/98	$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)
01/01/09	72,842,581	53,764,888	(19,077,693)	135.48	14,132,981	(134.99)
01/01/11	77,363,937	55,795,290	(21,568,647)	138.66	12,786,819	(168.68)

Schedule of Required Employer Contributions and Other Contributing Entities 2001-2010

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]
2001	$ -	01/01/99	$ -	$ -	- %
2002	-	01/01/00	-	-	-
2003	-	01/01/01	-	-	-
2004	-	01/01/02	-	-	-
2005	-	01/01/03	-	-	-
2006	-	01/01/03	-	-	-
2007	-	01/01/05	-	-	-
2008	-	01/01/05	-	-	-
2009	-	01/01/07	-	-	-
2010	-	01/01/07	-	-	-

(1) 2001-2010 – 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.

Schedule of Funding Progress 01/01/98-01/01/11

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)
01/01/98	$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)
01/01/09	65,332,550	53,322,794	(12,009,756)	122.52	5,691,628	(211.01)
01/01/11	68,266,174	55,064,548	(13,201,626)	123.97	5,279,457	(250.06)

Schedule of Required Employer Contributions and Other Contributing Entities 2001-2010

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]
2001	$ 188,199	01/01/99	$ - (2)	$ 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	-	01/01/03	-	-	-
2007	-	01/01/05	-	-	-
2008	-	01/01/05	-	-	-
2009	834	01/01/07	-	-	-
2010	-	01/01/07	-	-	-

(1) 2001-2010 – 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) 2001-2003 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

Schedule of Funding Progress 01/01/98-01/01/11

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)
01/01/98	$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)
01/01/09	63,959,386	65,951,752	1,992,366	96.98	9,626,150	20.70
01/01/11	63,759,040	72,302,610	8,543,570	88.18	10,398,023	82.17

Schedule of Required Employer Contributions and Other Contributing Entities 2001-2010

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]
2001	$ 310,040	01/01/99	$ - (2)	$ 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	01/01/05	-	512,593	100.00
2007	523,803	01/01/05	523,803	-	100.00
2008	285,274	01/01/07	285,274	-	100.00
2009	275,869	01/01/07	275,869	-	100.00
2010	314,094	01/01/07	314,094	-	100.00

(1) 2001-2011 – 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) 2001 and 2004-2006 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

CITY OF HARRISBURG, PENNSYLVANIA
OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress 01/01/08-01/01/10

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)
01/01/08	$ -	$ 184,123,955	$ 184,123,955	0.00 %	$ 29,200,000	630.56 %
01/01/10	-	177,796,013	177,796,013	0.00	28,435,550	625.26

Schedule of Required Employer Contributions 2008-2010

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution	Percentage Contribution (g/f)
2008	$ 17,836,610	01/01/08	$ 4,533,440	25.42%
2009	17,840,403	01/01/08	4,982,199	27.93%
2010	16,475,883	01/01/10	4,257,094	25.84%

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.

Capital Projects Fund

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

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue			
	State Liquid Fuels Tax Fund	Parks and Property Improvement Fund	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 238,395	$ 669,898	$ 183,033	$ 1,091,326
Investments	103,549	98,641	4,692	206,882
Receivables, net of allowance for uncollectible accounts				
Taxes	-	-	59,618	59,618
Loans receivable	-	-	16,800	16,800
Due from other funds	-	-	185,998	185,998
Advances and amounts due from component units	-	-	366,404	366,404
Restricted assets				
Cash and cash equivalents	-	-	407,302	407,302
Total assets	$ 341,944	$ 768,539	$ 1,223,847	$ 2,334,330
LIABILITIES AND FUND BALANCE				
Accounts payable	$ 12,653	$ 24,833	$ 1,223	$ 38,709
Due to other funds	-	628,734	-	628,734
Total liabilities	12,653	653,567	1,223	667,443
Fund balance				
Reserved				
Encumbrances	-	-	15,000	15,000
Unreserved, reported in				
Capital projects fund	-	-	1,207,624	1,207,624
Special revenue funds	329,291	114,972	-	444,263
Total fund balance	329,291	114,972	1,222,624	1,666,887
Total liabilities and fund balance	$ 341,944	$ 768,539	$ 1,223,847	$ 2,334,330

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010

	Special Revenue			
	State Liquid Fuels Tax Fund	Parks and Property Improvement Fund	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Intergovernmental revenue	$ 892,243	$ -	$ -	$ 892,243
Department earnings and program revenue	-	-	705,890	705,890
Investment income	1,002	-	1,853	2,855
Total revenues	893,245	-	707,743	1,600,988
Expenditures				
Current				
Building and housing development	-	-	13,978	13,978
Public works	740,775	-	-	740,775
Tourism	-	-	2,555	2,555
Debt service				
Principal retirements	-	-	241,820	241,820
Total expenditures	740,775	-	258,353	999,128
Excess of revenues over (under) expenditures	152,470	-	449,390	601,860
Other financing sources (uses)				
Transfers in	-	-	128,287	128,287
Transfers out	(67,682)	-	(714,000)	(781,682)
Total other financing sources (uses)	(67,682)	-	(585,713)	(653,395)
Net change in fund balance	84,788	-	(136,323)	(51,535)
Fund balance - beginning of year	244,503	114,972	1,358,947	1,718,422
Fund balance - end of year	$ 329,291	$ 114,972	$ 1,222,624	$ 1,666,887

CITY OF HARRISBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULES
BUDGETARY (NON-GAAP) BASIS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010

	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	$ 891,260	$ 891,260	$ -	$ 892,243	$ 983	$ -	$ -	$ -	$ -	$ -
Investment income	1,272	1,272	-	1,002	(270)	599,210	599,210	-	508,546	(90,664)
Total revenues	892,532	892,532	-	893,245	713	599,210	599,210	-	508,546	(90,664)
Expenditures										
Public works	847,761	847,761	-	748,028	99,733	-	-	-	-	-
Debt service	-	-	-	-	-	11,942,813	11,942,813	-	11,858,124	84,689
Total expenditures	847,761	847,761	-	748,028	99,733	11,942,813	11,942,813	-	11,858,124	84,689
Excess of revenues over (under) expenditures before other financing sources (uses)	44,771	44,771	-	145,217	100,446	(11,343,603)	(11,343,603)	-	(11,349,578)	(5,975)
Other financing sources (uses)										
Proceeds from the sale of capital assets	-	-	-	-	-	950,000	950,000	-	456,008	(493,992)
Transfers in	-	-	-	-	-	10,393,603	10,393,603	-	11,343,200	949,597
Transfers out	(67,682)	(67,682)	-	(67,682)	-	-	-	-	-	-
Total other financing sources (uses)	(67,682)	(67,682)	-	(67,682)	-	11,343,603	11,343,603	-	11,799,208	455,605
Net change in fund balance	(22,911)	(22,911)	-	77,535	100,446	-	-	-	449,630	449,630
Fund balance - beginning of year, budgetary basis	22,911	22,911	-	279,555	256,644	-	-	-	(13,260)	(13,260)
Fund balance - end of year, budgetary basis	$ -	$ -	$ -	$ 357,090	$ 357,090	$ -	$ -	$ -	$ 436,370	$ 436,370

Explanation of differences between budget basis and GAAP:

	State Liquid Fuels Tax Fund	Debt Service Fund
Net change in fund balance - budgetary basis	$ 77,535	$ 449,630
Accrued expenditures - December 31, 2009	13,971	-
Accrued expenditures - December 31, 2010	(6,718)	-
Net change in fund balance - GAAP basis	$ 84,788	$ 449,630

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, 2010

	School Tax Collection	Payroll and Other Escrow Liabilities	Pass-Through Grants	Total Agency Funds
ASSETS				
Cash	$ 720,011	$ 720,338	$ 422,606	$ 1,862,955
Investments, at fair value	-	-	640,296	640,296
Total assets	720,011	720,338	1,062,902	2,503,251
LIABILITIES				
Due to other governments	720,011	-	-	720,011
Due to City's general fund	-	315,928	-	315,928
Escrow liabilities	-	404,410	1,062,902	1,467,312
Total liabilities	$ 720,011	$ 720,338	$ 1,062,902	$ 2,503,251

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2010

	Beginning of Year	Additions	Deductions	End of Year
School Tax Collection				
Assets				
Cash	$ 550,754	$ 36,630,994	$ 36,461,737	$ 720,011
Liabilities				
Due to other governments	$ 550,754	$ 36,630,994	$ 36,461,737	$ 720,011
Payroll and Other Escrow Liabilities				
Assets				
Cash	$ 635,672	$ 39,486,038	$ 39,401,372	$ 720,338
Liabilities				
Due to other funds	$ 117,796	$ 198,132	$ -	$ 315,928
Escrow liabilities	517,876	39,287,906	39,401,372	404,410
Total liabilities	$ 635,672	$ 39,486,038	$ 39,401,372	$ 720,338
Pass-Through Grants				
Assets				
Cash	$ 415,815	$ 313,000	$ 306,209	$ 422,606
Investments	935,386	17,910	313,000	640,296
Total assets	$ 1,351,201	$ 330,910	$ 619,209	$ 1,062,902
Liabilities				
Escrow liabilities	$ 1,351,201	$ 330,910	$ 619,209	$ 1,062,902
Total Agency Funds				
Assets				
Cash	$ 1,602,241	$ 76,430,032	$ 76,169,318	$ 1,862,955
Investments	935,386	17,910	313,000	640,296
Total assets	$ 2,537,627	$ 76,447,942	$ 76,482,318	$ 2,503,251
Liabilities				
Due to other governments	$ 550,754	$ 36,630,994	$ 36,461,737	$ 720,011
Due to other funds	117,796	198,132	-	315,928
Escrow liabilities	1,869,077	39,618,816	40,020,581	1,467,312
Total liabilities	$ 2,537,627	$ 76,447,942	$ 76,482,318	$ 2,503,251

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)

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 Eight Fiscal Years
(accrual basis of accounting)

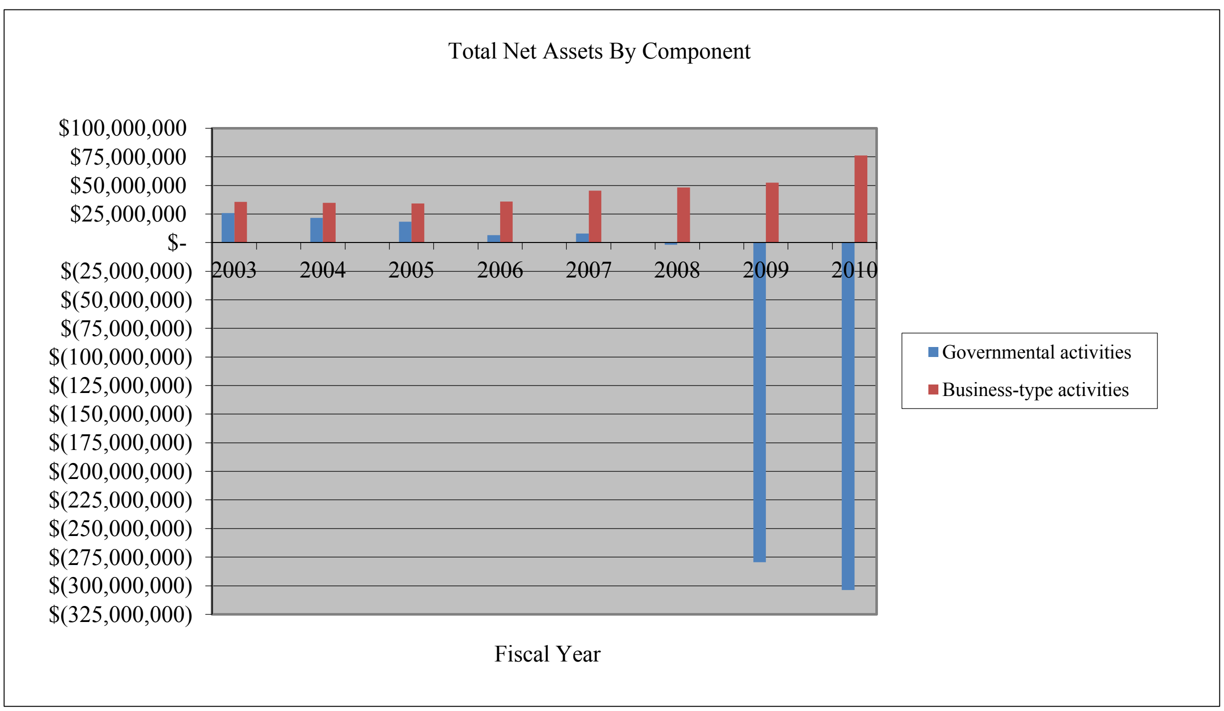
	Fiscal Year (1) 2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	$ 52,642,998	$ 49,149,879	$ 46,519,502	$ 44,681,389
Restricted	1,285,912	1,046,429	298,844	464,077
Unrestricted	(28,143,689)	(28,512,094)	(28,462,588)	(38,673,374)
Total governmental activities 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.

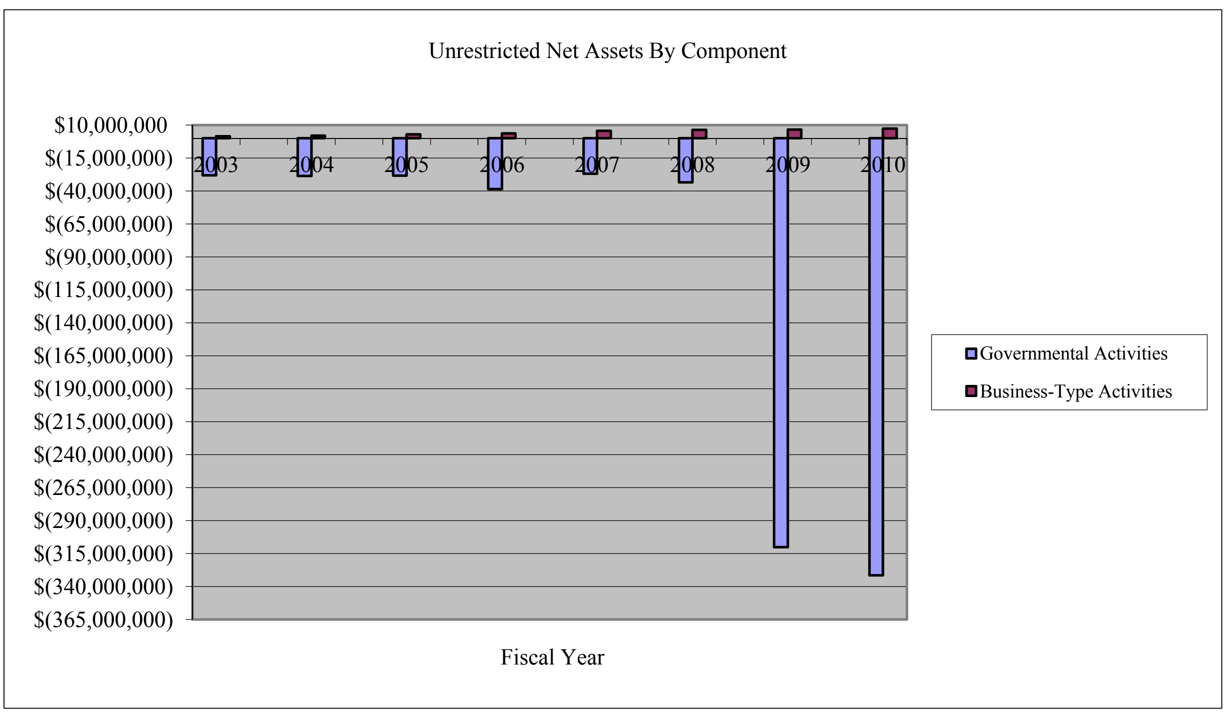
(3) Implemented Governmental Accounting Standards Board Statement Number 45, which required the City to record approximately $12.7 million of post-employment benefits annually.

(4) Increased due to the City having to honor its Guarantee Obligations on the Harrisburg Authority Resource Recovery debt.



Source: City's audited basic financial statements

Fiscal Year [1]			
2007	2008	2009	2010
$ 34,134,373 [2]	$ 30,518,850	$ 29,652,340	$ 26,965,615
545,748	1,130,021	1,069,700	640,116
(26,863,204) [2]	(33,523,545) [3]	(310,123,203) [4]	(331,339,207)
$ 7,816,917	$ (1,874,674)	$ (279,401,163)	$ (303,733,476)
$ 34,656,628	$ 34,753,854	$ 45,126,740	$ 68,133,744
5,140,351	7,044,942	658,387	658,243
5,705,108	6,254,761	6,523,061	7,292,382
$ 45,502,087	$ 48,053,557	$ 52,308,188	$ 76,084,369
$ 68,791,001	$ 65,272,704	$ 74,779,080	$ 95,099,359
5,686,099	8,174,963	1,728,087	1,298,359
(21,158,096)	(27,268,784)	(303,600,142)	(324,046,825)
$ 53,319,004	$ 46,178,883	$ (227,092,975)	$ (227,649,107)



City of Harrisburg, Pennsylvania

Changes in Net Assets, Last Eight Fiscal Years

(accrual basis of accounting)

	Fiscal Year [1]				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	$ 11,590,561	$ 12,534,250	$ 14,140,790	$ 13,031,646	$ 12,673,605
Building and housing development	8,194,518	6,916,005	6,889,200	6,882,911	8,549,637
Public safety	28,410,183	29,450,765	33,096,267	32,619,877	29,181,612
Public works	8,902,217	8,458,043	8,409,045	8,909,731	8,952,746
Parks and recreation	4,470,303	4,153,782	4,269,849	4,324,052	5,797,490
Incinerator	-	-	-	6,119,838 (2)	714,171 (2)
Tourism	-	-	-	-	4,835,059 (3)
Interest on long-term debt	5,868,613	5,949,891	5,352,500	5,333,204	5,682,610
Total governmental activities expenses	67,436,395	67,462,736	72,157,651	77,221,259	76,386,930
Business-type activities:					
Sewer	14,106,106	12,925,132	14,400,217	13,835,359	13,532,864
Sanitation	3,062,737	2,660,599	3,068,741	2,917,043	3,085,391
Harrisburg Senators	1,003,847	1,004,283	1,636,709	1,914,398	1,571,502
Incinerator	-	-	-	-	-
Total business-type activities expenses	18,172,690	16,590,014	19,105,667	18,666,800	18,189,757
Total primary government expenses	$ 85,609,085	$ 84,052,750	$ 91,263,318	$ 95,888,059	$ 94,576,687
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 16,692,904	$ 11,883,953	$ 15,282,154	$ 14,612,126	$ 14,153,412
Building and housing development	2,149,472	3,716,510	1,402,181	1,796,060	2,191,924
Public safety	3,997,442	4,401,341	4,466,370	4,786,780	4,635,158
Public works	1,885,880	1,799,188	2,214,138	1,996,113	2,295,614
Parks and recreation	247,300	218,669	291,885	181,071	181,970
Incinerator	-	-	-	-	2,042,696
Operating grants and contributions	14,237,111	10,888,006	11,990,054	7,199,902	11,837,574
Capital grants and contributions	1,691,550	-	2,165,159	3,329,257	2,368,927
Total governmental activities program revenue	40,901,659	32,907,667	37,811,941	33,901,309	39,707,275
Business-type activities:					
Charges for services:					
Sewer	12,028,851	12,200,820	12,995,888	13,151,051	14,359,821
Sanitation	3,791,582	3,829,365	3,798,436	4,007,812	4,103,601
Harrisburg Senators	287,281	224,973	236,912	424,279	8,703,664 (4)
Incinerator	-	-	-	-	-
Operating grants and contributions	-	101,955	111,640	86,856	104,607
Capital grants and contributions	-	-	-	657,537	1,665,268
Total business-type activities program revenue	16,107,714	16,357,113	17,142,876	18,327,535	28,936,961
Total primary government program revenues	$ 57,009,373	$ 49,264,780	$ 54,954,817	$ 52,228,844	$ 68,644,236

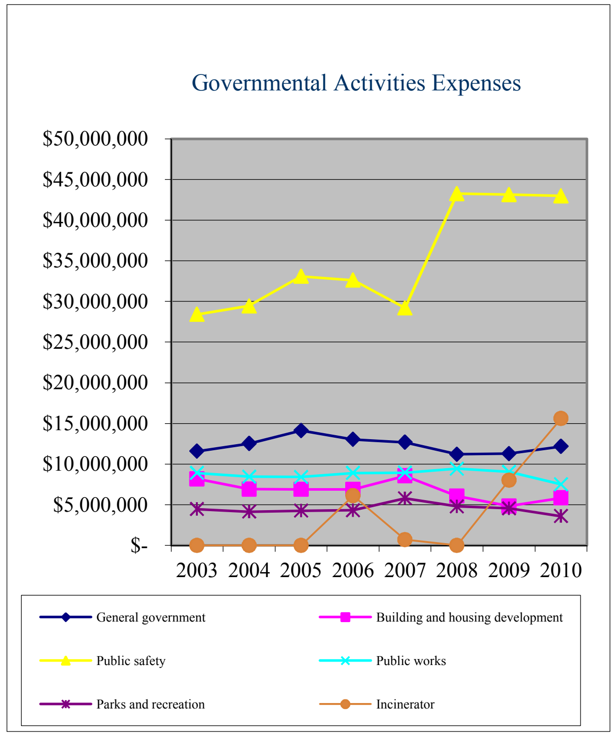
(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.
(2) Includes amounts due from the City's Resource Recovery Facility that do not meet the available criteria.
(3) Valuation adjustments related to certain City artifacts.
(4) The City sold the Harrisburg Senators minor league baseball franchise.

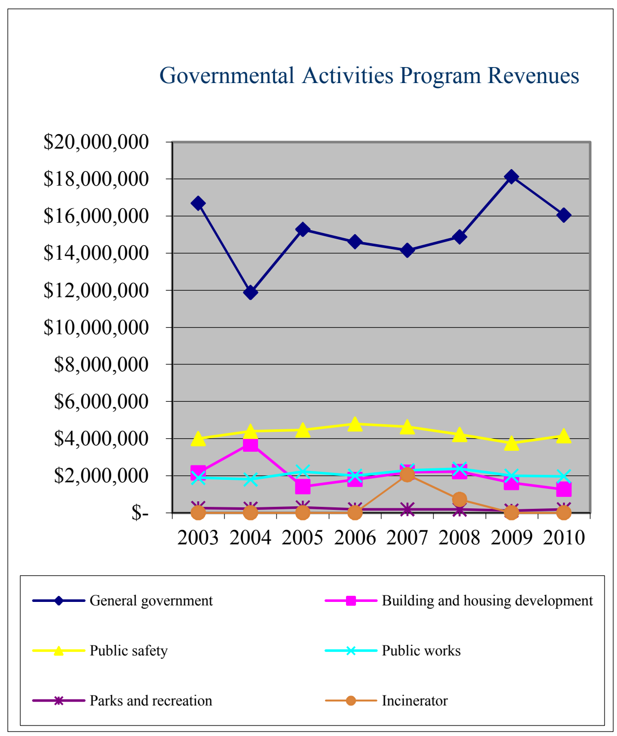
(5) Current year implementation of Governmental Accounting Standards Board Statement Number 45.

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

Source: City audited basic financial statements

Fiscal Year [1]		
2008	**2009**	**2010**
$ 11,227,267	$ 11,284,960	$ 12,176,174
6,074,003	4,830,380	5,828,521
43,249,161 [5]	43,145,655	42,992,219
9,439,071	9,053,138	7,530,749
4,797,981	4,569,158	3,605,131
-	8,006,987 [7]	15,597,533 [7]
280,072	139,027	14,055
5,859,272	5,413,550	4,977,654
80,926,827	86,442,855	92,722,036
15,093,480 [6]	18,523,561	15,774,669
3,380,182	3,026,609	3,271,570
677,038	623,263	1,172,073
-	6,306,580 [8]	6,100,599
19,150,700	28,480,013	26,318,911
$ 100,077,527	$ 114,922,868	$ 119,040,947
$ 14,879,393	$ 18,120,575 [9]	$ 16,059,751
2,214,519	1,616,505	1,259,402
4,215,536	3,758,960	4,149,302
2,375,503	1,991,260	1,961,451
175,629	118,749	180,879
714,171	-	-
9,387,069	8,540,464	9,531,510
2,163,278	3,903,498	436,474
36,125,098	38,050,011	33,578,769
15,054,421	14,272,553	14,945,166
4,204,769	4,205,746	5,033,905
715,113	450,386	449,886
-	7,115,890 [8]	6,476,927
137,294	3,214,952 [9]	312,997
1,025,582	3,633,962 [10]	23,962,564 [11]
21,137,179	32,893,489	51,181,445
$ 57,262,277	$ 70,943,500	$ 84,760,214





(7) This amount shows the City's portion of The Harrisburg Authority Resource Recovery Facility debt guarantees paid in the year; the City, as first guarantor of this debt, has agreed to pay any principal and interest the Authority fails to pay.

(8) Accounts for the collection and remittance of incinerator/resource recovery disposal fees billed by the City and remitted to The Harrisburg Authority for their provisions of solid waste incineration services.

(9) This amounts represents $3,200,000 of Operating Transfers In from The Harrisburg Authority into the Sewer Fund and subsequent remittance to the General Fund as Administrative Service Charge.

(10) Represents $2,000,000 from State Grants in the Senators Fund.

(11) Represents $17.5 million in state grants for the improvements and upgrades to the Harrisburg Senators baseball stadium.

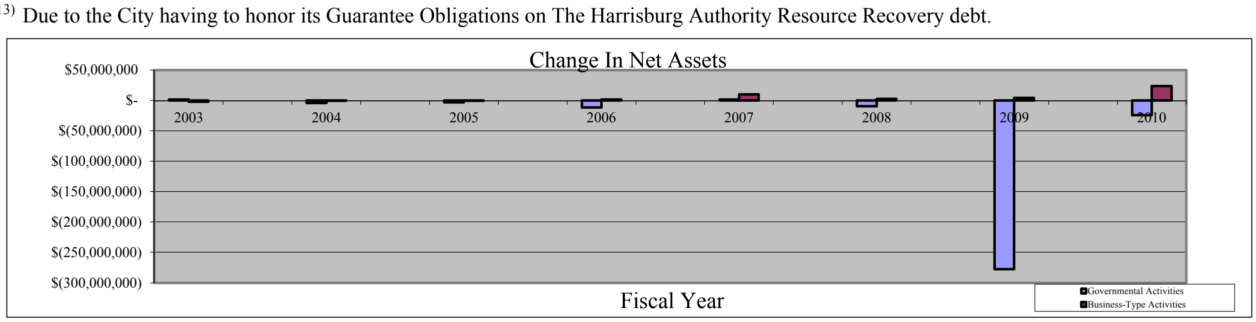
City of Harrisburg, Pennsylvania

Changes in Net Assets, Last Eight Fiscal Years (Continued)

(accrual basis of accounting)

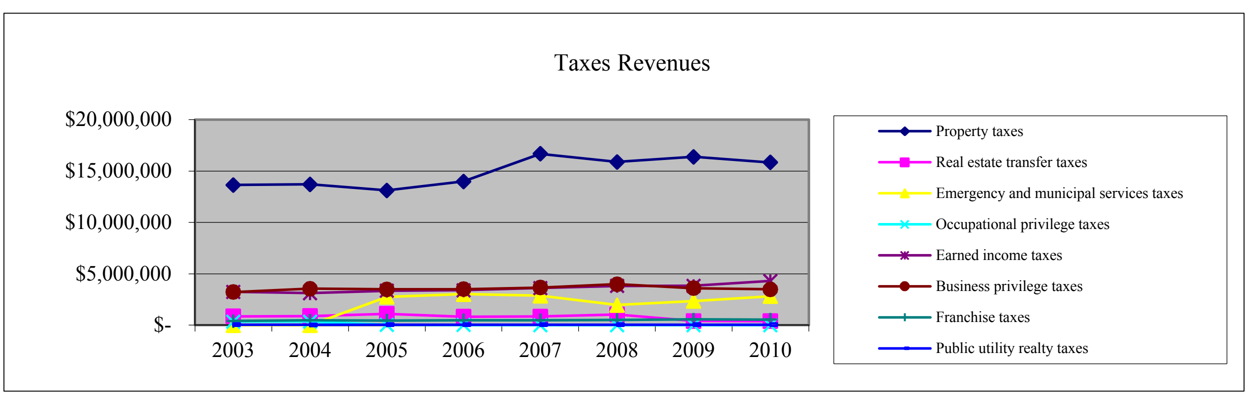
	Fiscal Year [1]			
	2003	**2004**	**2005**	**2006**
Net (Expense)/Revenue				
Governmental activities	$ (26,534,736)	$ (34,555,069)	$ (34,345,710)	$ (43,319,950)
Business-type activities	(2,064,976)	(232,901)	(1,962,791)	(339,265)
Total primary government net expense	$ (28,599,712)	$ (34,787,970)	$ (36,308,501)	$ (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
Local 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
Litigation settlement	-	-	-	-
Other income	-	-	-	-
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)
Extraordinary Item:				
Contingent liability for component unit debt	-	-	-	-
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)

[10] Includes a 1.5 mill real estate tax increase.
[11] Declined to poor economy and decline in housing market.
[12] Litigation settlement.
[13] Due to the City having to honor its Guarantee Obligations on The Harrisburg Authority Resource Recovery debt.



Source: City audited basic financial statements (Continued)

Fiscal Year [1]			
2007	2008	2009	2010
$ (36,679,655)	$ (44,801,729)	$ (48,392,844)	$ (59,143,267)
10,747,204	1,986,479	4,413,476	24,862,534
$ (25,932,451)	$ (42,815,250)	$ (43,979,368)	$ (34,280,733)
$ 16,684,189 [10]	$ 15,879,973	$ 16,378,324	$ 15,828,894
843,295	1,044,116	404,348 [11]	382,718
2,865,835	1,950,258	2,353,229	2,821,776
1,557	85	469	-
3,605,141	3,810,889	3,831,531	4,297,332
3,653,993	3,980,739	3,594,777	3,486,359
476,585	510,448	551,253	546,911
35,585	36,288	37,641	38,093
484,975	429,151	420,839	410,244
6,886,276	7,340,486	6,561,795	5,315,339
-	-	450,000 [12]	-
-	-	-	87,173
750,284	477,404	363,094	504,459
-	-	-	-
1,736,765	(349,699)	191,086	1,091,656
-	-	(264,272,031) [13]	-
38,024,480	35,110,138	(229,133,645)	34,810,954
688,223	215,292	32,241	5,303
-	-	-	-
(1,736,765)	349,699	(191,086)	(1,091,656)
(1,048,542)	564,991	(158,845)	(1,086,353)
$ 36,975,938	$ 35,675,129	$ (229,292,490)	$ 33,724,601
$ 1,344,825	$ (9,691,591)	$ (277,526,489)	$ (24,332,313)
9,698,662	2,551,470	4,254,631	23,776,181
$ 11,043,487	$ (7,140,121)	$ (273,271,858)	$ (556,132)



City of Harrisburg, Pennsylvania
Fund Balances, Governmental Funds, Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2001	2002 (1)	2003 (2)	2004
General Fund				
Reserved	$ 3,982,022	$ 3,679,449	$ 4,229,266	$ 3,341,089
Unreserved	6,031,758	2,833,123	4,345,727	3,511,674
Total General Fund	$ 10,013,780	$ 6,512,572	$ 8,574,993	$ 6,852,763
Other Governmental Funds				
Reserved, reported in:				
Debt Service Fund	$ 457,068	$ 223,925	$ 98,229	$ 65,469
Capital Projects Fund	5,776,812	4,176,915	4,693,722	3,803,250
Special Revenue	-	-	-	-
Unreserved, reported in:				
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Special Revenue	368,829	375,815	372,927	358,148
Total Other Governmental Funds	$ 6,602,709	$ 4,776,655	$ 5,164,878	$ 4,226,867
Total Governmental Funds	$ 16,616,489	$ 11,289,227	$ 13,739,871	$ 11,079,630

(1) There was a residual equity transfer from the Hydroelectric Dam Fund, an enterprise fund, in the amount of ($344,047).

(2) 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.

(3) Proceeds from $8.3 million capital lease.

(4) Proceeds from $1.3 million sale of City artifacts and 1.5 mill real estate tax increase.

(5) $500,000 in guarantee 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.

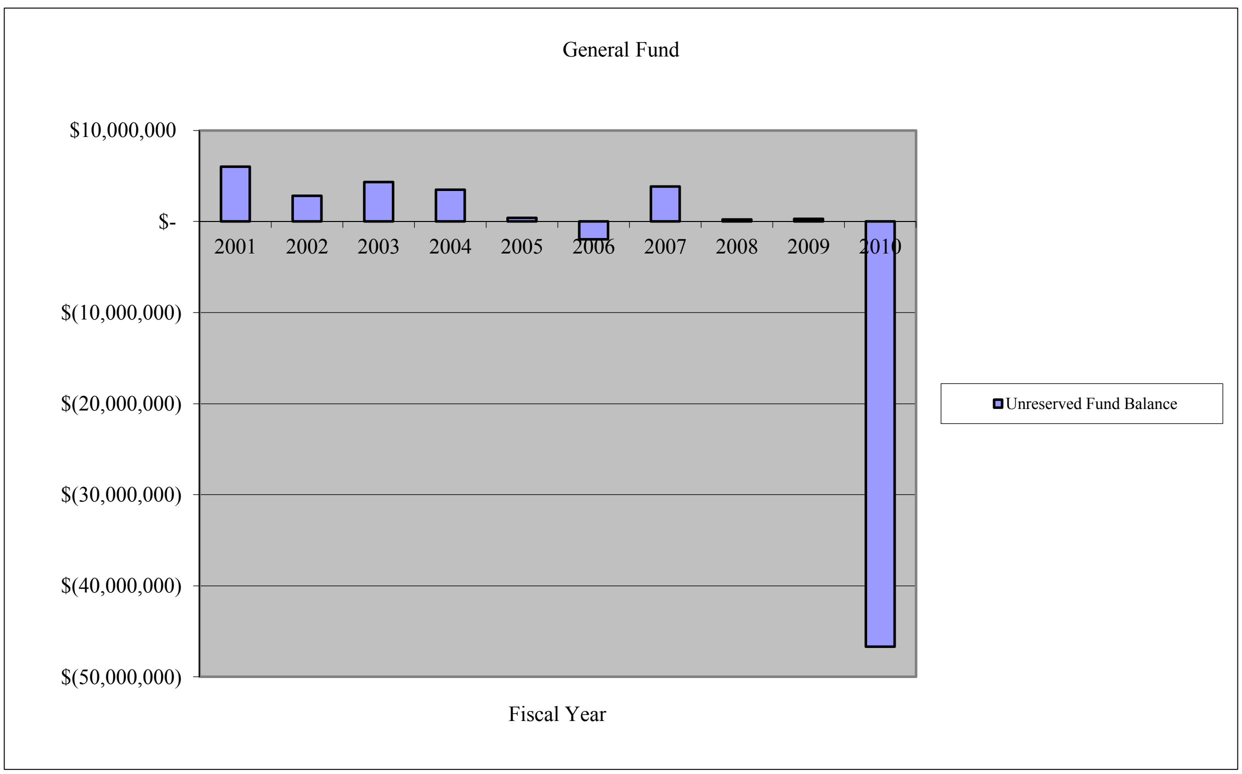
(6) Represents proceeds from sale of assets received in 2007 and used to make a $1.9 million principal payment on the Revenue Bonds Series of 2006 in January of 2008.

(7) This is due to the use of the majority of the Capital Lease proceeds (see note 3) and due to $4.8 million dollars the City paid honoring its Guarantee Obligations on The Harrisburg Authority Resource Recovery debt.

(8) The significant decrease in unreserved fund balance from 2009 is attributed to the accrual of approximately $44.6 million in reimbursements due to The Harrisburg Authority bond insurer and Dauphin County, pursuant to the City's guaranteed obligations under The Harrisburg Authority Resource Recovery Facility debt.

Source: City's audited basic financial statements

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
	$ 3,333,097	$ 2,645,620	$ 10,409,125 (3)	$ 13,373,865	$ 3,708,367 (7)	$ 2,845,181
	406,178	(1,939,764)	3,862,932 (4)	220,122	305,450	(46,685,755) (8)
	$ 3,739,275	$ 705,856	$ 14,272,057	$ 13,593,987	$ 4,013,817	$ (43,840,574)
	$ 68,898	$ 57,526	$ 1,976,214 (5)	$ 154,071 (6)	$ -	$ -
	3,653,716	3,572,793	2,119,178	61,493	165,825	15,000
	-	26,142	-	-	-	-
	-	-	-	-	(16,496)	433,134
	-	-	(628,011)	2,106,350	1,193,122	1,207,624
	296,551	328,372	320,790	318,280	359,475	444,263
	$ 4,019,165	$ 3,984,833	$ 3,788,171	$ 2,640,194	$ 1,701,926	$ 2,100,021
	$ 7,758,440	$ 4,690,689	$ 18,060,228	$ 16,234,181	$ 5,715,743	$ (41,740,553)



City of Harrisburg, Pennsylvania
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Taxes	$ 18,984,666	$ 20,712,704	$ 21,363,287	$ 23,370,790
Licenses and permits	467,488	497,777	423,696	490,719
Intergovernmental revenues	16,706,490	15,299,379	20,170,175	16,703,296
Department earnings and program revenue	16,518,832	17,823,989	21,933,561	18,445,931
Fines and forfeits	1,330,175	1,448,632	1,697,651	1,811,458
Investment income	977,590	197,297	68,877	340,138
Miscellaneous	3,993,829	2,046,823	3,833,537	2,345,679
Total revenues	$ 58,979,070	$ 58,026,601	$ 69,490,784	$ 63,508,011
Expenditures				
Current				
General government	$ 12,668,074	$ 12,496,619	$ 11,548,582	$ 12,343,903
Building & housing development	10,734,508	7,527,264	8,057,397	6,740,051
Public safety	20,354,570	25,611,221	29,474,614	29,115,507
Public works	4,643,158	4,535,518	5,176,582	5,404,400
Parks and recreation	3,410,527	3,709,992	4,141,567	3,651,103
Incinerator	-	-	-	-
Tourism	-	-	-	-
Capital outlay				
Infrastructure	3,548,782	799,693	78,956	(19,931)
Other	8,422,298	4,638,181	304,522	685,053
Debt service				
Principal retirements	7,407,674	7,866,445	9,322,572	15,290,392
Interest and fiscal charges	1,035,646	860,632	1,010,029	1,079,473
Total expenditures	$ 72,225,237	$ 68,045,565	$ 69,114,821	$ 74,289,951
Excess of revenues over (under) expenditures	$ (13,246,167)	$ (10,018,964)	$ 375,963	$ (10,781,940)
Other financing sources (uses)				
Proceeds from debt	$ 9,559,175	$ 749,327	$ 627,800	$ 6,540,147
Proceeds from sale of assets	-	-	-	1,033,000
Transfers in-component unit	2,526,764	3,878,282	-	-
Transfers in	9,014,849	9,556,698	8,852,997	10,437,623
Transfers out	(8,472,025)	(9,148,558)	(8,660,761)	(9,889,071)
Total other financing sources (uses)	$ 12,628,763	$ 5,035,749	$ 820,036	$ 8,121,699
Net change in fund balances	$ (617,404)	$ (4,983,215)	$ 1,195,999	$ (2,660,241)
Debt service as a percentage of noncapital expenditures	13.6%	13.9%	16.6%	23.0%

(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.

(4) This amount shows the City's portion of The Harrisburg Authority Resource Recovery guarantees that were paid in the year.

Source: City's audited basic financial statements

Fiscal Year					
2005	2006	2007	2008	2009	2010
$ 24,246,730	$ 23,825,971	$ 27,297,475	$ 26,836,116	$ 26,230,929	$ 25,425,340
483,281	508,799	510,735	540,748	583,353	575,711
20,023,430	16,193,248	19,836,881	16,829,300	18,091,064	14,820,544
20,045,806	18,569,091	19,308,242	20,187,491	22,323,176	20,287,979
1,752,381	1,690,845	1,974,002	2,109,236	1,743,629	1,957,649
482,026	441,384	724,020	507,785	379,309	538,857
1,668,796	3,306,786	5,189,161	3,798,167	1,961,084	1,321,676
$ 68,702,450	$ 64,536,124	$ 74,840,516	$ 70,808,843	$ 71,312,544	$ 64,927,756
$ 15,436,778	$ 14,166,029	$ 14,271,691	$ 9,503,511	$ 13,768,258	$ 11,202,467
6,068,648	6,760,858	8,591,941	5,673,155	4,410,411	5,457,781
32,493,418	31,413,352	28,309,666	30,801,966	31,478,085	31,875,517
5,338,939	5,913,597	6,176,533	6,287,360	6,016,600	4,521,472
3,871,001	4,279,564	5,232,885	3,931,704	3,458,682	2,590,809
-	6,119,838	714,171	-	8,006,987 [4]	45,592,518 [4]
-	-	571,251	97,564	139,027	2,555
17,140	35,713	-	2,245,948 [1]	232,383	-
11,947	-	1,425	4,503,504 [2]	2,687,884	-
8,282,138	8,385,421	7,994,171	11,063,705	10,961,653	12,001,986
440,827	541,827	927,500	1,150,297	1,013,183	767,776
$ 71,960,836	$ 77,616,199	$ 72,791,234	$ 75,258,714	$ 82,173,153	$ 114,012,881
$ (3,258,386)	$ (13,080,075)	$ 2,049,282	$ (4,449,871)	$ (10,860,609)	$ (49,085,125)
$ 251,687	$ 11,159,450	$ 8,275,085 #	$ 2,400,000	$ 151,085	$ -
626,033	2,350	1,308,407	573,523	-	537,173
-	-	-	-	-	-
8,707,948	7,744,517	9,926,213	15,425,398 [3]	16,812,279	13,841,525
(9,648,472)	(8,893,993)	(8,189,448)	(15,775,097) [3]	(16,621,193)	(12,749,869)
$ (62,804)	$ 10,012,324	$ 11,320,257	$ 2,623,824	$ 342,171	$ 1,628,829
$ (3,321,190)	$ (3,067,751)	$ 13,369,539	$ (1,826,047)	$ (10,518,438)	$ (47,456,296)
12.8%	12.1%	12.9%	18.0%	15.9%	11.3%

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
2001	$ 12,179,214	$ 331,675	$ 326,507	$ 3,190,322	$ 2,956,948	$ 18,984,666
2002	13,594,940 [6]	448,787	324,743	3,358,138	2,986,096	20,712,704
2003	13,618,418	850,269 [7]	332,578	3,235,092	3,326,930 [8]	21,363,287
2004	15,194,054 [9]	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 [10]	843,295	2,867,389	3,605,142	3,904,624	27,297,475
2008	16,346,529	1,044,116	1,950,343 [11]	3,810,890	3,684,238	26,836,116
2009	15,263,068	404,348 [12]	2,353,697	3,831,531	4,378,285	26,230,929
2010	15,484,982	382,718	2,596,232	3,231,178 [13]	3,730,230	25,425,340
Change 2001-2010	27.1%	15.4%	695.2%	1.3%	26.2%	33.9%

[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 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.

[7] Many properties were transferred within the City in 2003 due to favorable mortgage rates.

[8] The Parking Tax was increased from 10% to 15% in 2003, producing approximately $400,000 in new revenue.

[9] In 2004, the City of Harrisburg sold the 2003 and prior years delinquent real estate tax liens to the Harrisburg Redevelopment Authority.

[10] Includes a 1.5 mill real estate tax increase.

[11] Local Services Tax decreased by approximately $900,000 due to changes in state collection laws and income limits.

[12] Declined to poor economy and decline in housing market.

[13] Decrease from the prior year is attributed to distributions from the City's earned income tax collector changing from estimated payments to actual collections.

Source: City's audited basic financial statements

City of Harrisburg, Pennsylvania

Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years

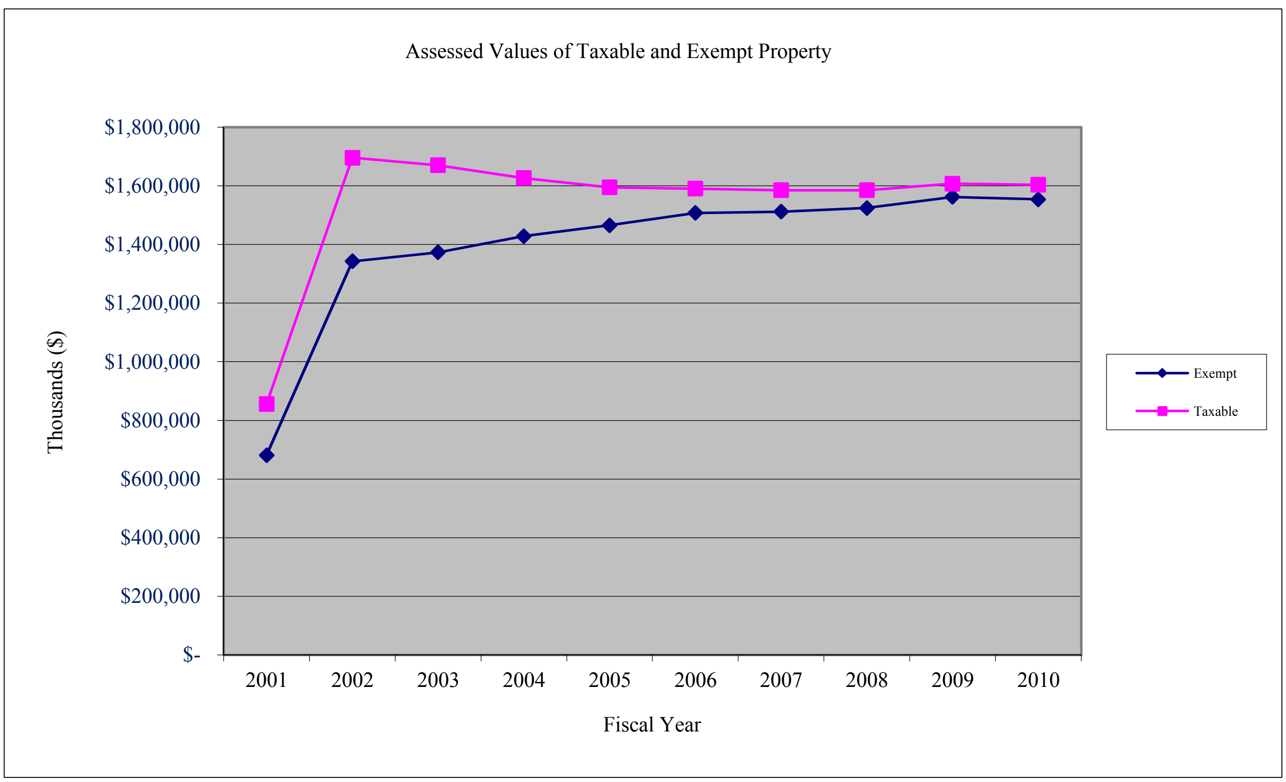
(in thousands of dollars)

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
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	10.15 (3)	1,444,979
2008	622,984	843,324	110,496	8,135	1,524,166	1,584,939	10.08	1,651,877
2009	625,341	865,269	108,157	8,290	1,561,769	1,607,057	10.07	1,682,241
2010	648,161	837,782	108,643	8,591	1,553,494	1,603,178	10.01	1,884,423

(1) Allocation of assessed values data was not available from the State Tax Equalization Board for years prior to 2002.

(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%.

(3) Includes a 1.5 mill real estate tax increase.



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
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
2009	0.80	7.44	0.03	1.81	10.07	25.20	7.23
2010	2.26	6.34	0.01	1.40	10.01	26.31	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)

	2010			2001		
Taxpayer	Taxable Assessed Value [(1)]	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value [(1)]	Rank	Percentage of Total City Taxable Assessed Value
Harrisburg Redevelopment Authority	$ 98,475	1	6.05	$ -		-
ESL, Inc./Pa Natl Realty Trust	29,685	2	1.82	20,914	4	2.45
M&T Bank (formerly Allfirst Bank)	21,163	3	1.30	17,252	5	2.02
Harrisburg Hotel Assoc. (Hilton Hotel)	17,670	4	1.09	9,437	7	1.11
KTR Harrisburg LLC	19,900	5	1.22	-		-
Keystone Central Storage	14,335	6	0.88	-		-
365-369 Ocean Avenue LLC	8,984	7	0.55	-		-
Strawberry Square Associates	9,870	8	0.61	-		-
Pinnacle Health System	8,070	9	0.50	-		-
Walnut & Third Inc.	17,625	10	1.08	-		-
Capitol Commercial Corp	-		-	21,823	3	2.56
PA State Employees Credit Union	-		-	7,817	8	0.92
Harristown Development Corp.	-		-	79,897	1	9.36
Central Storage & Transfer Co.	-		-	7,309	10	0.86
Dauphin County Gen. Authority	-		-	23,974	2	2.81
Super Rite Food Inc.	-		-	13,181	6	1.54
George McElroy & Associates	-		-	7,551	9	0.88
Total	$ 245,777		15.10	$ 209,155		24.51

(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

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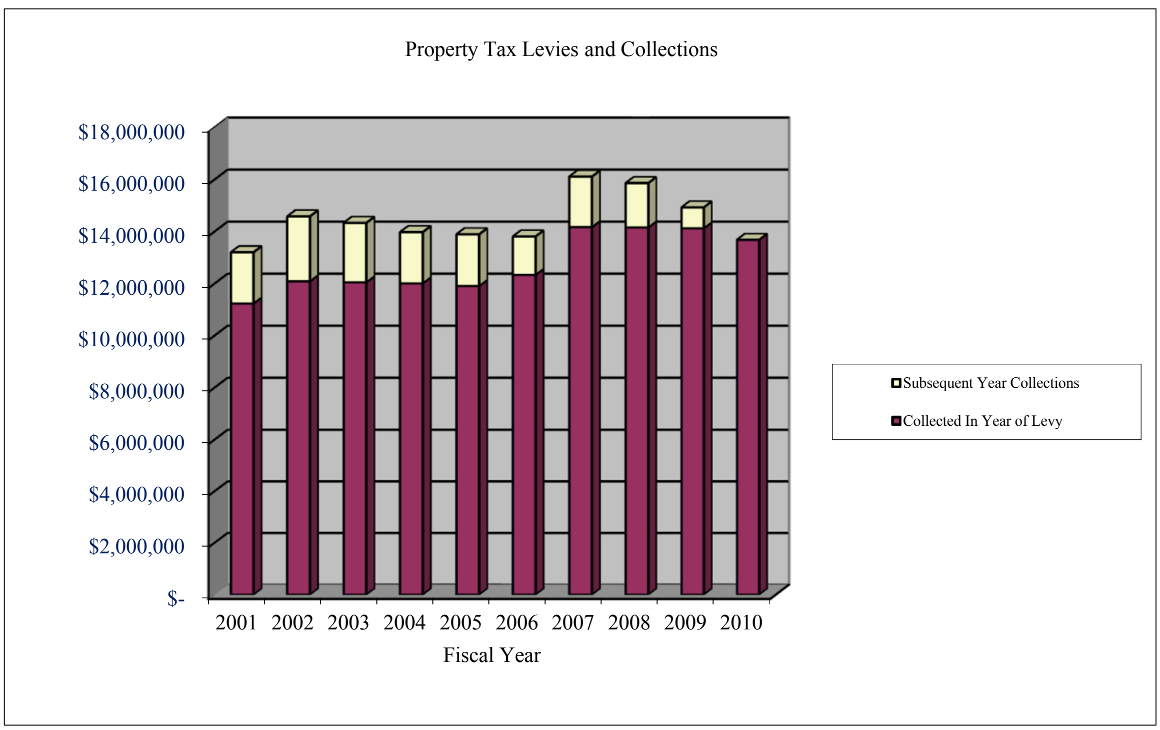
City of Harrisburg, Pennsylvania
Property Tax Levies and Collections, Last Ten Fiscal Years

		Collected within the Fiscal Year of the Levy		Collections in	Total Collections to Date	
Year	Adjusted Levy	Amount	% of Levy	Subsequent Years	Amount	% of Levy
2001	$ 13,255,169	$ 11,246,161	84.84%	$ 1,965,989	$ 13,212,150	99.68%
2002	14,673,651 (1)	12,099,685 (1)	82.46%	2,492,552 (1)	14,592,237 (1)	99.45%
2003	14,422,121	12,061,330	83.63%	2,281,289	14,342,619	99.45%
2004	14,067,468	12,019,060	85.44%	1,968,990	13,988,050 (2)	99.44%
2005	13,993,086	11,919,276	85.18%	1,985,682	13,904,958 (2)	99.37%
2006	13,953,657	12,348,277	88.49%	1,473,776	13,822,053	99.06%
2007	16,365,833 (3)	14,185,140 (3)	86.68%	1,936,117	16,121,257	98.51%
2008	16,246,021	14,172,465	87.24%	1,701,024	15,873,489	97.71%
2009	16,357,583	14,135,034	86.41%	803,071	14,938,105	91.32%
2010	16,403,464	13,690,437	83.46%	-	13,690,437	83.46%

(1) 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.

(2) 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.

(3) 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

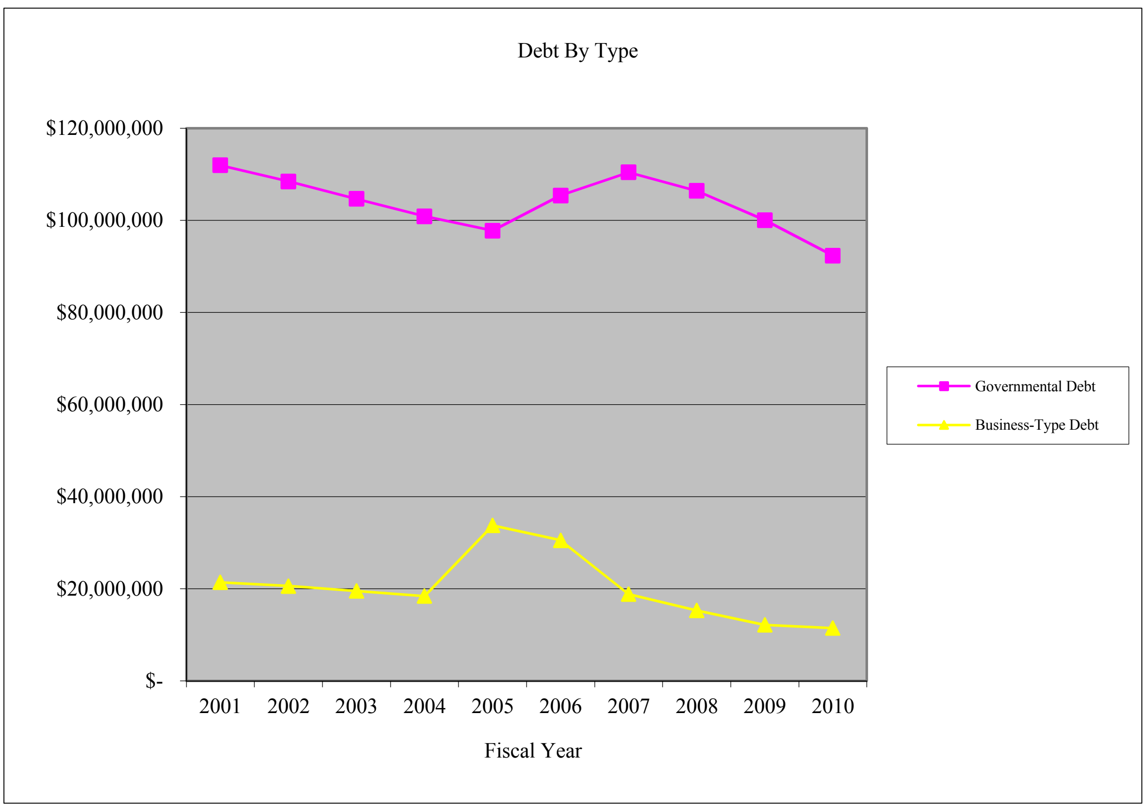
City of Harrisburg, Pennsylvania
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

	Governmental Activities					Business-type Activities
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Lease Revenue Notes	General Obligation Notes	Capital Leases	Lease Rental
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
2009	38,632,381	4,621,147	-	49,892,925	6,896,367	3,335,910
2010	34,327,832	3,946,148	-	49,172,908	4,876,773	3,045,269

(1) Personal Income information estimated based on the Harrisburg-Carlisle, Pennsylvania Metropolitan Statistical Area (See Page 187).
(2) Population information based on U.S. Census Bureau Data for the City of Harrisburg (See Page 180).
(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**	**Unamortized Discount**	**Capital Leases**	**Total Primary Government**	**% of Personal Income [1]**	**Per Capita[2]**
$ 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	6.31%	2,486
47,559	-	8,345,000	(54,135)	504,316	112,221,470	5.90%	2,293
-	-	8,110,000	(49,879)	356,516	103,785,567	5.28%	2,095



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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
2001	48,950	$ 856,205 [3]	$ 102,073 [4]	$ 457	$ 101,616	11.87	$ 2,075.91
2002	48,950	1,695,837 [5]	120,505 [6]	224	120,281	7.09	2,457.22
2003	48,950	1,669,818	97,605 [7]	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
2009	48,950	1,607,057	351,129 [8]	(16)	351,145	21.85	7,173.54
2010	49,528	1,603,178	314,604	433	314,171	19.60	6,343.30

(1) 2001 through 2009 per 2000 U.S. Census Bureau Data.; 2010 per QuickFacts from the U.S. Census Bureau.

(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.
Also, Pinnacle has made extended PILOT payments of $110,421, $114,536, and $118,796 in 2008, 2009, and 2010, respectively.

(4) Includes issuance of $25,195,000 The Harrisburg Authority Guaranteed Resource Recovery Notes, Series A&B of 2000.

(5) The $848 million increase is primarily attributed to a court ordered county-wide reassessment which took effect January 1, 2002.

(6) Includes issuance of $17,000,000 Guaranteed Resource Recovery Revenue Notes, Series A of 2002.

(7) 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.

(8) City's obligation for Resource Recovery Facility debt has been added due to the City having to honor its guarantee.

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, 2010

Direct Bonded Debt	Gross Bonded Debt Outstanding (1)	Credits/ Exclusions (2)	Net Bonded Debt Outstanding
Primary Government:			
General Obligation Refunding Bonds, Series D of 1997	$ 34,327,832	$ -	$ 34,327,832
General Obligation Refunding Notes, Series F of 1997	41,151,774	-	41,151,774
Pennsylvania Infrastructure Bank Notes, 2003 and 2008	2,196,134	-	2,196,134
Senators Revenue Bonds, Series A2 of 2005	8,110,000	8,110,000	-
Revenue Bonds, Series of 2006	3,946,148	3,946,148	-
Less: Unamortized Discount	(49,879)	(49,879)	-
Total Primary Government	$ 89,682,009	$ 12,006,269	$ 77,675,740
Component Units:			
The Harrisburg Authority:			
Sewer Revenue Refunding Bonds, Series of 1992	$ 3,460,000	$ 3,460,000	$ -
Guaranteed Sewer Revenue Notes Series A and B of 1998	1,614,696	1,614,696	-
Guaranteed Sewer Revenue Note of 2009	1,319,653	1,319,653	-
Water Revenue Bonds, Series A of 2001	3,785,000	3,785,000	-
Water Revenue Bonds, Series A, B, C, and D of 2002	46,585,000	46,585,000	-
Water Revenue Bonds, Series A of 2004	36,795,000	36,795,000	-
Water Revenue Bonds, Series of 2008	69,420,000	69,420,000	-
Guaranteed Resource Recovery Bonds, Series A of 1998	11,165,000	-	11,165,000
Guaranteed Resource Recovery Bonds, Series A, D, E, F 2003	141,970,000	-	141,970,000
Guaranteed Resource Recovery Notes, Series A of 2002	14,080,000	-	14,080,000
Guaranteed Resource Recovery Notes, Series B & C of 2003	53,370,000	-	53,370,000
2008 Covanta Construction Loan	19,823,500	-	19,823,500
Less: Deferred Loss on Refunding/Unamortized Premium	(20,430,907)	(16,950,333)	(3,480,574)
Total The Harrisburg Authority	$ 382,956,942	$ 146,029,016	$ 236,927,926
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	27,350,000	27,350,000	-
Guaranteed Parking Revenue Bonds, Series N of 2003	4,090,000	4,090,000	-
Guaranteed Parking Revenue Bonds, Series O of 2003	9,010,000	9,010,000	-
Guaranteed Parking Revenue Bonds, Series P of 2005	16,565,000	16,565,000	-
Guaranteed Parking Revenue Bonds, Series R of 2007	16,625,000	16,625,000	-
Guaranteed Parking Revenue Bonds, Series T of 2007	18,640,000	18,640,000	-
Less: Deferred Loss on Refunding/Unamortized Premium	(2,914,851)	(2,914,851)	-
Total Harrisburg Parking Authority	$ 101,165,149	$ 101,165,149	$ -
Harrisburg Redevelopment Authority:			
Guaranteed Revenue Bonds, Series A and B of 1998	$ 93,590,000	$ 93,590,000	$ -
Infrastructure Bank Loan, 2000	271,427	271,427	-
2008 Loan: Susquehanna Harbor Safe Haven	623,874	623,874	-
Less: Unamortized Discount	(47,209,340)	(47,209,340)	-
Total Harrisburg Redevelopment Authority	$ 47,275,961	$ 47,275,961	$ -
Total Component Units	$ 531,398,052	$ 294,470,126	$ 236,927,926
Potential Compenent Units Excluded:			
Harristown Development Corporation:			
Lease Revenue Bonds, Series of 1992	$ 5,342,855	$ 5,342,855	$ -
Guaranteed Revenue Bonds, Series of 2001	16,865,000	16,865,000	-
Guaranteed Revenue Bonds, Series of 2004	1,745,000	1,745,000	-
Total Potential Component Units Excluded	$ 23,952,855	$ 23,952,855	$ -
Total Direct Bonded Debt	$ 645,032,916	$ 330,429,250	$ 314,603,666

(Continued)

City of Harrisburg, Pennsylvania
Direct and Overlapping Bonded Debt (Continued)
As of December 31, 2010

Overlapping Bonded Debt	Gross Bonded Debt Outstanding [1]	Credits/ Exclusions [2]	Net Bonded Debt Outstanding
Dauphin County Bonds and Notes [3]	$ 35,534,318	$ 2,878,464	$ 32,655,854
Harrisburg School District General Obligation Bonds and Notes [4]	258,795,290	39,223,149	219,572,141
	$ 294,329,608	$ 42,101,613	$ 252,227,995
Total Direct and Overlapping Bonded Debt	$ 939,362,524	$ 372,530,863	$ 566,831,661

Source Calculations for the above:

	Gross Bonded Debt	Exclusion	Net Bonded Debt
	$ 318,436,361 *	$ 25,795,000 *	$ 292,641,361
	11.16%	11.16%	11.16%
	$ 35,534,318	$ 2,878,464	$ 32,655,854
Assessed Value City of Harrisburg	$ 1,603,177,900		
Assessed Value Dauphin County	$ 14,366,678,850		
Pro-Rata Share Hbg/County	11.16%		

(1) Gross Bonded Debt Outstanding does not include $5,825,000 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 11.16% based on assessed value of share of: Nonelectoral Debt in the amount of $138,210,000; Lease Rental Debt in the amount of $180,226,361; and exclusions from Lease Rental Debt in the amount of $25,795,000.

(4) 100% based on repayment by City residents through school tax.

* Obtained information from a Debt Statement included in an Official Statement dated April 12, 2010.

Sources: City's audited basic financial statements and applicable debt statement filings with the Commonwealth, Dauphin County, and School District.

City of Harrisburg, Pennsylvania
Legal Debt Margin, Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year			
	2001	2002	2003	2004
Total Revenues-Past Three Years [1]	$ 137,439	$ 144,407	$ 150,258	$ 165,253
Exclusions-Past Three Years [2]	(14,726)	(14,846)	(11,418)	(16,375)
Net Revenue-Past Three Years	122,713	129,561	138,840	148,878
Annual Arithmetic Average (Borrowing Base)	40,904	43,187	46,280	49,626
Net Nonelectoral Debt Limit (250% of Borrowing Base)	102,261	107,968	115,700	124,065
Net Nonelectoral and Lease Rental Debt Limit (350% of Borrowing Base)	143,166	151,155	161,980	173,691
Net Bonded Debt Outstanding-Nonelectoral [3]	76,476	78,110	80,500	80,593
Net Bonded Debt Outstanding-Nonelectoral and Lease Rental [3]	102,073	120,505	97,605	97,593
Remaining Borrowing Capacity (Debt Margin):				
Nonelectoral [4]	$ 25,785	$ 29,858	$ 35,200	$ 43,472
As A Percentage of Debt Limit	25.2%	27.7%	30.4%	35.0%
Nonelectoral & Lease Rental [5]	$ 41,093	$ 30,650	$ 64,375	$ 76,098
As A Percentage of Debt Limit	28.7%	20.3%	39.7%	43.8%

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 181.

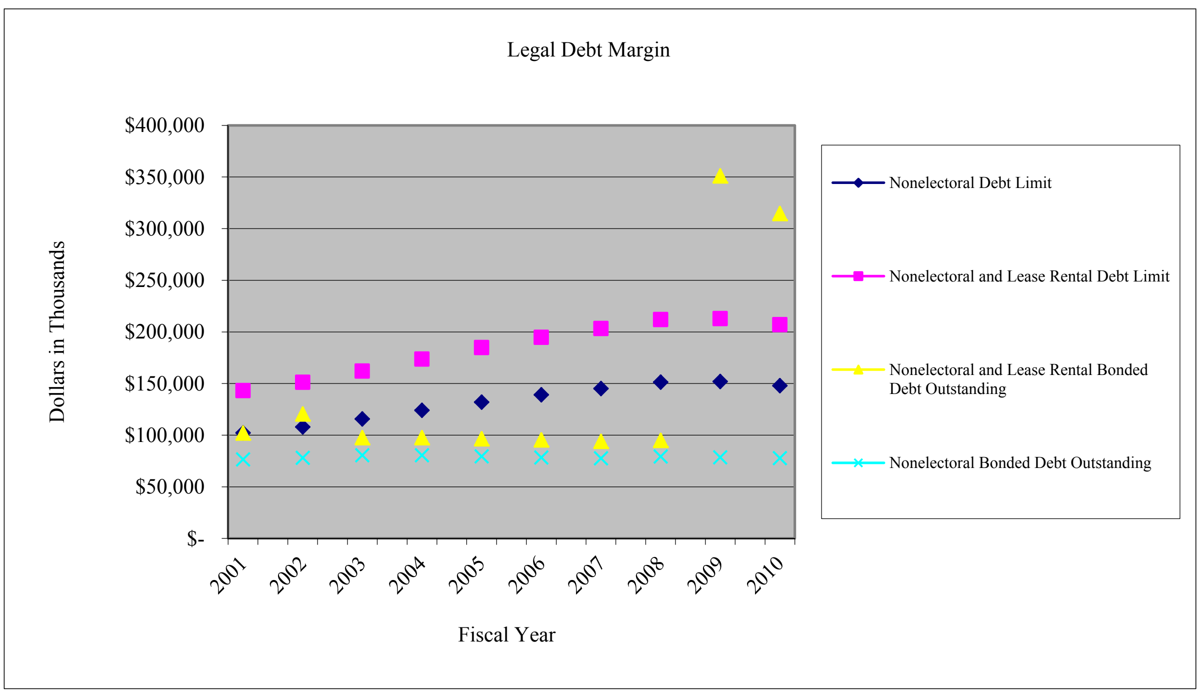
(4) Under the Debt Act, new nonelectoral debt may not be incurred if the net amount of such new nonelectoral debt plus all outstanding net nonelectoral debt would cause total net nonelectoral debt to exceed 250 % of the Borrowing Base.

(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.

(6) City's obligation for Resource Recovery Facility debt has been added due to the City having to honor its guarantee. Therefore, they are no longer self-liquidating.

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					
	2005	2006	2007	2008	2009	2010
	$ 174,330	$ 181,878	$ 191,542	$ 196,980	$ 196,313	$ 182,527
	(15,964)	(14,901)	(17,327)	(15,287)	(13,899)	(5,077)
	158,366	166,978	174,215	181,692	182,415	177,450
	52,789	55,659	58,072	60,564	60,805	59,150
	131,972	139,148	145,179	151,410	152,012	147,875
	184,761	194,807	203,251	211,975	212,817	207,025
	79,504	78,423	77,614	79,345	78,545	77,676
	96,504	95,423	93,944	94,965	351,129 (6)	314,604
	$ 52,468	$ 60,725	$ 67,565	$ 72,065	$ 73,467	$ 70,199
	39.8%	43.6%	46.5%	47.6%	48.3%	47.5%
	$ 88,257	$ 99,384	$ 109,307	$ 117,010	$ (138,312) (6)	$ (107,579)
	47.8%	51.0%	53.8%	55.2%	-65.0%	-52.0%



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
2001	$ 48,793	$ 23,402	$ 25,392	$ 6,439	$ 16,493	$ 22,932	1.11
2002	44,140 [5]	24,992 [6]	19,148	8,155	16,053	24,208	0.79
2003	44,303 [7]	23,274 [7]	21,029	4,166	14,276	18,442 [8]	1.14
2004	40,306 [9]	21,183 [7]	19,123	4,194	19,308	23,502 [8]	0.81
2005	41,195 [9]	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
2009	56,620	41,966	14,654	9,030	25,576	34,606	0.42
2010	58,612	39,147	19,465	48,468 [10]	20,565	69,033	0.28

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) 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.

(6) Expenses increased during 2002 due to unanticipated maintenance and waste hauling expenses incurred because of the required shutdown of the Resource Recovery Facility.

(7) 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.

(8) 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.

(9) 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.

(10) Increase in principal debt service payments by the Authority involves the full redemption and maturity in 2010 of approximately $40 million in Sewer Revenue Refunding Bonds, 2nd and 3rd Series of 1989 and Guaranteed Resource Recovery Notes, C and D Series of 2007.

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: Principal	Interest	Total	Coverage
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
2009	15,440	8,849	6,591	2,865	5,308	8,173	0.81
2010	15,315	7,988	7,327	3,710	4,481	8,191	0.89

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

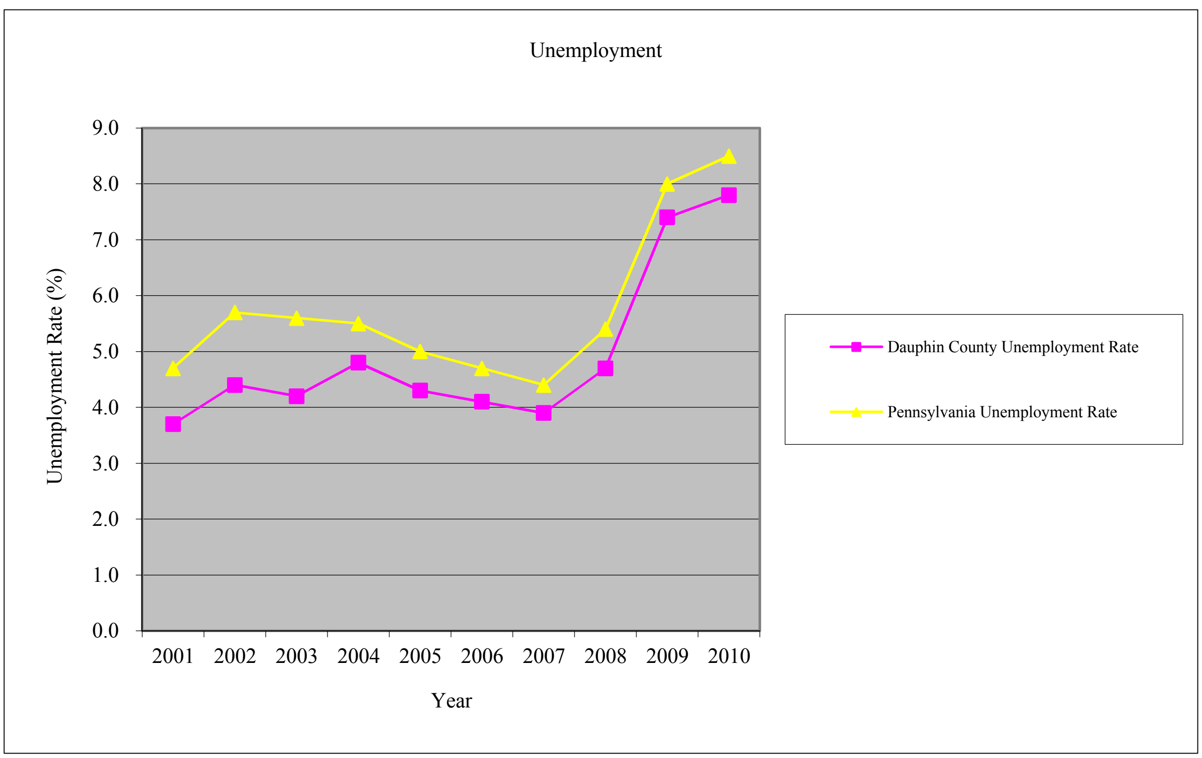
City of Harrisburg

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 %
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	1,927,063	39,368	136.8	4.7	6,395.0	5.4
2009	48,950	1,901,413	38,844	137.2	7.4	6,404.0	8.0
2010	49,528	1,966,410	39,703	133.3	7.8	6,358.0	8.5

(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.



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

	2010			2001		
Employer	Employees	Rank	Percentage of Dauphin-Carlisle MSA Labor Force	Employees	Rank	Percentage of Dauphin-Carlisle MSA Labor Force
Commonwealth of Pennsylvania	21,885	1	7.67	22,031	1	8.09
U.S. Government	18,000	2	6.31	11,471	2	4.21
Giant Food Stores	8,902	3	3.12	-		-
Penn State Milton S. Hershey Med. Ctr.	8,849	4	3.10	-		-
Wellspan Health	7,853	5	2.75	-		-
Hershey Entertainment & Resorts Co.	7,500	6	2.63	-		-
Lancaster General Health	7,077	7	2.48	-		-
Wal-Mart Stores Inc.	6,500	8	2.28	-		-
Highmark Blue Shield	5,200	9	1.82	5,193	5	1.91
Pinnacle Health System	4,862	10	1.70	3,307	7	1.22
Hershey Foods Corporation	-		-	5,473	3	2.01
Naval Support Station	-		-	5,352	4	1.97
Hershey Medical System	-		-	4,175	6	1.53
Defense Distribution Center	-		-	2,976	8	1.09
Electronic Data Systems	-		-	2,400	9	0.88
Dauphin County	-		-	1,738	10	0.64
Total	96,628		33.87	64,116		23.56

Note: The Dauphin-Carlisle, Pennsylvania Metropolitan Statistical Area is comprised of Cumberland, Dauphin, and Perry County.

Source: Central Pennsylvania Business Journal

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City of Harrisburg, Pennsylvania

Full-time-Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years

	Full-time-Equivalent Employees as of December 31,									
Department - Office/Bureau	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
General government										
City Council	10	10	9	10	10	8	10	9	10	9
Office of Mayor	9	9	10	10	10	5	6	5	3	4
Office of City Controller	4	4	4	4	4	4	4	4	2	3
Office of City Treasurer	10	10	9	10	10	10	8	8	9	7
Office of City Solicitor	7	7	7	7	6	6	7	5	6	4
Human Relations Commission	3	3	3	3	2	2	2	3	3	3
Office of City Engineer	7	6	6	6	6	5	4	4	3	3
Mayor's Office of Economic Development/Sepcial Proj.	4	5	9	8	8	5	5	5	6	-
Administration										
Office of the Director	3	3	4	3	3	4	2	3	2	2
Insurance and Risk Mgmt.	3	3	3	2	-	-	-	-	-	-
Financial Management	11	10	10	9	10	7	7	7	6	5
Information Technology	17	19	18	15	14	12	11	11	11	9
Human Resources	6	6	7	7	8	6	7	7	5	5
Mayor's Office Labor Relations	-	-	3	3	2	-	-	-	-	-
Operations & Revenue	34	32	28	19	17	13	12	14	13	17
Building & Housing Development										
Office of Director	2	1	1	1	1	1	1	1	1	1
Planning	6	6	5	5	3	3	2	4	4	3
Codes Enforcement	16	17	24	23	16	12	13	13	13	12
Economic Development	-	-	-	-	-	-	-	-	-	4
Neighborhood Development	14	16	16	16	14	13	13	11	11	9
Public Safety										
Parking Enforcement Unit	12	12	14	14	10	9	12	11	14	12
Office of Police Chief	34	13	10	8	9	5	5	4	4	5
Police Operations Division	126	125	122	124	121	118	110	112	115	123
Police Service Division	10	41	37	36	40	32	38	38	40	25
Criminal Investigation Div.	36	38	37	32	31	33	34	37	39	35
Fire	102	99	100	100	97	92	88	93	89	84
Public Works										
Office of Director	1	1	1	1	1	1	1	1	2	-
Dock Street Dam Project	2	2	-	-	-	-	-	-	-	-
City Services	20	22	19	13	16	23	21	21	24	23
Sanitation	32	32	30	25	25	23	25	25	25	23
State Liquid Fuels	-	-	-	8	9	-	-	-	-	-
Traffic Engineering	7	7	9	9	-	-	-	-	-	-
Vehicle Management	11	13	17	14	12	12	12	12	11	11
Building Maintenance	7	7	11	10	10	8	9	8	7	-
Water	39	36	40	37	34	29	31	31	31	29
Sewerage	42	41	42	38	34	33	35	34	34	34
Parks and Recreation										
Office of Director	21	8	8	7	10	8	10	11	9	7
Recreation	3	3	8	8	7	5	5	5	3	3
Parks Maintenance	19	20	25	14	14	14	15	15	14	12
Incineration and Steam Generation										
Operations	56	58	15	16	43	43	-	-	-	-
Total Employees	746	745	721	675	667	604	565	572	569	526

Source: City's Bureau of Human Resources

City of Harrisburg, Pennsylvania
Operating Indicators by Function/Program, Last Ten Fiscal Years

Function/Program	Fiscal Year 2001	2002	2003	2004
Building & Housing Development				
Permits Issued				
Construction-Residential	18	26	40	49
Construction-Commercial	5	6	5	12
Repairs/Alterations/Additions-Residential	1,041	1,132	1,330	1,452
Repairs/Alterations/Additions-Commercial	373	391	373	333
Demolition Permits	76	46	79	83
Vacant Structure Rehabilitation Program (HOP)	7	5	9	8
HOP Units Sold	12	7	10	14
HOP Investor Rehabilitation	2	-	-	3
Downpayment/Closing Cost Assistance	10	2	5	6
Mortgage Tax Credit Certificate Program	-	-	7	7
Home Improvement Program	15	20	13	15
Lead Based Paint Clearances	35	35	30	41
New Construction-Single Family Residential	30	35	18	344
Rental Rehabilitation Program	12	26	7	57
Acquisition (Includes HOP Units Sold)	28	74	55	225
Disposition (Excludes Rehabbed Units Sold)	20	8	5	16
Neighborhood Facility/Community Center Improvements	5	5	4	5
Adopt-A-Block (Blocks Adopted)	229	190	227	237
Adopt-A-Lot (Lots Adopted)	16	14	21	73
Public Safety				
Police				
Homicide	9	12	9	12
Rape	39	47	24	52
Robbery	323	346	267	369
Assault	288	290	256	244
Burglary	572	586	481	483
Theft	1,687	1,535	1,635	1,431
Motor Vehicle Theft	182	116	137	110
Arson	12	37	26	25
Police Calls For Service	48,044	49,246	50,034	48,816
Fire				
Fire, Explosion	487	417	417	644
Over Pressure Rupture	15	11	11	29
Rescue Call	981	1,117	1,117	628
Hazardous Condition, Standby	240	251	251	306
Service Calls	260	221	221	257
Good Intent Calls	421	452	452	222
False Calls	757	809	809	849
Other	11	8	8	33
Vehicle Management				
Trucks Repaired	1,386	935	790	925
Passenger Vehicles Repaired	960	803	1,049	993
Heavy Equipment Repaired	251	579	600	461
Miscellaneous Equipment Repaired	151	82	162	72
Preventive Maintenance Performed	498	476	439	441
Gasoline Dispensed (Gallons)	157,601	189,615	188,626	261,500
Diesel Dispensed (Gallons)	186,131	289,688	204,388	198,357
Sewerage				
Kilowatt Hours Produced	1,473,320	1,789,040	1,226,440	1,658,720
Process & Septic Waste Gallons Received	8,257,957	12,878,744	12,256,640	7,988,900
Tons of Sludge Disposed	15,259	17,703	18,064	15,041

Fiscal Year						
2005	2006	2007	2008	2009	2010	(a)
10	43	50	5	9	64	
8	3	7	5	5	1	
1,507	1,621	1496	1,320	1,220	1,084	
335	237	230	245	213	252	
73	57	76	38	26	40	
5	6	8	11	27	3	
2	5	7	7	7	-	
-	-	0	-	-	-	
1	5	0	-	-	-	
4	10	0	-	-	-	
27	17	18	18	16	14	
47	72	38	33	48	48	
24	12	17	4	52	5	
-	-	0	4	25	92	
33	4	29	11	27	9	
25	13	61	32	17	7	
7	6	5	Not Available	2	6	
239	239	239	239	239	No 2010 Record	
13	-	6	6	6	No 2010 Record	
13	13	12	9	19	15	
43	41	46	46	48	56	
434	449	404	483	495	431	
260	271	260	242	1,529	1,491	
621	627	666	743	476	659	
1,375	1,477	1,728	1,637	1,532	1,372	
108	100	165	235	169	184	
17	33	29	31	20	25	
48,854	50,940	48,017	49,863	53,134	52,048	
548	535	548	493	434	464	
74	161	143	166	150	140	
594	615	684	708	737	796	
220	246	346	306	262	302	
220	259	297	243	254	212	
220	230	276	253	282	275	
768	871	883	758	752	699	
100	9	7	5	8	3	
748	625	886	623	834	723	
891	759	839	766	816	889	
353	311	201	154	206	152	
34	61	23	50	72	43	
377	347	566	675	848	818	
268,045	240,987	221,616	190,000	190,670	210,220	
238,036	215,424	221,506	225,000	236,785	220,762	
2,456,080	2,146,520	1,618,440	2,400,000	2,950,000	1,660,000	
10,780,473	8,892,197	13,985,450	13,985,450	18,864,150	19,544,150	
14,661	13,308	14,255	16,240	14,990	15,796	

City of Harrisburg, Pennsylvania
Operating Indicators by Function/Program, Last Ten Fiscal Years

	Fiscal Year			
Function/Program	**2001**	**2002**	**2003**	**2004**
Incident Reports Requiring Parts & Labor	621	497	499	428
Volume in Millions of Gallons Received	241	263	338	324
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	30,326	31,063	33,212	32,838
Tons of Recyclables Collected	990	1,370	1,656	1,736
Parks and Recreation				
Non Traffic Citations Issued	60	90	90	N/A
Parking Tickets Issued	122	316	499	N/A
People Attending Special Events	1,335,850	1,312,850	1,441,350	1,688,701
Parks Permits Issued	442	374	1,090	1,047
Sponsor Dollars Raised	237,700	245,507	235,153	361,336
Recreation Bureau Attendance (Year-Round)	546,860	571,668	585,760	539,800
Calls For Tree Work	250	339	211	220
Removal Notices Sent	107	100	77	64

Notes: No operating indicators are available for the general government.

(a) Most of this information was gathered by new members of departments, so the way the information was obtained could have an impact on the figures.

Fiscal Year						
2005	2006	2007	2008	2009	2010	(a)
454	410	406	445	458	389	
282	264	256	279	8,395	8,100	
58	58	58	58	58	58	
46	46	46	46	46	46	
Not Available	Not Available	12	12	12	12	
Not Available	Not Available	34,281	30,200	26,186	26,189	
Not Available	Not Available	1,788	1,700	1,436	1,257	
48	13	7	17	30	19	
387	322	167	229	160	126	
1,865,600	1,828,300	1,936,500	1,930,550	2,317,750	2,042,750	
949	587	684	980	747	233	
392,026	420,900	439,990	437,725	364,250	364,760	
606,800	503,175	582,975	554,770	2,800,515	15,468	
271	312	399	202	138	20	
64	72	92	40	39	59	

City of Harrisburg, Pennsylvania
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

Function/Program	Fiscal Year 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Building and Housing										
Vehicles	1	1	1	1	1	1	1	1	16	18
Public Safety										
Police										
Vehicles	110	110	107	105	103	102	75	75	114	124
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	5	5
Ladder Trucks	4	4	4	4	4	4	4	4	4	4
Vehicles	9	9	9	9	9	9	9	9	4	6
PA Task Force One:										
Tractor Trailers	-	-	2	3	3	3	3	3	4	4
Box Trucks	-	-	2	4	5	5	5	5	5	5
Vehicles	-	-	3	6	11	11	11	11	12	12
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	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	12	12	12	12	12	12	12	14
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	29	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.
All 2009 "vehicle" figures were received from the Vehicle Maintenance Center, unlike in prior years.

(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.