

# **City of Harrisburg, Pennsylvania**

## Comprehensive Annual Financial Report

Year Ended December 31, 2017 with  
Independent Auditor's Report

**MaherDuessel**

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**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED DECEMBER 31, 2017**

**MAYOR**

Eric Papenfuse

**CITY COUNCIL**

Wanda R. D. Williams, President  
Benjamin J. Allatt, Vice President  
Shamaine A. Daniels  
Westburn Majors  
Cornelius Johnson  
Ausha Green  
David Madsen

**CITY CONTROLLER**

Charles DeBrunner

**CITY TREASURER**

Daniel Miller

**DEPARTMENT OF ADMINISTRATION**

**PREPARED BY:**

Bruce Weber  
Finance Director

Bryan McCutcheon  
Accounting Manager

Erika Regalado  
Budget Manager

**SPECIAL ACKNOWLEDGEMENTS:**

Keisha George-Williams  
Auditor

Melissa Mayo  
Staff Accountant/Financial Analyst

Jonathan Hicks/Rebecca Vollmer  
Grants Managers

NOTE: the above information is as of September 2018

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Fiscal year ended December 31, 2017**

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**CITY OF HARRISBURG, PENNSYLVANIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal year ended December 31, 2017**

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# The City of

Department of Administration



# Harrisburg

Bureau of Financial Management

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September 25, 2018

To The Honorable Eric Papenfuse, 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, 2017, 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, 2017, 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 unmodified opinion that the City's financial statements for the year ended December 31, 2017, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

**Rev. Dr. Martin Luther King, Jr. City Government Center  
10 North Second Street X Harrisburg, PA 17101  
Tel: (717) 255-3040**

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations for the year ended December 31, 2017, will be included in a separately issued document.

## ***PROFILE OF THE GOVERNMENT***

The City provides a full range of services which include police and fire protection; codes enforcement; trash collection; parks maintenance; streets and infrastructure construction and maintenance; community and economic development programs; and 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 Harrisburg Parking Authority (HPA), Harrisburg Downtown Improvement District, Inc., and the Harrisburg Redevelopment Authority (HRA); therefore, these activities are included in the financial reporting entity. However, Capital Region Water (CRW) and the City of Harrisburg Housing Authority have not met the established criteria of GASB Statement No. 14, as amended, 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.

### ***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, Debt Service Fund, State Liquid Fuels Tax Fund and Act 101 Host Fee Fund (both non-major governmental funds), and the Neighborhood Services Fund are included in the annual appropriated budget. Grant programs, accounted for in the Grant Programs Fund, are administered under project budgets which are determined by contracts with federal and state grant agencies. Appropriations are authorized by ordinance at the fund level, with the exception of the General Fund, which is appropriated at the functional office or department level, except for the Department of Administration, which has separate budgets for administration and general expenditures. Appropriations are further defined through the establishment of more detailed major category budgets. These are the legal levels of budgetary control. Budgetary transfers and supplemental appropriations occurred during 2017. This process is described in Note 1S to the financial statements.

Fiscal control is also achieved in the Capital Projects Fund through provisions of bond indentures and ordinances authorizing appropriations at the project level. 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 or rolled over as part of the following year's budget.

## ***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 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.

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, liquor liability, excess liability, fidelity-crime, cyber risk liability, public entity management liability, public entity employment practices liability, garage-keepers legal liability, automobile, property, fire, flood, earthquake, TRIA, 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.

***Other***

The Department of Public Safety includes the Bureaus of Police and Fire. The Bureau of Police attained Pennsylvania state accreditation (PLEAC) in 2003 and was successful in attaining re-accreditation in 2015. 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 four 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 the Police Athletic League 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.

The Bureau of Vehicle Management continued to provide fleet services and maintenance to the City's equipment fleet. The services within the Bureau includes providing a total management program for all equipment, and providing the Commonwealth of Pennsylvania Safety and Emission Inspections Programs. The Bureau services the fleet by performing the necessary preventative maintenance and mechanical/sheet metal repairs

The City of Harrisburg continued to provide quality of life events in 2017, even with constrains of a tight fiscal environment. The list of events included New Year's Eve celebrations, Patriot-News Artsfest, Shakespeare in the Park, July 4<sup>th</sup> activities, Kipona Weekend, and the Annual Holiday Parade. These events occurred through securing of sponsorship dollars.

The City continues to provide all necessary services for a safe and secure living environment, while mending financially and operationally. After years of struggle and uncertainty, the City has begun the process of putting its past behind it and now can look forward to planning for a bright and more prosperous future for its citizens as well as for the broader Central PA community.

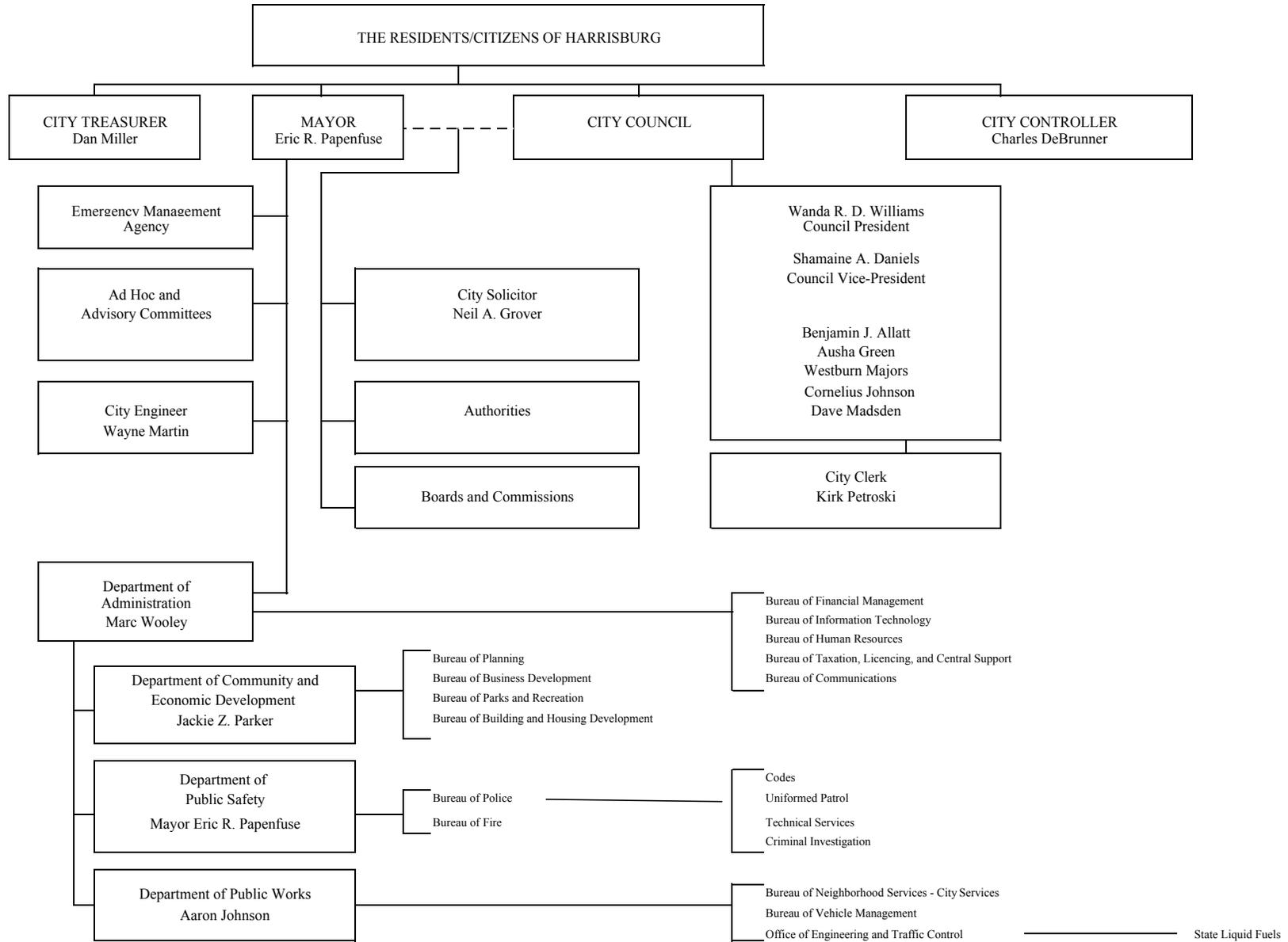
Respectfully submitted,

A handwritten signature in cursive script that reads "Bruce Weber". The signature is written in dark ink and is positioned above the printed name and title.

Bruce Weber

Director of Financial Management

**CITY OF HARRISBURG  
2017 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 2017 are:

|                                     | <u>First Sworn In</u> | <u>Term Expires</u> |
|-------------------------------------|-----------------------|---------------------|
| <u>Mayor</u>                        |                       |                     |
| Eric Papenfuse                      | January 2014          | January 2018        |
| <u>City Council Members</u>         |                       |                     |
| Wanda R. D. Williams, President     | January 2006          | January 2018        |
| Shamaine A. Daniels, Vice President | January 2014          | January 2018        |
| Benjamin J. Allatt                  | January 2014          | January 2018        |
| Ausha Green                         | October 2017          | January 2020        |
| Westburn Majors                     | January 2016          | January 2020        |
| Cornelius Johnson                   | January 2016          | January 2020        |
| Dave Madsen                         | September 2017        | January 2018        |
| <u>City Controller</u>              |                       |                     |
| Charles DeBrunner                   | January 2014          | January 2018        |
| <u>City Treasurer</u>               |                       |                     |
| Daniel Miller                       | July 2016             | January 2018        |

## Independent Auditor's Report

**The Honorable  
Eric R. Papenfuse, Mayor  
and Honorable Members  
of City Council  
City of Harrisburg,  
Pennsylvania**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisburg, Pennsylvania (City) as of and for the year ended December 31,

2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Harrisburg Downtown Improvement District, Inc., which represent 1 percent, -2 percent, and 6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Harrisburg Downtown Improvement District, Inc., is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Harrisburg Parking Authority, the Harrisburg Downtown Improvement District, Inc., and the Redevelopment Authority of the City of Harrisburg were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), budgetary comparison information, and historical pension plan and other post-employment benefit plan information on pages i through xiii, 101 through 103, and 104 through 111, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maher Duessel*

Harrisburg, Pennsylvania  
September 25, 2018

This section of the City of Harrisburg's (City) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis of the City's financial performance during the year ending December 31, 2017. 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's assets and deferred outflows of resources as of December 31, 2017 exceeded liabilities and deferred inflows of resources by \$31,320,853, whereas at the end of 2016 assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,329,371. This government-wide increase in net position for 2017 amounts to \$6,991,482, including \$5,224,910 for governmental activities and \$1,766,572 for business-type activities (see below the individual summary explanations highlighting these increases in the City's net position); the three component classifications of net position are summarized as follows:
  - Net investment in capital assets, in the amount of \$65,477,008 and \$57,789,161 as of December 31, 2017 and 2016, respectively, represents all capital assets including infrastructure.
  - Restricted net position with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$25,955,979 and \$26,346,723 as of December 31, 2017 and 2016, respectively.
  - Unrestricted net position, which is net position not restricted for any particular purpose, amounts to (\$60,112,134) and (\$59,806,513) as of December 31, 2017 and 2016, respectively.
- As noted above for governmental activities, net position increased \$5,224,910 during the current year. The overall significant activities comprising this increase include \$69,245,990 in total expenses, \$17,833,890 in total program revenues, and \$56,637,010 in general revenues and other changes in net position.
- As noted above for business-type activities, net position increased \$1,766,572 during the current year. The overall significant activities comprising this increase include \$13,606,234 in total expenses, \$15,035,652 in total program revenues, and \$337,154 in general revenues and other changes in net position.

## **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, 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 basic financial statements.

1. **Government-Wide Financial Statements** The government-wide financial statements provide a summary of the City'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.

The City's net position is reported as the difference between combined assets and deferred outflows of resources, and combined liabilities and deferred inflows of resources. Increases and decreases in net position serve as a good indicator of the financial condition improving or deteriorating.

The Statement of Activities presents information on how net position 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 Position 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's governmental activities are comprised of general government, community and economic development, public safety (police and fire), public works, environment, and interest on long-term debt. The business-type activities of the City are accounted for within the Harrisburg Senators Fund and the Neighborhood Services Fund.

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 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.

Because 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 both 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 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 Grant 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 non-major governmental funds are combined into a single aggregated presentation with individual fund data 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 reports two major enterprise funds: (1) 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 (2) the Neighborhood Services Fund, which includes the revenues and expenses associated with the provision of refuse collection services to the residents and commercial establishments of the City, the collection and remittance of incinerator/resource recovery disposal fees billed by the City and remitted to the Lancaster County Solid Waste Management Authority for its provision of solid waste incineration services to the residents and commercial and industrial establishments of the City, and the fiscal management of the former City services (public

works function) expenditures portion of the General Fund relative to serving the public community.

- 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 Basic 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.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

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**Government-wide Financial Analysis**

**CITY OF HARRISBURG**  
**CONDENSED STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

|                                    | Governmental Activities |                 | Business-type Activities |               | Totals         |               |
|------------------------------------|-------------------------|-----------------|--------------------------|---------------|----------------|---------------|
|                                    | 2017                    | 2016            | 2017                     | 2016          | 2017           | 2016          |
| Current and other assets           | \$ 86,044,693           | \$ 78,466,607   | \$ 16,734,029            | \$ 17,147,095 | \$ 102,778,722 | \$ 95,613,702 |
| Capital assets, net accum. deprec. | 91,124,858              | 91,253,597      | 34,258,438               | 32,499,604    | 125,383,296    | 123,753,201   |
| Total assets                       | 177,169,551             | 169,720,204     | 50,992,467               | 49,646,699    | 228,162,018    | 219,366,903   |
| Deferred outflows for pensions     | 8,710,311               | 17,626,420      | 1,116,736                | 890,313       | 9,827,047      | 18,516,733    |
| Current and other liabilities      | 14,806,724              | 13,230,693      | 1,546,656                | 1,095,760     | 16,353,380     | 14,326,453    |
| Noncurrent liabilities             | 173,350,257             | 184,259,199     | 13,681,614               | 14,470,929    | 187,031,871    | 198,730,128   |
| Total liabilities                  | 188,156,981             | 197,489,892     | 15,228,270               | 15,566,689    | 203,385,251    | 213,056,581   |
| Deferred inflows for pensions      | 3,138,923               | 497,684         | 144,038                  | -             | 3,282,961      | 497,684       |
| Net investment in                  |                         |                 |                          |               |                |               |
| capital assets                     | 38,466,843              | 31,676,658      | 27,010,165               | 26,112,503    | 65,477,008     | 57,789,161    |
| Restricted                         | 22,966,422              | 24,561,407      | 2,989,557                | 1,785,316     | 25,955,979     | 26,346,723    |
| Unrestricted                       | (66,849,307)            | (66,879,017)    | 6,737,173                | 7,072,504     | (60,112,134)   | (59,806,513)  |
| Total net position                 | \$ (5,416,042)          | \$ (10,640,952) | \$ 36,736,895            | \$ 34,970,323 | \$ 31,320,853  | \$ 24,329,371 |

Net position and its change generally serve over time as a useful indicator of the government's financial position. For 2017, the changes in net position for governmental activities and business-type activities decreased \$3,596,327 from 2016 and increased \$6,079,465 from 2016, respectively. The decrease for governmental activities is comprised of \$1,201,043 more in program revenues, \$4,017,334 more in expenses, and \$780,036 less in general revenues/other changes in net position. The increase for business-type activities is comprised of \$1,318,877 more in program revenues, \$991,386 less in expenses, and \$3,769,202 more in general revenues/other changes in net position. Sections appear later in this discussion with more detailed explanations as to the decreased change in net position for governmental activities (page ix) and the increased change in net position for business-type activities (page x).

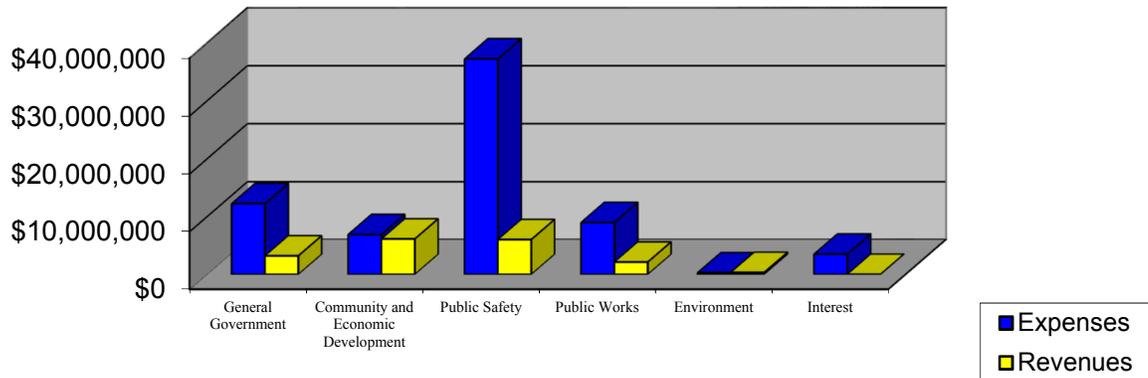
The largest portion of the City's net position is its investment in capital assets (i.e., land, artifacts, building, land and building improvements, equipment and furniture, infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used by the City to provide 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 the resources needed to repay this debt must come from other sources as these capital assets cannot be used to liquidate these debt obligations.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

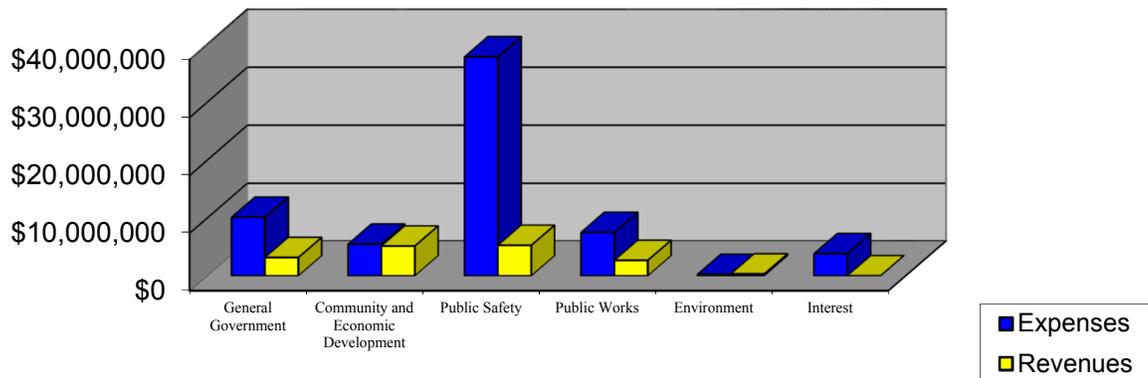
**CITY OF HARRISBURG**  
**CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

|   | Governmental Activities |                        | Business-type Activities |                      | Totals               |                      |
|---|-------------------------|------------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2017                    | 2016                   | 2017                     | 2016                 | 2017                 | 2016                 |
| <b>Revenues</b>   |                         |                        |                          |                      |                      |                      |
| Program revenues:   |                         |                        |                          |                      |                      |                      |
| Charges for services  | \$ 8,552,265            | \$ 8,164,063           | \$ 14,983,835            | \$ 13,675,010        | \$ 23,536,100        | \$ 21,839,073        |
| Operating grants and contributions                            | 9,155,652               | 7,706,809              | 51,817                   | 41,765               | 9,207,469            | 7,748,574            |
| Capital grants and contributions                              | 125,973                 | 761,975                | -                        | -                    | 125,973              | 761,975              |
| General revenues:   |                         |                        |                          |                      |                      |                      |
| Taxes   | 45,481,025              | 43,292,385             | -                        | -                    | 45,481,025           | 43,292,385           |
| Grants and contributions not restricted to specific functions | 8,863,715               | 8,216,905              | -                        | -                    | 8,863,715            | 8,216,905            |
| Other   | 2,589,935               | 2,448,766              | 39,489                   | 26,942               | 2,629,424            | 2,475,708            |
| <b>Total revenues</b>   | <b>74,768,565</b>       | <b>70,590,903</b>      | <b>15,075,141</b>        | <b>13,743,717</b>    | <b>89,843,706</b>    | <b>84,334,620</b>    |
| <b>Expenses</b>   |                         |                        |                          |                      |                      |                      |
| General government  | 12,283,431              | 10,194,954             | -                        | -                    | 12,283,431           | 10,194,954           |
| Community/Economic development                                | 6,921,061               | 5,509,957              | -                        | -                    | 6,921,061            | 5,509,957            |
| Public safety   | 37,246,320              | 37,862,228             | -                        | -                    | 37,246,320           | 37,862,228           |
| Public works  | 9,023,397               | 7,558,344              | -                        | -                    | 9,023,397            | 7,558,344            |
| Environment   | 262,425                 | 250,661                | -                        | -                    | 262,425              | 250,661              |
| Interest on long-term debt                                    | 3,509,356               | 3,852,512              | -                        | -                    | 3,509,356            | 3,852,512            |
| Neighborhood services   | -                       | -                      | 12,317,774               | 13,317,968           | 12,317,774           | 13,317,968           |
| Harrisburg Senators   | -                       | -                      | 1,288,460                | 1,279,652            | 1,288,460            | 1,279,652            |
| <b>Total expenses</b>   | <b>69,245,990</b>       | <b>65,228,656</b>      | <b>13,606,234</b>        | <b>14,597,620</b>    | <b>82,852,224</b>    | <b>79,826,276</b>    |
| Change in net position before transfers                       | 5,522,575               | 5,362,247              | 1,468,907                | (853,903)            | 6,991,482            | 4,508,344            |
| Transfers   | (297,665)               | 3,458,990              | 297,665                  | (3,458,990)          | -                    | -                    |
| Change in net position  | 5,224,910               | 8,821,237              | 1,766,572                | (4,312,893)          | 6,991,482            | 4,508,344            |
| Net position, January 1                                       | (10,640,952)            | (19,462,189)           | 34,970,323               | 39,283,216           | 24,329,371           | 19,821,027           |
| <b>Net position, December 31</b>                              | <b>\$ (5,416,042)</b>   | <b>\$ (10,640,952)</b> | <b>\$ 36,736,895</b>     | <b>\$ 34,970,323</b> | <b>\$ 31,320,853</b> | <b>\$ 24,329,371</b> |

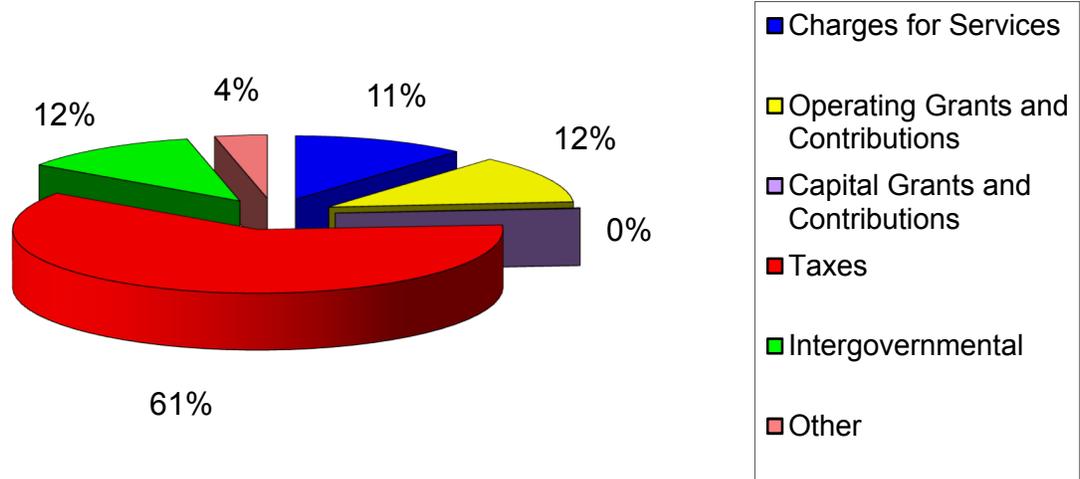
### Expenses and Program Revenues Governmental Activities - 2017



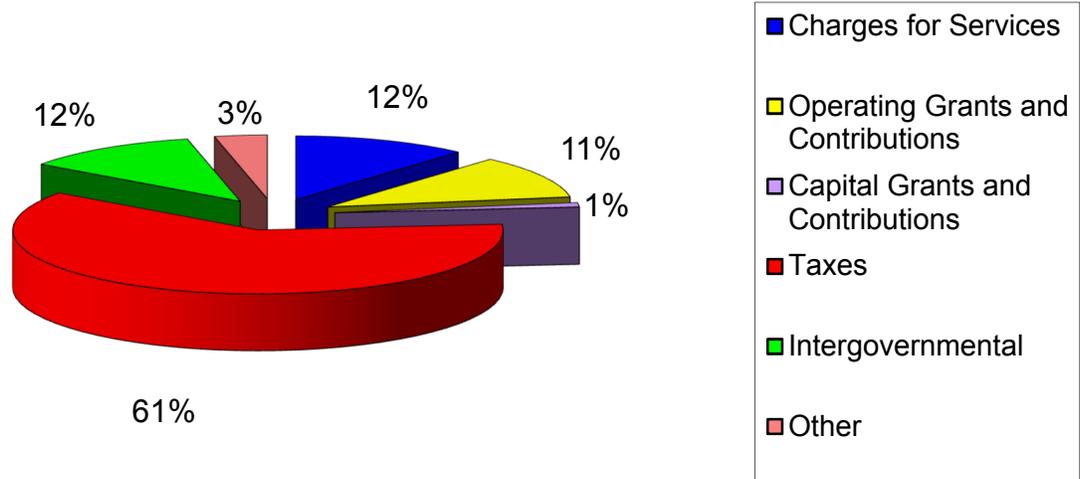
### Expenses and Program Revenues Governmental Activities - 2016



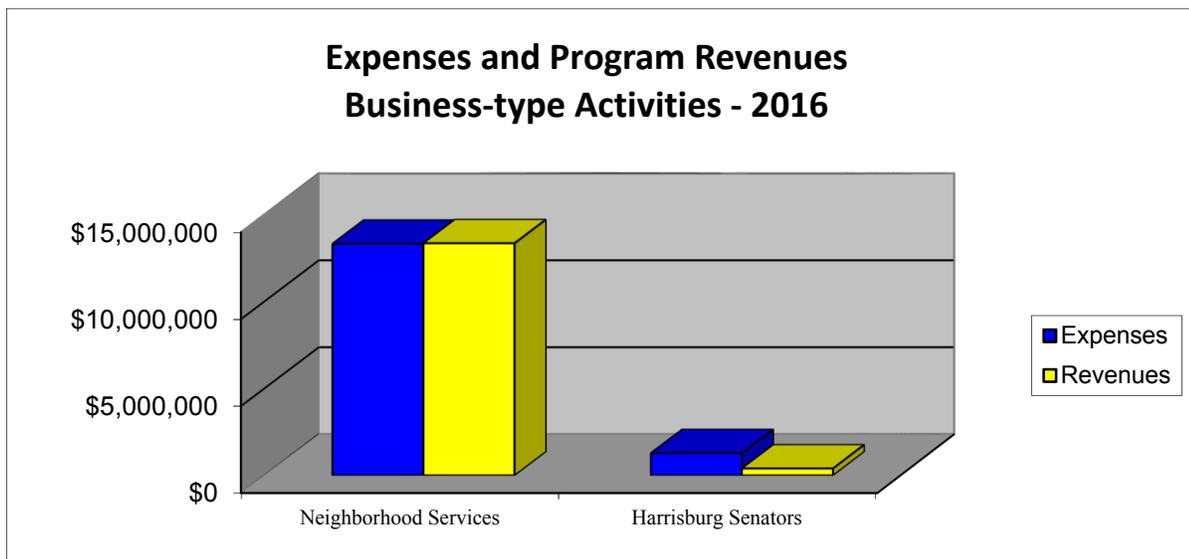
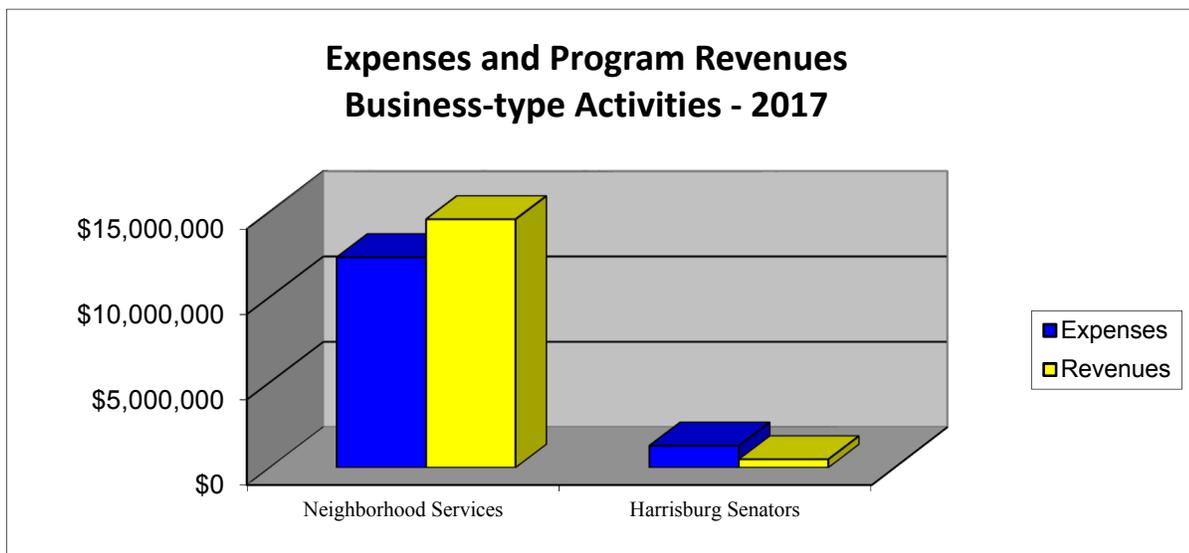
**Revenues by Source - Governmental Activities**  
**2017**



**Revenues by Source - Governmental Activities**  
**2016**



**Governmental Activities:** Change in net position in 2017 for governmental activities amounted to \$5,224,910 compared with a change in net position of \$8,821,237 occurring for 2016, for a resulting decrease of \$3,596,327 in such change. This decrease is comprised of General Government expenses increasing by \$2,088,477 mainly due to an increase of \$353,400 in related pension expense and the occurring release of \$1,695,999 in Harrisburg Strong Plan growth funds for applicable settlement distributions, and Public Works expenses increasing by \$1,465,053 mostly due to an increase of \$1,416,221 in related pension expense.



**Business-Type Activities:** Change in net position in 2017 for business-type activities amounted to \$1,766,572 compared with a change in net position of (\$4,312,893) occurring for 2016, for a resulting increase of \$6,079,465 in such change. This increase is comprised of Charges for services revenue increasing by \$1,218,036 for the Neighborhood Services Fund due to increases in both refuse and disposal utility billing revenues related to the City realizing a full year's benefit from acquiring several new commercial billing accounts from private waste haulers, Transfers – internal activities positively increasing by \$3,756,655 mainly due to prior year internal transfers between governmental and business-type activities reflecting the need to establish certain liability balances within the then new Neighborhood Services Fund, and Neighborhood services expenses decreasing by \$1,000,194 related to several factors including \$120,438 less in compensated absences expense due to the prior year being significantly affected by the transfer of accrued leave liability from governmental activities to business-type activities, \$284,098 less in workers' compensation expense as a result of an adjustment to the calculated reserve for incurred losses, \$377,565 less in miscellaneous contracted services reflecting very significant costs occurring in the prior year arising from a January 2016 winter storm event, and \$206,234 less in property taxes applicable to the City's public works complex facility attributed to 2016 including multiple years of such unpaid taxes.

### **Financial Analysis of the City's Funds**

**Governmental Funds** The focus of the City'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's financing requirements; in particular unassigned 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 December 31, 2017, the City's governmental funds reported a combined ending fund balance of \$47,788,919 representing an increase of \$5,583,776 during 2017.

The General Fund is the City's primary operating governmental fund and experienced a net increase in fund balance during 2017 amounting to \$3,639,850 including total revenues of \$64,614,063 affected by increases in taxes, building permit fees, and insurance reimbursements; total expenditures of \$51,000,227 affected by increases in settlement distributions, consulting and capital expenditures for information technology, public safety expenditures relative to personnel and pension, and public works expenditures involving traffic control and building upgrades; and total net other financing uses of \$9,973,986 affected by decreases in bond insurance advances and transfers in from the Capital Projects Fund.

The Grant Programs Fund generally does not report a fund balance. 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 Other

Governmental Funds increased during 2017 by \$1,978,552, and such change is comprised of several factors including \$905,234 in hotel tax revenue within the Capital Projects Fund not transferred to the General Fund, \$264,198 in grant funding support from PennDOT specific to the City's Third Street infrastructure project within the Capital Projects Fund, \$500,000 in interfund transfer from the General Fund to the Capital Projects Fund for enabling additional financial resources for the City's ongoing street and road improvement projects, and \$338,983 in resulting excess of revenues over expenditures applicable to the State Liquid Fuels Tax Fund.

### **General Fund Budgetary Highlights**

On a budgetary (non-GAAP) basis, the General Fund's actual amounts for 2017 resulted in a positive net change in fund balance of \$2,263,560, resulting in an overall net \$11.2 million favorable variance when compared to final budget amounts for the fiscal year; this favorable variance is summarized with several related factors as follows:

Total revenues being over budget by approximately \$4.3 million is mainly comprised of \$962,620 in stronger real estate tax revenue and associated penalty amounts, \$1,945,752 in higher than anticipated collections for local services taxes reflecting a too conservative budget estimation, \$648,606 in higher than anticipated collections for earned income taxes, and \$689,800 more in building permit fees related to the Bureau of Codes experiencing increased activity correlated with the City expanding its staff of inspectors.

Total expenditures being under budget by approximately \$9.2 million is mostly comprised of several favorable variances including \$2,069,904 for the Bureau of Police (personnel and capital costs), \$291,876 for the Bureau of Fire (capital costs), \$172,830 for Codes Enforcement (personnel costs), \$2,495,180 for Traffic and Engineering (consulting, engineering, and capital costs), \$879,979 for Vehicle Management (fuels and vehicle parts/supplies), \$2,352,543 in medical benefit claim costs reflecting excess budget estimation, \$670,126 for the Bureau of Information Technology (consulting and capital costs), and \$184,396 for the Bureau of Parks and Recreation (personnel costs).

Total net other financing uses being over budget by approximately \$2.3 million is more reflective of \$2.2 million in transfer-in reimbursement from the Federal Grants Fund not occurring prior to the end of the year, related to the General Fund providing temporary advance funds for costs associated with the South 14<sup>th</sup> Street sinkhole project prior to receipt of Federally awarded pre-disaster mitigation/disaster recovery grant funding.

Finally, the beginning of year budgetary basis fund balance has been restated by approximately \$1.2 million, so as to reflect the reclassification of previously reported special revenue funds now recognized as being part of the General Fund's financial statement presentation.

### **Capital Asset and Debt Administration**

1. **Capital assets** The City's capital assets for its governmental activities and business-type activities as of December 31, 2017 amount to \$91,124,858 and \$34,258,438 (net of accumulated depreciation), respectively. This investment in capital assets includes land, artifacts, buildings, land and building improvements, equipment and furniture, and infrastructure.

Major capital asset events during 2017 included the following:

- Governmental activities: Highlighted capital additions are comprised of \$1.2 million for buildings including improvements for the City Government Center, \$1.4 million for machinery and equipment including assets of an information technology nature, and \$1.6 million for infrastructure including various traffic control and lighting upgrades.
- Business-type activities: Highlighted capital additions are comprised of \$2.7 million for machinery and equipment including the sanitation/public works department upgrading its vehicles fleet with the acquisition of 7 new rear-loading refuse trucks.

Additional information on the City's capital assets can be found beginning on page 56 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, including restructuring activity relative to the City's bond insurer.

Additional information on the City's long-term debt can be found beginning on page 59 of this report.

### **Economic Factors**

Arguably, one of the most significant factors affecting financial position is the City's ongoing efforts to achieve a healthy budget free from previous burdening structural deficit conditions as it continues to further manage existing debt service requirements.

Additionally, the most significant unfunded mandate affecting the City is the liberal allowance for tax-exemption existing 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 among the greatest generators of demand for City services, and what results is a continuing inequitable and unfair burden on the City placing a higher tax rate on those who do pay property taxes.

Some of the factors affecting the City's costs are matters over which a local government has little control; other factors are only marginally controllable. The following items represent circumstances which will impact future costs:

- (a) Healthcare costs tend to rise each year and the City does continue to project these costs to remain substantial; however, even with some occurring staff size increases within various City departments in recent years these costs have somewhat stabilized. It is still anticipated that as the City continues to become more fully staffed, there will be a related increase in such costs.
- (b) Salaries and wages for the City's Police (FOP), Firefighter (IAFF), and Non-Uniformed (AFSCME) collective bargaining units were negotiated to 1% increases for fiscal year 2016; for fiscal year 2017, increases of .5% (twice), 2%, and 1% occurred for FOP, IAFF, and AFSCME, respectively; and for fiscal year 2018, increases of .5% (twice), 2%, and 1% again are to occur for FOP, IAFF, and AFSCME, respectively.
- (c) Pension benefits and OPEB obligations of the primary government are also considered here, as these liabilities have experienced continuous increases in recent years.
- (d) The Harrisburg Strong Plan provides for the agreed-to settlement of reimbursable amounts owed to several suburban municipalities in accordance with a negotiated compromise of the involved claim, and reimbursement to the City's bond insurer for advances made on the City's behalf involving the 1997 Series General Obligation Refunding Bonds and Notes. These related repayments have been scheduled to occur over multiple years beginning in 2013 through fiscal year 2032.

### **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, requests for additional information, or complete financial statements for the discretely presented component units should be addressed to the City's Bureau of Financial Management, The Rev. Dr. Martin Luther King Jr., City Government Center, 10 North Second Street, Suite 302, Harrisburg, PA 17101. You may also find more information regarding the City at our website [www.harrisburgpa.gov](http://www.harrisburgpa.gov).

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

|   | Primary Government         |                             |                    | Component<br>Units | Total              |
|---|----------------------------|-----------------------------|--------------------|--------------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total              |                    |                    |
| <b>Assets</b>   |                            |                             |                    |                    |                    |
| Cash and cash equivalents   | \$ 24,401,514              | \$ 7,085,225                | \$ 31,486,739      | \$ 2,587,963       | \$ 34,074,702      |
| Investments, at fair value  | 10,703,473                 | 3,671                       | 10,707,144         | -                  | 10,707,144         |
| Receivables, net of allowance<br>for uncollectible accounts       |                            |                             |                    |                    |                    |
| Taxes   | 14,306,390                 | -                           | 14,306,390         | -                  | 14,306,390         |
| Accounts  | -                          | 3,810,630                   | 3,810,630          | 138,869            | 3,949,499          |
| Rent  | 1,120,335                  | -                           | 1,120,335          | 895,609            | 2,015,944          |
| Loans   | 628,105                    | -                           | 628,105            | 197,745            | 825,850            |
| Lease   | -                          | -                           | -                  | 6,192,636          | 6,192,636          |
| Notes   | 8,113,624                  | -                           | 8,113,624          | -                  | 8,113,624          |
| Grants  | -                          | -                           | -                  | 11,338             | 11,338             |
| Other   | 4,004,030                  | 1,311,912                   | 5,315,942          | -                  | 5,315,942          |
| Internal balances   | 268,410                    | (268,410)                   | -                  | -                  | -                  |
| Due from component unit   | 895,608                    | -                           | 895,608            | -                  | 895,608            |
| Other assets  | 846,503                    | 43,936                      | 890,439            | 15,566             | 906,005            |
| Restricted assets   |                            |                             |                    |                    |                    |
| Cash and cash equivalents   | 6,218,554                  | 407,508                     | 6,626,062          | -                  | 6,626,062          |
| Investments, at fair value  | 4,538,241                  | 658,740                     | 5,196,981          | 1,232,859          | 6,429,840          |
| Security deposit  | -                          | 1,350,000                   | 1,350,000          | -                  | 1,350,000          |
| Net pension asset   | 9,999,906                  | 2,330,817                   | 12,330,723         | -                  | 12,330,723         |
| Capital assets, not being<br>depreciated                          | 27,101,669                 | 370,021                     | 27,471,690         | 30,000             | 27,501,690         |
| Capital assets, less accumulated<br>depreciation and amortization | 64,023,189                 | 33,888,417                  | 97,911,606         | 47,658,088         | 145,569,694        |
| <b>Total assets</b>   | <b>177,169,551</b>         | <b>50,992,467</b>           | <b>228,162,018</b> | <b>58,960,673</b>  | <b>287,122,691</b> |
| <b>Deferred Outflows of Resources</b>                             |                            |                             |                    |                    |                    |
| Deferred outflows of resources<br>for pensions                    | 8,710,311                  | 1,116,736                   | 9,827,047          | -                  | 9,827,047          |

(continued)

|   | Primary Government         |                             |                      | Component<br>Units     | Total               |
|---|----------------------------|-----------------------------|----------------------|------------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |                        |                     |
| <b>Liabilities</b>                                |                            |                             |                      |                        |                     |
| Accounts payable and other<br>current liabilities | 3,473,509                  | 1,400,423                   | 4,873,932            | 246,621                | 5,120,553           |
| Matured bond coupons                              | 20,097                     | -                           | 20,097               | -                      | 20,097              |
| Accrued liabilities                               | 7,142,171                  | 146,233                     | 7,288,404            | 117,742                | 7,406,146           |
| Due to primary government                         | -                          | -                           | -                    | 1,405,609              | 1,405,609           |
| Unearned revenue                                  | 4,170,947                  | -                           | 4,170,947            | -                      | 4,170,947           |
| Noncurrent liabilities:                           |                            |                             |                      |                        |                     |
| Due within one year                               | 11,425,692                 | 910,089                     | 12,335,781           | 2,254,916              | 14,590,697          |
| Due in more than one year                         | 53,839,567                 | 7,943,192                   | 61,782,759           | 20,645,889             | 82,428,648          |
| Net pension liability                             | 11,254,140                 | -                           | 11,254,140           | -                      | 11,254,140          |
| Other post-employment<br>benefits                 | 80,337,588                 | 4,828,333                   | 85,165,921           | -                      | 85,165,921          |
| Liability under guarantee                         | 16,493,270                 | -                           | 16,493,270           | -                      | 16,493,270          |
| <b>Total liabilities</b>                          | <b>188,156,981</b>         | <b>15,228,270</b>           | <b>203,385,251</b>   | <b>24,670,777</b>      | <b>228,056,028</b>  |
| <b>Deferred Inflows of Resources</b>              |                            |                             |                      |                        |                     |
| Deferred inflows of resources<br>for pensions     | 3,138,923                  | 144,038                     | 3,282,961            | -                      | 3,282,961           |
| Deferred lease revenue                            | -                          | -                           | -                    | 56,490,862             | 56,490,862          |
| <b>Total deferred inflows of resources</b>        | <b>3,138,923</b>           | <b>144,038</b>              | <b>3,282,961</b>     | <b>56,490,862</b>      | <b>59,773,823</b>   |
| <b>Net position</b>                               |                            |                             |                      |                        |                     |
| Net investment in capital assets                  | 38,466,843                 | 27,010,165                  | 65,477,008           | (24,636,119)           | 40,840,889          |
| Restricted for:                                   |                            |                             |                      |                        |                     |
| Revolving loan program                            | 300,259                    | -                           | 300,259              | 172,855                | 473,114             |
| Environment                                       | 523,414                    | -                           | 523,414              | -                      | 523,414             |
| Public works                                      | 1,604,909                  | -                           | 1,604,909            | -                      | 1,604,909           |
| Community and economic<br>development             | 99,796                     | -                           | 99,796               | -                      | 99,796              |
| Neighborhood mitigation                           | -                          | -                           | -                    | 223,447                | 223,447             |
| Tourism   | 2,058,525                  | -                           | 2,058,525            | -                      | 2,058,525           |
| Debt service                                      | -                          | 658,740                     | 658,740              | -                      | 658,740             |
| Growth funds                                      | 8,312,026                  | -                           | 8,312,026            | -                      | 8,312,026           |
| Net pension asset                                 | 9,999,906                  | 2,330,817                   | 12,330,723           | -                      | 12,330,723          |
| Other   | 67,587                     | -                           | 67,587               | -                      | 67,587              |
| Insurer agreement                                 | -                          | -                           | -                    | 320,621                | 320,621             |
| Unrestricted                                      | (66,849,307)               | 6,737,173                   | (60,112,134)         | 1,718,230              | (58,393,904)        |
| <b>Total net position</b>                         | <b>\$ (5,416,042)</b>      | <b>\$ 36,736,895</b>        | <b>\$ 31,320,853</b> | <b>\$ (22,200,966)</b> | <b>\$ 9,119,887</b> |

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

| Functions/Programs                       | Expenses             | Program Revenues     |                                    |                                  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government                       |                      |                      |                                    |                                  |
| Governmental activities                  |                      |                      |                                    |                                  |
| General government                       | \$ 12,283,431        | \$ 3,173,538         | \$ -                               | \$ 29,974                        |
| Community and economic development       | 6,921,061            | 482,700              | 5,661,191                          | -                                |
| Public safety                            | 37,246,320           | 3,806,802            | 2,168,164                          | 63,210                           |
| Public works                             | 9,023,397            | 763,992              | 1,326,297                          | 32,789                           |
| Environment                              | 262,425              | 325,233              | -                                  | -                                |
| Interest on long-term debt               | 3,509,356            | -                    | -                                  | -                                |
| Total governmental activities            | <u>69,245,990</u>    | <u>8,552,265</u>     | <u>9,155,652</u>                   | <u>125,973</u>                   |
| Business-type activities                 |                      |                      |                                    |                                  |
| Harrisburg Senators                      | 1,288,460            | 488,384              | -                                  | -                                |
| Neighborhood services                    | 12,317,774           | 14,495,451           | 51,817                             | -                                |
| Total business-type activities           | <u>13,606,234</u>    | <u>14,983,835</u>    | <u>51,817</u>                      | <u>-</u>                         |
| Total primary government                 | <u>\$ 82,852,224</u> | <u>\$ 23,536,100</u> | <u>\$ 9,207,469</u>                | <u>\$ 125,973</u>                |
| Component units                          |                      |                      |                                    |                                  |
| Harrisburg Parking Authority             | \$ 1,603,687         | \$ 182,777           | \$ -                               | \$ -                             |
| Harrisburg Downtown Improvement District | 802,229              | 626,603              | 117,680                            | -                                |
| Redevelopment Authority                  | 4,532,086            | 8,574,696            | 54,281                             | 72,221                           |
| Total component units                    | <u>\$ 6,938,002</u>  | <u>\$ 9,384,076</u>  | <u>\$ 171,961</u>                  | <u>\$ 72,221</u>                 |

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  
Gain on sale of assets  
Other income  
Unrestricted investment earnings  
Transfers - internal activities  
Extraordinary item  
Total general revenues, transfers, and extraordinary item  
Change in net position  
Net position - January 1, 2017 - restated  
Net position - December 31, 2017

| Net (Expense) Revenue and<br>Changes in Net Position |                             |                      |                        |                     |
|--|-----------------------------|----------------------|------------------------|---------------------|
| Primary Government                                   |                             |                      | Component<br>Units     | Total               |
| Governmental<br>Activities                           | Business-type<br>Activities | Total                |                        |                     |
| \$ (9,079,919)                                       | \$ -                        | \$ (9,079,919)       | \$ -                   | \$ (9,079,919)      |
| (777,170)  | -                           | (777,170)            | -                      | (777,170)           |
| (31,208,144)   | -                           | (31,208,144)         | -                      | (31,208,144)        |
| (6,900,319)  | -                           | (6,900,319)          | -                      | (6,900,319)         |
| 62,808   | -                           | 62,808               | -                      | 62,808              |
| (3,509,356)  | -                           | (3,509,356)          | -                      | (3,509,356)         |
| <u>(51,412,100)</u>                                  | <u>-</u>                    | <u>(51,412,100)</u>  | <u>-</u>               | <u>(51,412,100)</u> |
| -  | (800,076)                   | (800,076)            | -                      | (800,076)           |
| -  | 2,229,494                   | 2,229,494            | -                      | 2,229,494           |
| -  | 1,429,418                   | 1,429,418            | -                      | 1,429,418           |
| <u>(51,412,100)</u>                                  | <u>1,429,418</u>            | <u>(49,982,682)</u>  | <u>-</u>               | <u>(49,982,682)</u> |
| -  | -                           | -                    | (1,420,910)            | (1,420,910)         |
| -  | -                           | -                    | (57,946)               | (57,946)            |
| -  | -                           | -                    | 4,169,112              | 4,169,112           |
| -  | -                           | -                    | 2,690,256              | 2,690,256           |
| 17,676,374   | -                           | 17,676,374           | -                      | 17,676,374          |
| 636,111  | -                           | 636,111              | -                      | 636,111             |
| 6,565,218  | -                           | 6,565,218            | -                      | 6,565,218           |
| 11,558,850   | -                           | 11,558,850           | -                      | 11,558,850          |
| 7,854,818  | -                           | 7,854,818            | -                      | 7,854,818           |
| 604,679  | -                           | 604,679              | -                      | 604,679             |
| 42,611   | -                           | 42,611               | -                      | 42,611              |
| 542,364  | -                           | 542,364              | -                      | 542,364             |
| 8,863,715  | -                           | 8,863,715            | -                      | 8,863,715           |
| 27,412   | -                           | 27,412               | -                      | 27,412              |
| -  | 3,655                       | 3,655                | 37,514                 | 41,169              |
| 2,562,523  | 35,834                      | 2,598,357            | 1,211,748              | 3,810,105           |
| (297,665)  | 297,665                     | -                    | -                      | -                   |
| -  | -                           | -                    | 613,506                | 613,506             |
| <u>56,637,010</u>                                    | <u>337,154</u>              | <u>56,974,164</u>    | <u>1,862,768</u>       | <u>58,836,932</u>   |
| 5,224,910  | 1,766,572                   | 6,991,482            | 4,553,024              | 11,544,506          |
| <u>(10,640,952)</u>                                  | <u>34,970,323</u>           | <u>24,329,371</u>    | <u>(26,753,990)</u>    | <u>(2,424,619)</u>  |
| <u>\$ (5,416,042)</u>                                | <u>\$ 36,736,895</u>        | <u>\$ 31,320,853</u> | <u>\$ (22,200,966)</u> | <u>\$ 9,119,887</u> |

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

|   | General              | Grant<br>Programs   | Debt<br>Service  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                     |                  |                                |                                |
| Assets  |                      |                     |                  |                                |                                |
| Cash and cash equivalents                                   | 21,417,354           | \$ 2,978,071        | \$ -             | \$ 6,089                       | \$ 24,401,514                  |
| Investments, at fair value                                  | 2,646,990            | 2,003,134           | 41,208           | 6,012,141                      | 10,703,473                     |
| Receivables, net of allowance<br>for uncollectible accounts |                      |                     |                  |                                |                                |
| Taxes   | 14,264,119           | -                   | -                | 42,271                         | 14,306,390                     |
| Rent  | 1,120,335            | -                   | -                | -                              | 1,120,335                      |
| Loans   | 300,259              | 327,846             | -                | -                              | 628,105                        |
| Notes   | 8,113,624            | -                   | -                | -                              | 8,113,624                      |
| Other   | 2,695,009            | 961,955             | -                | 347,066                        | 4,004,030                      |
| Due from other funds  | 5,853,272            | 720,351             | -                | 305,998                        | 6,879,621                      |
| Due from component unit                                     | 895,608              | -                   | -                | -                              | 895,608                        |
| Other assets  | 269,768              | 576,735             | -                | -                              | 846,503                        |
| Restricted assets   |                      |                     |                  |                                |                                |
| Cash and cash equivalents                                   | 3,841,372            | -                   | -                | 2,377,182                      | 6,218,554                      |
| Investments, at fair value                                  | 4,538,241            | -                   | -                | -                              | 4,538,241                      |
| Total assets  | <u>\$ 65,955,951</u> | <u>\$ 7,568,092</u> | <u>\$ 41,208</u> | <u>\$ 9,090,747</u>            | <u>\$ 82,655,998</u>           |

(continued)

|   | General              | Grant<br>Programs   | Debt<br>Service  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|------------------|--------------------------------|--------------------------------|
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>           |                      |                     |                  |                                |                                |
| <b>Liabilities</b>  |                      |                     |                  |                                |                                |
| Accounts payable  | \$ 2,573,687         | \$ 684,307          | \$ -             | \$ 215,515                     | \$ 3,473,509                   |
| Accrued liabilities   | 683,230              | 11,219              | -                | 1,661                          | 696,110                        |
| Compensated absences  | 58,837               | -                   | -                | -                              | 58,837                         |
| Matured bond coupons payable  | -                    | -                   | 20,097           | -                              | 20,097                         |
| Due to other funds  | 795,220              | 3,448,951           | 35,385           | 2,331,655                      | 6,611,211                      |
| Unearned revenue  | 134,015              | 3,423,615           | -                | -                              | 3,557,630                      |
| <b>Total liabilities</b>  | <b>4,244,989</b>     | <b>7,568,092</b>    | <b>55,482</b>    | <b>2,548,831</b>               | <b>14,417,394</b>              |
| <b>Deferred inflows of resources</b>  |                      |                     |                  |                                |                                |
| Unavailable revenue - taxes   | 9,705,810            | -                   | -                | -                              | 9,705,810                      |
| Unavailable revenue - notes receivable  | 8,113,624            | -                   | -                | -                              | 8,113,624                      |
| Unavailable revenue - component unit  | 743,685              | -                   | -                | -                              | 743,685                        |
| Unavailable revenue - other entities  | 1,886,566            | -                   | -                | -                              | 1,886,566                      |
| <b>Total deferred inflows of<br/>    resources</b>                            | <b>20,449,685</b>    | <b>-</b>            | <b>-</b>         | <b>-</b>                       | <b>20,449,685</b>              |
| <b>Fund balance</b>   |                      |                     |                  |                                |                                |
| Nonspendable  | 269,768              | -                   | -                | -                              | 269,768                        |
| Restricted for  |                      |                     |                  |                                |                                |
| Revolving loan program  | 300,259              | -                   | -                | -                              | 300,259                        |
| Environment   | -                    | -                   | -                | 523,414                        | 523,414                        |
| Public works  | -                    | -                   | -                | 1,604,909                      | 1,604,909                      |
| Community and economic<br>development   | -                    | -                   | -                | 99,796                         | 99,796                         |
| Tourism   | -                    | -                   | -                | 2,058,525                      | 2,058,525                      |
| Other   | 67,587               | -                   | -                | -                              | 67,587                         |
| Capital projects  | -                    | -                   | -                | 1,755,272                      | 1,755,272                      |
| Growth funds  | 8,312,026            | -                   | -                | -                              | 8,312,026                      |
| Assigned for  |                      |                     |                  |                                |                                |
| General government  | 27,734               | -                   | -                | -                              | 27,734                         |
| Capital projects  | -                    | -                   | -                | 500,000                        | 500,000                        |
| Public works  | 102,428              | -                   | -                | -                              | 102,428                        |
| Public safety   | 785,002              | -                   | -                | -                              | 785,002                        |
| Community and economic<br>development   | 279,129              | -                   | -                | -                              | 279,129                        |
| 2018 budget   | 9,212,650            | -                   | -                | -                              | 9,212,650                      |
| Encumbrances  |                      |                     |                  |                                |                                |
| Public works  | 739,713              | -                   | -                | -                              | 739,713                        |
| Public safety   | 46,521               | -                   | -                | -                              | 46,521                         |
| Community and economic<br>development   | 36,126               | -                   | -                | -                              | 36,126                         |
| Unassigned  | 21,082,334           | -                   | (14,274)         | -                              | 21,068,060                     |
| <b>Total fund balance</b>   | <b>41,261,277</b>    | <b>-</b>            | <b>(14,274)</b>  | <b>6,541,916</b>               | <b>47,788,919</b>              |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balance</b> | <b>\$ 65,955,951</b> | <b>\$ 7,568,092</b> | <b>\$ 41,208</b> | <b>\$ 9,090,747</b>            | <b>\$ 82,655,998</b>           |

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 POSITION**  
**DECEMBER 31, 2017**

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Fund balance - total governmental funds \$ 47,788,919

Amounts reported for governmental activities in the statement  
of net position 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   | \$ 258,388,104       |            |
| Less accumulated depreciation | <u>(167,263,246)</u> | 91,124,858 |

|  |  |            |
|--|--|------------|
| Receivables that are not available to pay for current-period expenditures<br>and, therefore, are reported as unavailable in the funds. |  | 20,449,685 |
|--|--|------------|

|  |  |            |
|--|--|------------|
| Net pension asset, net of related deferred inflows and outflows of resources |  | 15,571,294 |
|--|--|------------|

|  |  |           |
|--|--|-----------|
| Guarantee fees are reported on the statement of net position for<br>governmental activities and amortized over the life of the guarantee<br>period, but are not available to pay current-period expenditures and,<br>therefore, are not reported in the funds. |  | (613,317) |
|--|--|-----------|

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                                     | (1,986,397)        |                      |
| Bonds payable   | (12,226,042)       |                      |
| Notes payable   | (27,793,667)       |                      |
| Capital leases payable                                    | (2,036,439)        |                      |
| Compensated absences                                      | (5,085,575)        |                      |
| Compensated absences due and payable at December 31, 2017 | 58,837             |                      |
| Claims and judgments                                      | (675,000)          |                      |
| Due to bond insurer                                       | (14,912,139)       |                      |
| Settlement with suburban municipalities                   | (1,225,000)        |                      |
| Liability under guarantee                                 | (16,493,270)       |                      |
| Net pension liability                                     | (11,254,140)       |                      |
| Other post-employment benefits                            | (80,337,588)       |                      |
| Accrued interest payable                                  | <u>(5,771,061)</u> | <u>(179,737,481)</u> |

|   |  |                       |
|---|--|-----------------------|
| Net position of governmental activities |  | <u>\$ (5,416,042)</u> |
|---|--|-----------------------|

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, 2017**

|   | General              | Grant<br>Programs | Debt<br>Service    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                      |                   |                    |                                |                                |
| Taxes   | 44,093,231           | \$ -              | \$ -               | \$ -                           | \$ 44,093,231                  |
| Licenses and permits                                    | 707,027              | -                 | -                  | -                              | 707,027                        |
| Intergovernmental revenue                               | 8,792,363            | 5,403,658         | -                  | 1,915,728                      | 16,111,749                     |
| Department earnings and<br>program revenue              | 5,610,151            | 78,744            | -                  | 1,175,149                      | 6,864,044                      |
| Fines and forfeits                                      | 865,222              | -                 | -                  | -                              | 865,222                        |
| Investment income                                       | 1,865,868            | 5,549             | 118                | 33,394                         | 1,904,929                      |
| Miscellaneous   | 2,680,201            | 15,367            | -                  | -                              | 2,695,568                      |
| <b>Total revenues</b>                                   | <b>64,614,063</b>    | <b>5,503,318</b>  | <b>118</b>         | <b>3,124,271</b>               | <b>73,241,770</b>              |
| <b>Expenditures</b>                                     |                      |                   |                    |                                |                                |
| <b>Current</b>  |                      |                   |                    |                                |                                |
| General government                                      | 10,075,684           | 5,110             | -                  | -                              | 10,080,794                     |
| Community and economic<br>development                   | 1,801,784            | 3,555,906         | -                  | -                              | 5,357,690                      |
| Public safety   | 32,098,578           | 1,139,599         | -                  | -                              | 33,238,177                     |
| Public works  | 6,014,321            | 32,789            | -                  | 1,005,104                      | 7,052,214                      |
| Environment   | -                    | -                 | -                  | 260,458                        | 260,458                        |
| Capital outlay  | -                    | -                 | -                  | 124,950                        | 124,950                        |
| <b>Debt service</b>                                     |                      |                   |                    |                                |                                |
| Principal retirements                                   | 1,009,830            | 510,000           | 9,843,440          | 5,177                          | 11,368,447                     |
| Interest and fiscal charges                             | 30                   | 95,037            | 106,394            | -                              | 201,461                        |
| <b>Total expenditures</b>                               | <b>51,000,227</b>    | <b>5,338,441</b>  | <b>9,949,834</b>   | <b>1,395,689</b>               | <b>67,684,191</b>              |
| <b>Excess of revenues over (under)<br/>expenditures</b> | <b>13,613,836</b>    | <b>164,877</b>    | <b>(9,949,716)</b> | <b>1,728,582</b>               | <b>5,557,579</b>               |
| <b>Other financing sources (uses)</b>                   |                      |                   |                    |                                |                                |
| Debt issuance   | 296,450              | -                 | -                  | -                              | 296,450                        |
| Sale of general capital assets                          | 27,412               | -                 | -                  | -                              | 27,412                         |
| Transfers in  | 795,380              | 336,117           | 9,949,834          | 500,000                        | 11,581,331                     |
| Transfers out   | (11,093,228)         | (500,994)         | (34,744)           | (250,030)                      | (11,878,996)                   |
| <b>Total other financing sources (uses)</b>             | <b>(9,973,986)</b>   | <b>(164,877)</b>  | <b>9,915,090</b>   | <b>249,970</b>                 | <b>26,197</b>                  |
| <b>Net change in fund balances</b>                      | <b>3,639,850</b>     | <b>-</b>          | <b>(34,626)</b>    | <b>1,978,552</b>               | <b>5,583,776</b>               |
| <b>Fund balances - beginning of year -<br/>restated</b> | <b>37,621,427</b>    | <b>-</b>          | <b>20,352</b>      | <b>4,563,364</b>               | <b>42,205,143</b>              |
| <b>Fund balances - end of year</b>                      | <b>\$ 41,261,277</b> | <b>\$ -</b>       | <b>\$ (14,274)</b> | <b>\$ 6,541,916</b>            | <b>\$ 47,788,919</b>           |

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, 2017**

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

Net change in fund balance - total governmental funds \$ 5,583,776

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      | \$ 5,677,867       |        |
| Depreciation expense | <u>(5,631,606)</u> | 46,261 |

When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported with the governmental activities. (175,000)

The net pension asset (liability) is recorded as an asset (liability) in the government-wide financial statements, but not in the fund financial statements. This amount represents the change in the net pension asset (liability), net of deferred inflows and outflows of resources. (5,111,367)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,536,667

Governmental funds report guarantee fees as revenues when received. However, in the statement of activities, the fees are amortized over the guarantee period and reported as investment income.

|              |  |         |
|--------------|--|---------|
| Amortization |  | 109,094 |
|--------------|--|---------|

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 position.

|   |                  |            |
|---|------------------|------------|
| Issuance                                | (296,450)        |            |
| Principal repayments                    | 10,368,120       |            |
| Settlement with suburban municipalities | <u>1,000,000</u> | 11,071,670 |

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                     | 595,174            |                    |
| Vested compensated absences               | (55,655)           |                    |
| Other post-employment benefits            | (3,801,683)        |                    |
| Accrued interest                          | (997,132)          |                    |
| Amortization of liability under guarantee | (1,266,459)        |                    |
| Amortization of bond discounts            | <u>(2,310,436)</u> | <u>(7,836,191)</u> |

|   |  |                            |
|---|--|----------------------------|
| Change in net position of governmental activities |  | <u><u>\$ 5,224,910</u></u> |
|---|--|----------------------------|

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

|  | Harrisburg<br>Senators<br>Fund | Neighborhood<br>Services<br>Fund | Total<br>Proprietary<br>Funds |
|--|--------------------------------|----------------------------------|-------------------------------|
| <b>ASSETS</b>  |                                |                                  |                               |
| Current assets   |                                |                                  |                               |
| Cash and cash equivalents                                      | \$ -                           | \$ 7,085,225                     | \$ 7,085,225                  |
| Investments, at fair value                                     | -                              | 3,671                            | 3,671                         |
| Receivables, net of allowance for uncollectible accounts       |                                |                                  |                               |
| Accounts   | -                              | 3,810,630                        | 3,810,630                     |
| Other  | -                              | 1,311,912                        | 1,311,912                     |
| Due from other funds   | 78,386                         | 614                              | 79,000                        |
| Prepaid expenses and other assets                              | 43,936                         | -                                | 43,936                        |
| Total current assets   | <u>122,322</u>                 | <u>12,212,052</u>                | <u>12,334,374</u>             |
| Long-term assets   |                                |                                  |                               |
| Restricted assets  |                                |                                  |                               |
| Cash and cash equivalents                                      | 111,726                        | 295,782                          | 407,508                       |
| Investments, at fair value                                     | 658,740                        | -                                | 658,740                       |
| Security deposit   | -                              | 1,350,000                        | 1,350,000                     |
| Net pension asset  | -                              | 2,330,817                        | 2,330,817                     |
| Capital assets, not being depreciated                          | -                              | 370,021                          | 370,021                       |
| Capital assets, less accumulated depreciation and amortization | 29,978,902                     | 3,909,515                        | 33,888,417                    |
| Total long-term assets   | <u>30,749,368</u>              | <u>8,256,135</u>                 | <u>39,005,503</u>             |
| Total assets   | <u>30,871,690</u>              | <u>20,468,187</u>                | <u>51,339,877</u>             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                          |                                |                                  |                               |
| Deferred outflows of resources for pension                     | -                              | 1,116,736                        | 1,116,736                     |
| <b>LIABILITIES</b>   |                                |                                  |                               |
| Current liabilities  |                                |                                  |                               |
| Accounts payable   | -                              | 1,400,423                        | 1,400,423                     |
| Accrued liabilities  | 39,920                         | 106,313                          | 146,233                       |
| Due to other funds   | -                              | 347,410                          | 347,410                       |
| Current portion of workers' compensation                       | -                              | 260,450                          | 260,450                       |
| Current portion of lease rental bonds payable                  | 340,000                        | -                                | 340,000                       |
| Current portion of capitalized lease obligations               | -                              | 278,721                          | 278,721                       |
| Current portion of vested compensated absences                 | -                              | 30,918                           | 30,918                        |
| Total current liabilities                                      | <u>379,920</u>                 | <u>2,424,235</u>                 | <u>2,804,155</u>              |
| Long-term liabilities  |                                |                                  |                               |
| Workers' compensation  | -                              | 640,448                          | 640,448                       |
| Lease rental bonds payable                                     | 5,761,411                      | -                                | 5,761,411                     |
| Capitalized lease obligations                                  | -                              | 1,058,253                        | 1,058,253                     |
| Vested compensated absences                                    | -                              | 483,080                          | 483,080                       |
| Other post-employment benefits                                 | -                              | 4,828,333                        | 4,828,333                     |
| Total long-term liabilities                                    | <u>5,761,411</u>               | <u>7,010,114</u>                 | <u>12,771,525</u>             |
| Total liabilities  | <u>6,141,331</u>               | <u>9,434,349</u>                 | <u>15,575,680</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                           |                                |                                  |                               |
| Deferred inflows of resources for pensions                     | -                              | 144,038                          | 144,038                       |
| <b>NET POSITION</b>  |                                |                                  |                               |
| Net investment in capital assets                               | 24,067,603                     | 2,942,562                        | 27,010,165                    |
| Restricted   |                                |                                  |                               |
| Debt service   | 658,740                        | -                                | 658,740                       |
| Net pension asset  | -                              | 2,330,817                        | 2,330,817                     |
| Unrestricted   | 4,016                          | 6,733,157                        | 6,737,173                     |
| Total net position   | <u>\$ 24,730,359</u>           | <u>\$ 12,006,536</u>             | <u>\$ 36,736,895</u>          |

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

|  | Harrisburg<br>Senators<br>Fund | Neighborhood<br>Services<br>Fund | Total<br>Proprietary<br>Funds |
|--|--------------------------------|----------------------------------|-------------------------------|
| Operating revenues                     |                                |                                  |                               |
| Charges for service                    | \$ 488,384                     | \$ 14,495,451                    | \$ 14,983,835                 |
| Operating expenses                     |                                |                                  |                               |
| Salaries and wages                     | -                              | 3,148,874                        | 3,148,874                     |
| Fringe benefits                        | -                              | 42,832                           | 42,832                        |
| Communications                         | -                              | 81,918                           | 81,918                        |
| Professional fees                      | -                              | 9,536                            | 9,536                         |
| Utilities                              | -                              | 297,853                          | 297,853                       |
| Insurance                              | -                              | 66,600                           | 66,600                        |
| Maintenance and repairs                | 25,000                         | 324,839                          | 349,839                       |
| Contracted services                    | -                              | 7,193,754                        | 7,193,754                     |
| Property taxes                         | -                              | 69,069                           | 69,069                        |
| Rent                                   | -                              | 97,709                           | 97,709                        |
| Supplies                               | -                              | 548,685                          | 548,685                       |
| Depreciation and amortization          | 928,600                        | 390,951                          | 1,319,551                     |
| Total operating expenses               | 953,600                        | 12,272,620                       | 13,226,220                    |
| Operating income (loss)                | (465,216)                      | 2,222,831                        | 1,757,615                     |
| Nonoperating revenues (expenses)       |                                |                                  |                               |
| State subsidy                          | -                              | 51,817                           | 51,817                        |
| Investment income                      | 1,762                          | 34,072                           | 35,834                        |
| Miscellaneous income                   | -                              | 3,655                            | 3,655                         |
| Interest expense                       | (328,716)                      | (45,154)                         | (373,870)                     |
| Amortization of bond issue costs       | (6,144)                        | -                                | (6,144)                       |
| Total nonoperating revenues (expenses) | (333,098)                      | 44,390                           | (288,708)                     |
| Income (loss) before transfers         | (798,314)                      | 2,267,221                        | 1,468,907                     |
| Transfers in                           | 297,665                        | -                                | 297,665                       |
| Change in net position                 | (500,649)                      | 2,267,221                        | 1,766,572                     |
| Net position - beginning of year       | 25,231,008                     | 9,739,315                        | 34,970,323                    |
| Net position - end of year             | \$ 24,730,359                  | \$ 12,006,536                    | \$ 36,736,895                 |

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, 2017**

|   | Harrisburg<br>Senators<br>Fund | Neighborhood<br>Services<br>Fund | Total<br>Proprietary<br>Funds |
|---|--------------------------------|----------------------------------|-------------------------------|
| Cash flows from operating activities                                      |                                |                                  |                               |
| Received from user charges  | \$ 488,384                     | \$ 14,676,261                    | \$ 15,164,645                 |
| Payments to employees for services  | -                              | (3,200,044)                      | (3,200,044)                   |
| Payments for fringe benefits  | -                              | (1,107,051)                      | (1,107,051)                   |
| Payments to suppliers for goods and services                              | (25,000)                       | (8,899,924)                      | (8,924,924)                   |
| Net cash provided by operating activities                                 | 463,384                        | 1,469,242                        | 1,932,626                     |
| Cash flows from noncapital financing activities                           |                                |                                  |                               |
| State subsidy   | -                              | 93,582                           | 93,582                        |
| Transfers in  | 297,665                        | -                                | 297,665                       |
| Net cash provided by noncapital financing activities                      | 297,665                        | 93,582                           | 391,247                       |
| Cash flows from capital and related financing activities                  |                                |                                  |                               |
| Acquisition and construction of capital assets                            | -                              | (2,699,158)                      | (2,699,158)                   |
| Sales of assets   | -                              | 3,655                            | 3,655                         |
| Interest paid   | (327,403)                      | (45,154)                         | (372,557)                     |
| Lease, bond and note payments   | (325,000)                      | (354,736)                        | (679,736)                     |
| Net cash used in capital and related financing activities                 | (652,403)                      | (3,095,393)                      | (3,747,796)                   |
| Cash flows from investing activities                                      |                                |                                  |                               |
| Sale (purchase) of investments  | (499)                          | 274,032                          | 273,533                       |
| Investment income   | 1,420                          | 34,072                           | 35,492                        |
| Net cash provided by investing activities                                 | 921                            | 308,104                          | 309,025                       |
| Net increase (decrease) in cash and cash equivalents                      | 109,567                        | (1,224,465)                      | (1,114,898)                   |
| Cash and cash equivalents (including restricted cash) - beginning of year | 2,159                          | 8,605,472                        | 8,607,631                     |
| Cash and cash equivalents (including restricted cash) - end of year       | \$ 111,726                     | \$ 7,381,007                     | \$ 7,492,733                  |

(continued)

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS (CONT'D)**  
**YEAR ENDED DECEMBER 31, 2017**

|   | Harrisburg<br>Senators<br>Fund | Neighborhood<br>Services<br>Fund | Total<br>Proprietary<br>Funds |
|---|--------------------------------|----------------------------------|-------------------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities        |                                |                                  |                               |
| Operating income (loss)   | \$ (465,216)                   | \$ 2,222,831                     | \$ 1,757,615                  |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities |                                |                                  |                               |
| Depreciation and amortization   | 928,600                        | 390,951                          | 1,319,551                     |
| Provision for uncollectible accounts  | -                              | 2,326,650                        | 2,326,650                     |
| Changes in assets and liabilities   |                                |                                  |                               |
| Accounts receivable   | -                              | (2,434,982)                      | (2,434,982)                   |
| Deferred outflows of resources for pension  | -                              | (226,423)                        | (226,423)                     |
| Due from/to other funds   | -                              | 289,142                          | 289,142                       |
| Net pension asset   | -                              | (1,203,742)                      | (1,203,742)                   |
| Accounts payable and other accrued costs  | -                              | 73,680                           | 73,680                        |
| Workers' compensation   | -                              | (283,641)                        | (283,641)                     |
| Vested compensated absences   | -                              | (51,170)                         | (51,170)                      |
| Deferred inflows of resources for pension   | -                              | 144,038                          | 144,038                       |
| Other post-employment benefits  | -                              | 221,908                          | 221,908                       |
| Net cash provided by operating activities   | <u>\$ 463,384</u>              | <u>\$ 1,469,242</u>              | <u>\$ 1,932,626</u>           |
| Noncash investing, capital, and financing activities  |                                |                                  |                               |
| Amortization of bond discount   | <u>\$ 6,144</u>                | <u>\$ -</u>                      | <u>\$ 6,144</u>               |

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2017**

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|  | Police<br>Pension<br>Trust Fund | Agency<br>Funds |
|--|---------------------------------|-----------------|
| <b>ASSETS</b>                          |                                 |                 |
| Cash and cash equivalents              | \$ -                            | \$ 922,796      |
| Receivables                            |                                 |                 |
| Interest and dividends                 | 5,248                           | -               |
| Total receivables                      | 5,248                           | -               |
| Investments, at fair value             |                                 |                 |
| Money market funds                     | 716,979                         | -               |
| Mutual funds                           |                                 |                 |
| Equity                                 | 60,307,789                      | -               |
| Fixed income                           | 20,424,110                      | -               |
| Partnership                            | 2,852,848                       | -               |
| Total investments                      | 84,301,726                      | -               |
| Total assets                           | 84,306,974                      | 922,796         |
| <b>LIABILITIES</b>                     |                                 |                 |
| Due to other governments               | -                               | 447,413         |
| Escrow liabilities                     | -                               | 475,383         |
| Total liabilities                      | -                               | \$ 922,796      |
| <b>NET POSITION</b>                    |                                 |                 |
| Restricted for police pension benefits | \$ 84,306,974                   |                 |

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - POLICE PENSION TRUST FUND**  
**YEAR ENDED DECEMBER 31, 2017**

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|   |                      |
|---|----------------------|
| Additions                                     |                      |
| Contributions                                 |                      |
| Plan member                                   | \$ 542,472           |
| Employer                                      | <u>3,319,118</u>     |
| Total contributions                           | <u>3,861,590</u>     |
| Investment income                             |                      |
| Interest and dividend income                  | 2,128,367            |
| Net appreciation in fair value of investments | <u>9,719,246</u>     |
| Total investment income                       | 11,847,613           |
| Less investment expense                       | <u>(204,397)</u>     |
| Net investment income                         | <u>11,643,216</u>    |
| Total additions                               | <u>15,504,806</u>    |
| Deductions                                    |                      |
| Pension benefits                              | 6,226,579            |
| Administrative expenses                       | <u>50,943</u>        |
| Total deductions                              | <u>6,277,522</u>     |
| Change in net position                        | 9,227,284            |
| Net position - beginning of year              | <u>75,079,690</u>    |
| Net position - end of year                    | <u>\$ 84,306,974</u> |

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

**Harrisburg Parking Authority**

On December 23, 2013, the Harrisburg Parking Authority Component Unit entered into an Asset Transfer Agreement for the City of Harrisburg Parking System for a majority of its parking facilities, meters, and lots. Subsequent to December 23, 2013, the Harrisburg Parking Authority maintains an operating interest in the City Island Garage and certain parking lots. Although the Harrisburg Parking Authority maintains an operating interest in the City Island Garage as of December 31, 2017, the Asset Transfer Agreement stipulates that the City Island Garage could also be transferred once negotiations with certain interested parties are complete.

**Harrisburg Downtown Improvement District, Inc.**

The Harrisburg Downtown Improvement District, Inc. Component Unit, a Pennsylvania non-profit corporation, was formed on April 22, 2004, under provisions of the Neighborhood Improvement District Act, as of December 20, 2000, to provide neighborhood improvement district management association services, overseeing a neighborhood improvement district located in the Downtown Business District of Harrisburg, Pennsylvania. Such services shall include services which improve the ability of commercial establishments to service its consumers, transportation, public relations programs, advertising, district maintenance, security services, and services which improve the ability of property owners to enjoy a safer and more attractive neighborhood.

**Redevelopment Authority of the City of Harrisburg**

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

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF NET POSITION - COMPONENT UNITS**  
**DECEMBER 31, 2017**

| <b>ASSETS</b>  | Harrisburg<br>Parking<br>Authority | Harrisburg<br>Downtown<br>Improvement<br>District | Redevelopment<br>Authority | Total<br>Component<br>Units |
|--|------------------------------------|---|----------------------------|-----------------------------|
| Current assets   |                                    |   |                            |                             |
| Cash and cash equivalents                                | \$ 1,337,073                       | \$ 404,394  | \$ 846,496                 | \$ 2,587,963                |
| Receivables, net of allowance for uncollectible accounts |                                    |   |                            |                             |
| Accounts   | 20,116                             | 4,409   | 114,344                    | 138,869                     |
| Grants   | -                                  | -   | 11,338                     | 11,338                      |
| Rent   | 895,609                            | -   | -                          | 895,609                     |
| Loans  | -                                  | -   | 24,483                     | 24,483                      |
| Lease  | -                                  | -   | 577,136                    | 577,136                     |
| Prepaid expenses and other assets                        | 8,556                              | 7,010   | -                          | 15,566                      |
| <b>Total current assets</b>                              | <b>2,261,354</b>                   | <b>415,813</b>                                    | <b>1,573,797</b>           | <b>4,250,964</b>            |
| Restricted assets  |                                    |   |                            |                             |
| Investments, at fair value                               | -                                  | -   | 1,232,859                  | 1,232,859                   |
| <b>Total restricted assets</b>                           | <b>-</b>                           | <b>-</b>  | <b>1,232,859</b>           | <b>1,232,859</b>            |
| Loans receivable   | -                                  | -   | 173,262                    | 173,262                     |
| Lease receivable   | -                                  | -   | 5,615,500                  | 5,615,500                   |
| Capital assets, not being depreciated                    | -                                  | -   | 30,000                     | 30,000                      |
| Capital assets, less accumulated depreciation            | 4,083,017                          | -   | 43,556,204                 | 47,639,221                  |
| Project costs, less accumulated amortization             | -                                  | 18,867  | -                          | 18,867                      |
| <b>Total assets</b>                                      | <b>6,344,371</b>                   | <b>434,680</b>                                    | <b>52,181,622</b>          | <b>58,960,673</b>           |

(continued)

|  | Harrisburg<br>Parking<br>Authority | Harrisburg<br>Downtown<br>Improvement<br>District | Redevelopment<br>Authority | Total<br>Component<br>Units |
|--|------------------------------------|---|----------------------------|-----------------------------|
| <b>LIABILITIES</b>   |                                    |   |                            |                             |
| Current liabilities (payable from current assets)          |                                    |   |                            |                             |
| Accounts payable and accrued liabilities                   | 95,527                             | 29,909  | 121,185                    | 246,621                     |
| Due to primary government                                  | 895,609                            | -   | 510,000                    | 1,405,609                   |
| Accrued interest payable                                   | -                                  | -   | 104,187                    | 104,187                     |
| Total current liabilities (payable from current assets)    | <u>991,136</u>                     | <u>29,909</u>                                     | <u>735,372</u>             | <u>1,756,417</u>            |
| Current liabilities (payable from restricted assets)       |                                    |   |                            |                             |
| Current portion of revenue bonds payable                   | -                                  | -   | 1,910,000                  | 1,910,000                   |
| Current portion of revenue notes payable                   | -                                  | -   | 344,916                    | 344,916                     |
| Total current liabilities (payable from restricted assets) | <u>-</u>                           | <u>-</u>  | <u>2,254,916</u>           | <u>2,254,916</u>            |
| Noncurrent liabilities                                     |                                    |   |                            |                             |
| Compensated absences                                       | -                                  | -   | 13,555                     | 13,555                      |
| Revenue bonds payable, net of discount                     | -                                  | -   | 19,896,429                 | 19,896,429                  |
| Revenue notes payable, net of discount                     | -                                  | -   | 578,628                    | 578,628                     |
| Due to other governments                                   | -                                  | -   | 170,832                    | 170,832                     |
| Total liabilities  | <u>991,136</u>                     | <u>29,909</u>                                     | <u>23,649,732</u>          | <u>24,670,777</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                                    |   |                            |                             |
| Deferred lease revenue                                     | <u>-</u>                           | <u>-</u>  | <u>56,490,862</u>          | <u>56,490,862</u>           |
| <b>NET POSITION</b>  |                                    |   |                            |                             |
| Net position   |                                    |   |                            |                             |
| Net investment in capital assets                           | 4,083,017                          | -   | (28,719,136)               | (24,636,119)                |
| Restricted   |                                    |   |                            |                             |
| Revolving loan program                                     | -                                  | -   | 172,855                    | 172,855                     |
| Insurer agreement  | 320,621                            | -   | -                          | 320,621                     |
| Neighborhood mitigation                                    | -                                  | -   | 223,447                    | 223,447                     |
| Unrestricted   | <u>949,597</u>                     | <u>404,771</u>                                    | <u>363,862</u>             | <u>1,718,230</u>            |
| Total net position   | <u>\$ 5,353,235</u>                | <u>\$ 404,771</u>                                 | <u>\$ (27,958,972)</u>     | <u>\$ (22,200,966)</u>      |

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

**CITY OF HARRISBURG**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2017**

|  | Program Revenues    |                      |                                    |                                  |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
|  | Expenses            | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| Harrisburg Parking Authority             | \$ 1,603,687        | \$ 182,777           | \$ -                               | \$ -                             |
| Harrisburg Downtown Improvement District | 802,229             | 626,603              | 117,680                            | -                                |
| Redevelopment Authority                  | 4,532,086           | 8,574,696            | 54,281                             | 72,221                           |
| <b>Total component units</b>             | <b>\$ 6,938,002</b> | <b>\$ 9,384,076</b>  | <b>\$ 171,961</b>                  | <b>\$ 72,221</b>                 |

General revenues  
Miscellaneous income  
Unrestricted investment earnings  
Extraordinary item

Total general revenues and extraordinary item

Change in net position

Net position - January 1, 2017 - restated

Net position - December 31, 2017

Net (Expense) Revenue and  
Changes in Net Position

| Harrisburg<br>Parking<br>Authority | Harrisburg<br>Downtown<br>Improvement<br>District | Redevelopment<br>Authority | Total                  |
|------------------------------------|---|----------------------------|------------------------|
| \$ (1,420,910)                     | \$ -  | \$ -                       | \$ (1,420,910)         |
| -                                  | (57,946)  | -                          | (57,946)               |
| -                                  | -   | 4,169,112                  | 4,169,112              |
| <u>(1,420,910)</u>                 | <u>(57,946)</u>                                   | <u>4,169,112</u>           | <u>2,690,256</u>       |
| -                                  | -   | 37,514                     | 37,514                 |
| 1,202,000                          | 1,545   | 8,203                      | 1,211,748              |
| 613,506                            | -   | -                          | 613,506                |
| <u>1,815,506</u>                   | <u>1,545</u>                                      | <u>45,717</u>              | <u>1,862,768</u>       |
| 394,596                            | (56,401)  | 4,214,829                  | 4,553,024              |
| <u>4,958,639</u>                   | <u>461,172</u>                                    | <u>(32,173,801)</u>        | <u>(26,753,990)</u>    |
| <u>\$ 5,353,235</u>                | <u>\$ 404,771</u>                                 | <u>\$ (27,958,972)</u>     | <u>\$ (22,200,966)</u> |

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 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 Municipality Authorities 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, 2017.

*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:

- Harrisburg Parking Authority
- Harrisburg Downtown Improvement District, Inc.
- Redevelopment Authority of the City of Harrisburg

**Harrisburg Parking Authority**

The Harrisburg Parking Authority (Authority) was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. The Authority is an agency of the Commonwealth of Pennsylvania, which owns and operates parking facilities in the City. The five-member Board of Directors is appointed by the Mayor and members can be removed from the Board at will.

On December 23, 2013, the Authority entered into an Asset Transfer Agreement for the City of Harrisburg Parking System (Agreement) dated December 1, 2013 with Pennsylvania Economic Development Financing Authority (PEDFA). Under the Agreement, the Authority agreed to lease, for a period of approximately 40 years,

certain parking facilities, meters, and lots for an upfront acquisition price of approximately \$267 million, plus four notes receivable, with a present value of approximately \$12 million. At closing on December 23, 2013, at request of the City, the Authority assigned the notes receivable to the City, Dauphin County (County), and the bond insurer. Any surplus revenues (as defined in the Agreement), are to be paid on the notes receivable, with 75% going to the bond insurer and the County and 25% going to the City, until such time as the bond insurer and the County are made whole and then all amounts going to the City.

Because the lease qualified as a capital lease, all associated capital assets were removed from the Authority's financial statements as of the closing date. At the end of 40 years, all associated capital assets are to be returned to the Authority (or the City if the Authority is not in existence) along with any capital reserve monies (funded by PEDFA through an extensive formula in the PEDFA indenture) for deferred maintenance. In accordance with an agreement with the bond insurer, any amounts received after the transfer of assets by the Authority in respect of its ownership of the parking assets transferred, in excess of reserves agreed upon by the Authority and the bond insurer, are to be promptly paid to the bond insurer. Within 30 days following June 30, 2015, any surplus amount held and received by the Authority after closing of the transfer of assets is to be promptly paid to the bond insurer. At December 31, 2017, such transfer has not taken place as the Authority and the bond insurer are currently in the settlement process.

Subsequent to the asset transfer date of December 23, 2013, the Authority maintained an operating interest in the City Island Garage and certain parking lots. Although the Authority maintains an operating interest in the City Island Garage as of December 31, 2017, the Agreement stipulates that the City Island Garage could also be transferred once negotiations with certain interested parties are complete.

**Harrisburg Downtown Improvement District, Inc.**

The Harrisburg Downtown Improvement District, Inc., a Pennsylvania non-profit corporation, (Corporation) was formed on April 22, 2004 under the provisions of the Neighborhood Improvement District Act, as of December 20, 2000, to provide neighborhood improvement district management association services, overseeing a neighborhood improvement district located in the downtown business district of Harrisburg, Pennsylvania. On September 14, 2004, City Council adopted an ordinance to establish a Neighborhood Improvement District (District) to replace the Harrisburg Downtown Improvement District Authority by providing the same business improvements and administrative services to a larger downtown business district. Effective September 30, 2004, the Harrisburg Downtown Improvement District Authority was terminated and all assets, liabilities, and contractual rights were assumed by the Corporation.

On September 14, 2010, the Corporation was re-authorized by City Council to administer services to the District for a five-year term beginning January 1, 2011 and ending December 31, 2015. On December 15, 2015, the Corporation was re-authorized by City Council for a two-year term beginning January 1, 2016 to administer services to the District. The authorization to administer the District shall automatically terminate on December 31, 2017, unless the governing body of the City legislatively authorizes its continuation. On September 12, 2017, the Corporation was re-authorized by City Council for a five-year term beginning January 1, 2018 to administer services to the District.

**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 certain debt of the Redevelopment Authority projects.

The Harrisburg Land Bank (Land Bank) is a blended component unit presented in the Redevelopment Authority's financial statements. The Land Bank is governed by seven board members, five of which serve as members of the Redevelopment Authority and two appointed by the Mayor. The Land Bank was created under the Pennsylvania Land Bank Act and its purpose is to deter blight and return vacant property to productive status, thereby enabling the transformation of vacant, blighted, abandoned, and tax-delinquent spaces into vibrant City places.

*Potential Component Units Excluded*

**Capital Region Water**

Capital Region Water (CRW) was incorporated in 1957 under the provisions of the Municipality Authorities Act. CRW is administered by a five-member Board of Directors, all of whom are appointed by the Mayor and confirmed by City Council. The purpose of CRW is, among other things, to engage in public works projects relating to the ownership and operation of the water system and wastewater treatment and conveyance systems. CRW also maintains responsibility for winding down certain administrative, contractual, and minor operating activities of the previously owned resource recovery facility. The City has no financial accountability over CRW's operations. CRW operates and reports on a calendar year.

**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.

**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, 2017:

|   |  |
|---|--|
| Name of Organization                            | Cumberland-Dauphin-Harrisburg<br>Transit Authority |
| Services Provided                               | Bus Service  |
| City Board representation                       | Two of seven members                               |
| Fiscal Year                                     | June 30  |
| Current Assets                                  | \$ 3,753,210                                       |
| Capital Assets, Net                             | \$ 19,393,725                                      |
| Total Assets and Deferred Outflows of Resources | \$ 24,253,328                                      |
| Net Position                                    | \$ 15,518,518                                      |
| Operating Revenue                               | \$ 6,639,022                                       |
| Operating Loss                                  | \$ (17,473,927)                                    |
| Change in Net Position                          | \$ (658,998)                                       |
| City Contribution to Operations                 | \$ 255,996   |

**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               | Harrisburg Human Relations Commission  |
| Planning Commission                         | License and Tax Appeals                |
| Private Industry Council                    | Electrical Code Advisory and Licensing |
| Tri-County Regional Planning Commission     | Building Code Board of Appeals         |
| Emergency Planning Committee                | Housing Code Board of Appeals          |
| Board of Health                             | Civil Service Board                    |
| Historical and Architectural Review Board   | Zoning Hearing Board                   |
| Plumbing Board                              | Revolving Loan Review Committee        |
| Susquehanna Area Regional Airport Authority |  |

The amounts the City appropriated to these organizations during the year ended December 31, 2017 were immaterial to the basic financial statements.

The City owns the building occupied by the National Civil War Museum (Museum) and the related artifacts (collectively, the facilities). In April 2001, the City entered into a lease, license, and operating agreement with the Museum to lease the facilities for \$1 per year, to operate and manage the museum, and to license elements of the museum. The term of the agreement continues through January 1, 2031. After the first five years, the City can notify the Museum that it would like to renegotiate the rent payment based on the organization's ability to pay. In October 2009, the agreement was amended to extend the term for lease, license, and operations to January 31, 2039 and to provide the Museum with the right of first refusal option to purchase any or all of the artifacts.

In November 2017, the City and the Museum entered into a second amendment to the lease, license, and operating agreement. The second amendment grants the Museum the option to purchase the artifacts for \$5,250,000. The Museum may exercise this purchase option by written notice to the City on or before December 31, 2022 and the City agrees not to sell the artifacts prior to that date. Closing must be held within 90 days after exercise of the option. The City also agrees to create a \$1 million reserve fund from the proceeds of the sale of the artifacts which will be used to pay for capital improvements to the building. Any remaining proceeds in excess of the reserve balance will be used for improvements and maintenance of Reservoir Park. Should the Museum not exercise the purchase option by December 31, 2022, the Museum's right of first refusal and the City's limitation on sale of the artifacts remain in force provided that, during the five-year period beginning January 1, 2023, the City will have the right to sell up to 20% of the value of the artifacts. After the five-year period, the limitation applicable to each successive five-year period will be reduced to ten percent. In

addition, the second amendment to the lease, license, and operating agreement revised the rental agreement for the use of the building. Annual rental income would be as follows: 1) July 1, 2017 to June 30, 2020 - \$45,000; 2) July 1, 2020 to June 30, 2023 - \$60,000; 3) July 1, 2023 to June 30, 2026 - \$75,000; 4) July 1, 2026 to June 30, 2029 - \$85,000; and 5) July 1, 2029 to December 31, 2039 - \$100,000. During the first five years, the rent would offset approximately \$288,000 owed to the Museum by the City for reimbursement of capital improvements to the building. The Museum has the option to extend the term of the lease at a continued rate of \$100,000 per year for a term from January 1, 2040 to a date no later than the December 31 immediately preceding the 30<sup>th</sup> anniversary of the closing date on the purchase of the artifacts. Finally, at closing on the purchase of the artifacts, the Museum will make a payment on its outstanding debt obligation sufficient to reduce the unpaid balance to \$250,000 and notify CRW to release the \$250,000 certificate of deposit held as collateral by the bank for satisfaction of the debt.

**B. *Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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. Benefits and refunds of the Combined Police Pension Plan are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Real estate, earned income, local services, 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 and other post-employment benefit contributions are reported to the extent that they mature each period.

The City reports unavailable revenue on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Unearned revenues 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 deferred inflow of resources for

unavailable revenue and the liability for unearned 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 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:

**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.

**Neighborhood Services Fund** – Created in 2016, this fund accounts for the revenues and expenses associated with the provision of refuse collection and disposal services to residential, commercial, and industrial establishments of the City, as well as Parks and Recreation maintenance services and road repair services, as those are related to the facilitation of refuse collection and disposal services, broadly defined.

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, and the payroll and other escrow liabilities fund, which is used to account for the collection and payment of miscellaneous escrow liabilities.

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.

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 and its component units' 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 and its component units' investment in external investment pools are valued at amortized cost, which approximates fair value. All other City and component unit investments are stated at fair value. The City and its component units categorize fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

**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 (DBHD) in the amount of \$964,431 and the Mayor's Office of Equal Economic Opportunity (MOEEO) in the amount of \$1,630,767, net of allowances for uncollectible accounts of \$669,387 and \$1,297,706, respectively. The balance of loans receivable that is reported in the General Fund, net of allowance for uncollectible accounts, is presented as restricted 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 unearned revenue. Write-offs are determined based on events of loan default, bankruptcy, or negotiated settlement with the City.

The Redevelopment Authority's loans receivable consists of loans made to various entities for redevelopment projects within the City. The loans vary in term and require full payment of principal and interest at the end of the loan term. As of December 31, 2017, there was \$197,745 of loans receivable.

The Redevelopment Authority also received two Up-Front Grants in the amount of \$10.6 million from the United States Department of Housing and Urban Development for a redevelopment project within the City. The grant funds were loaned to developers for use in connection with a low-income 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, 2017.

**H. Rent Receivable**

Management has assessed the rent receivables referenced in Note 4 for collectability and deemed the amounts to be fully collectable. Rent receipts are applied to the oldest receivables first.

**I. *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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**J. *Security Deposit***

At December 31, 2017, the Neighborhood Services Fund has presented a security deposit in the amount of \$1.35 million. This amount represents the amount set aside to secure the City’s obligations to the owner of the resource recovery facility under the Municipal Waste Disposal Agreement. The amount has been deposited pursuant to the Second Addendum to Assignment, Amendment, and Restatement of the Disposal Agreement.

**K. *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 \$2,447,811 at December 31, 2017. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the City would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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 \$18,474,000, 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 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*

*Harrisburg Parking Authority*

The Authority's capital assets in service and construction in progress are stated on the basis of cost. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. 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 life of 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.

*Harrisburg Downtown Improvement District, Inc.*

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the useful lives of the assets. Management has set a policy using a dollar amount to capitalize expenditures of \$5,000. Leasehold improvements pertain to the design and construction of certain improvements within the Harrisburg

Downtown Improvement District, Inc.'s leased space, which are stated at cost and depreciated over the lease term using the straight-line method of depreciation.

*Redevelopment Authority of the City of Harrisburg*

All capital assets are capitalized at historical cost at the acquisition date. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the Redevelopment Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. 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 | 30-40 years |
| Land improvements                   | 20 years    |
| Furniture and fixtures              | 10 years    |
| Leasehold improvements              | 7-10 years  |
| Vehicles                            | 7-10 years  |
| Equipment                           | 5 years     |

**L. *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 position.

**M. *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 position. Bond premiums and discounts are amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**N. *Deferred Inflows and Outflows of Resources for Pensions***

In conjunction with pension accounting requirements, the differences in the City's expected and actual experience, changes of assumptions, the City's contributions subsequent to the measurement date, and the difference between projected and actual earnings on pension plan investments are recorded as deferred inflows or outflows of resources related to pension on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuations performed for the pension plans.

**O. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for 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 are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payment are incurred. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City reports encumbrances in its governmental funds as assigned fund balance, if the individual fund's fund balance is not presented as restricted. The General Fund had encumbrances of \$822,360 relating to contract services, equipment, and operating materials and supplies. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but is not reported on the statement of net position. There are no encumbrances for the proprietary funds at December 31, 2017.

**P. Fund Equity and Net Position**

In the government-wide financial statements and the proprietary and pension trust fund types in the fund financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.

**Restricted Net Position** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** – This category represents the net position of the City, that is not restricted for any project or other purpose.

Sometimes the City and its component units will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's and its component units' policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraints placed upon the funds. The levels are as follows:

***Nonspendable*** – This category represents funds that are not in spendable form and includes such items as prepaid expenditures.

***Restricted*** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.

***Assigned*** – This category represents intentions of the City to use funds for specific purposes.

***Unassigned*** – This category represents all other funds not otherwise defined.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is applied first. Unassigned fund balance is applied last.

**Q. 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, 2017, 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 \$14,011,211. However, the actuarial value of assets exceeded the actuarial accrued pension liability in the Non-uniformed Employees' and Combined Firefighters' Pension Plans in the amounts of \$15,696,592 and \$8,306,138, respectively.

**R. Risk Management**

*Primary Government*

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 including workers' compensation excess coverage for those risks related to injuries of 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 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 \$1,000,000 for any covered paid or volunteer firefighter, \$800,000 for any covered paid or volunteer police officer, and \$650,000 for each non-uniformed workers' compensation claim 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 position. A liability for these amounts is reported in governmental funds only if they have matured. The accrued cost for unpaid claims was \$1,986,397 and \$900,898 in the governmental activities and business-type activities, respectively, at December 31, 2017. 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<br>Activities | Business-type<br>Activities | 2017                | 2016                |
|--|----------------------------|-----------------------------|---------------------|---------------------|
| Beginning - January 1                        | \$ 2,581,571               | \$ 1,184,539                | \$ 3,766,110        | \$ 3,672,732        |
| Current year claims and changes in estimates | 94,002                     | (49,526)                    | 44,476              | 684,148             |
| Claim payments                               | (689,176)                  | (234,115)                   | (923,291)           | (590,770)           |
| Ending - December 31                         | <u>\$ 1,986,397</u>        | <u>\$ 900,898</u>           | <u>\$ 2,887,295</u> | <u>\$ 3,766,110</u> |

*Component Units*

The City's discretely presented component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages in 2017. Settlement amounts have not exceeded insurance coverages for the current year or three prior years.

**S. *Budgets and Budgetary Accounting***

Formal budgetary integration is employed as a management control device during the year for the General Fund (which includes the Neighborhood Mitigation Fund, Special Events Fund, Fire Protection Fund, Police Protection Fund, Parks and Recreation Fund, WHBG-TV Fund, and Events Fund), Debt Service Fund, State Liquid Fuels Tax Fund and Host Municipal Fees Fund (both non-major governmental funds), and Neighborhood Services Fund (a proprietary fund). Annual fund budgets are adopted by specific ordinance passed by City Council. The City has established the following procedures relating to the preparation and adoption of the annual budget.

1. During August, the Office of Budget and Analysis allows office/department heads and bureau chiefs, and/or their own budget staff, to enter their subsequent year requested operating and revenue budgets (requests) into the Pentamation (eFinance) Account System Budget Module (system), including notes.
2. During this process, the Office of Budget and Analysis works on all personnel projections for the subsequent year, and confirms these amounts with office/department heads.
3. After the office/department heads and bureau chiefs have entered their requests into the system, the Mayor shall, not later than the month of November, require all office/department heads and bureau chiefs to submit requests for appropriations for the ensuing budget year, and to appear before the Mayor or the Business Administrator or other officer at public hearings, which shall be held during that month, on the various requests.
4. After the public hearings, the budget staff reviews the office/department heads'/bureau chiefs' expenditure projects 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.
5. Mayoral hearings are then held with each office/department/bureau to discuss their budgets as submitted and allow them to substantiate projected

expenditures. During this time, the Mayor will make cuts to the budget as deemed necessary.

6. A second draft is then given to the Mayor with the results of the meeting held between the Mayor, office/department heads/bureau chiefs, and budget staff. The Mayor reviews the budget, with budget staff, and makes additional cuts and revenue enhancements. This process is repeated until a balanced budget is achieved.
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 with office/department heads and bureau chiefs present 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. During the month of January following a municipal election, however, City Council may amend the Budget with proper notice for public inspection of the proposed budget amendment. Any amended budget ordinance must be adopted by City Council before the 16<sup>th</sup> of February. Within 15 days after the adoption of the budget ordinance, a copy of same must be filed with the Commonwealth of Pennsylvania, Department of Community and Economic Development.

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 specifics represent the legal levels of budgetary control.

The Business Administrator may authorize transfers up to \$20,000 among line-items within a department or office. However, no transfers shall be permitted into or within any personnel line-items to augment any individual wage or salary allocation previously established by City Council for any position without City Council approval, except to accommodate payments to employees as required under applicable laws or collective bargaining agreements. City Council approval is required for transfers in excess of \$20,000 along budgetary 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 budget. Supplemental appropriations (or reallocations) were enacted during 2017.

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

**T. *Use of Estimates***

Management of the City and its discretely presented component units have made a number of estimates and assumptions relating to the reporting of amounts and disclosures to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**U. *Non-Recourse Debt Issue***

The Redevelopment Authority participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the Redevelopment Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the Redevelopment Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Redevelopment Authority in the case of default. As such, the corresponding debt is not reflected on the statement of net position of the Redevelopment Authority. As of December 31, 2017, non-recourse debt issues of the Redevelopment Authority totaled approximately \$7.6 million including approximately \$6.1 million on behalf of the City.

**V. *Pending Changes in Accounting Principles***

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" This Statement addressed reporting by governments that provide other post-employment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The provisions of GASB Statement No. 75 are effective for the City's December 31, 2018 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities.*" This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the City's December 31, 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, "*Omnibus 2017.*" This Statement addresses practice issues identified during implementation and application of certain GASB Statements related to a variety of topics, including blending component units, goodwill, fair value measurement and application, and post-employment benefits. The

provisions of GASB Statement No. 85 are effective for the City's December 31, 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues.*" This Statement improves consistency in accounting and financial reporting for certain debt extinguishments. The provisions of GASB Statement No. 86 are effective for the City's December 31, 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases.*" This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for the City's December 31, 2020 financial statements.

In March 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*" This Statement improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of GASB Statement No. 88 are effective for the City's December 31, 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred Before the end of a Construction Period.*" This Statement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The provisions of GASB Statement No. 89 are effective for the City's December 31, 2020 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; short-term commercial paper issued by a public corporation; banker's acceptance; repurchase agreements not to exceed 30 days,

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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, 2017, 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.

During the year ended December 31, 2013, the City received proceeds from the leasing of certain of the Authority's assets. Certain of the proceeds, held at December 31, 2017, are maintained in a segregated bank account restricted for the following purposes: \$3.7 million to fund a yet to be established other post-employment benefit trust fund; and \$4.6 million to fund a City growth fund.

***Deposits***

At December 31, 2017, the deposits of the City, including component units, were as follows:

|  |                      |
|--|----------------------|
| Reconciliation to statement of net position: |                      |
| Governmental activities                      |                      |
| Unrestricted                                 | \$ 24,401,514        |
| Restricted                                   | 6,218,554            |
| Business-type activities                     |                      |
| Unrestricted                                 | 7,085,225            |
| Restricted                                   | 407,508              |
| Fiduciary funds - agency fund                | 922,796              |
| Total primary government                     | <u>\$ 39,035,597</u> |
| Component units                              |                      |
| Unrestricted                                 | <u>\$ 2,587,963</u>  |

***Custodial Credit Risk.*** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no policy, other than

as presented above, that further limits its custodial credit deposit risk. As of December 31, 2017, the City's book balance was \$39,035,597, and the bank balance was \$40,511,911. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance, \$39,484,644 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. Of the remaining bank balance of \$27,267 was invested in an external investment pool with the Pennsylvania Local Government Investment Trust (PLGIT).

The City uses PLGIT to ensure safety and maximize efficiency, liquidity, and yield for City funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth of Pennsylvania. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. PLGIT issues separately audited financial statements that are available to the public. Further information regarding PLGIT and its investment strategies can be found at [www.plgit.com](http://www.plgit.com). 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 for the external investment pool.

The City is invested in PLGIT-Class shares, which require no minimum balance, no minimum initial investment, and have a one-day minimum investment period. At December 31, 2017, PLGIT carried a AAA rating and had an average weighted maturity of less than one year.

### ***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 bank account to provide a reserve for claimants entitled to benefits. Since inception, a total of \$600,000 has been deposited in a bank account through December 31, 2017. Interest of \$1,496,743 has been earned on the deposits and claims of \$700,000 have been paid from the bank account from inception through December 31, 2017. 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 \$1,146,743 at December 31, 2017, of which \$144,214 is included in the General Fund, \$725,814 is included in the General Fund as due to CRW, and \$276,715 is included in the Neighborhood Services Fund at December 31, 2017.

*Component Units*

*Harrisburg Parking Authority*

The Parking Authority Law limits the Authority to the type of deposits it may make. Authorized types of investments include U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit.

The Authority uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for Authority funds. These funds are invested in the Pennsylvania Treasurer's INVEST Program (INVEST), which separately issues audited financial statements that are available to the public. The fair value of the 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 for the external investment pool. The Authority is invested in INVEST - Daily Pool, which requires no minimum balance, no minimum initial investments, and has no required investment period.

***Custodial Credit Risk.*** At December 31, 2017, the Authority's cash deposits have a book and bank balance of \$1,337,073 and \$1,340,166, respectively. Of the bank balance, \$11,533 was covered by federal depository insurance. The remaining \$1,328,633 was invested in INVEST. At December 31, 2017, INVEST carried a AAA rating and had an average weighted maturity of less than one year.

*Harrisburg Downtown Improvement District, Inc.*

***Concentrations of Credit Risk.*** Credit risk is limited to assessments receivable, investments, and cash balances. As of December 31, 2017, the Corporation had \$147,806 and \$204,496 on deposit in each money market account.

*Redevelopment Authority of the City of Harrisburg*

***Custodial Credit Risk.*** The Redevelopment Authority does not have a deposit policy for custodial credit risk. As of December 31, 2017, the Redevelopment Authority's book balance was \$846,496 and the bank balance was \$883,501. Of the bank balance, \$590,020 was covered by federal depository insurance. The remaining balance of \$293,481 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.

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***Investments***

At December 31, 2017, the investments of the City were as follows:

|                                | Total          | Fair Value Measurements |              |
|--------------------------------|----------------|-------------------------|--------------|
|                                |                | Level 1                 | Level 3      |
| Primary Government             |                |                         |              |
| Unrestricted investments       |                |                         |              |
| External investment pool       | \$ 10,707,144  | \$ 10,707,144           | \$ -         |
| Total unrestricted investments | 10,707,144     | 10,707,144              | -            |
| Restricted investments         |                |                         |              |
| Money market funds             | 5,196,981      | 5,196,981               | -            |
| Total restricted investments   | 5,196,981      | 5,196,981               | -            |
| Fiduciary funds                |                |                         |              |
| Money market funds             | 716,979        | 716,979                 | -            |
| Mutual funds                   |                |                         |              |
| Equity                         | 60,307,789     | 60,307,789              | -            |
| Fixed income                   | 20,424,110     | 20,424,110              | -            |
| Partnership                    | 2,852,848      | -                       | 2,852,848    |
| Total fiduciary funds          | 84,301,726     | 81,448,878              | 2,852,848    |
| Total primary government       | \$ 100,205,851 | \$ 97,353,003           | \$ 2,852,848 |
| Component Units                |                |                         |              |
| Restricted investments         |                |                         |              |
| Money market funds             |                |                         | \$ 1,232,001 |
| External investment pool       |                |                         | 858          |
| Total restricted investments   |                |                         | 1,232,859    |
| Total component units          |                |                         | \$ 1,232,859 |

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

***Primary Government***

***Partnership (Equus Investment Partnership X, L.P.).*** At December 31, 2017, the City has \$2,852,848 invested in Equus Investment Partnership X, L.P (Partnership). The Partnership invests in and acquires, holds, operates, and disposes of operational real estate through equity interests. The valuation of the Partnership is determined in good faith from information provided by the General Partner of the limited partnership. The fair value of the Partnership is based on valuation methods including, but not limited to, the following: (1) forecast of future net cash flows based on the General Partner's analysis of future earnings from the investment plus anticipated net proceeds from the sale, deposition or resolution of the investment, discounted at a risk-adjusted rate; (2) prevailing market capitalization rates or earnings multiples applied to stabilized income or adjusted earnings from the investment; (3) recent sales of comparable investments;

(4) independent third-party appraisals; and (5) sale negotiations and bona fide purchase offers received from independent parties. The discounted cash flow technique is the primary method employed by the General Partner supplemented by one or more of the other valuation techniques described above, as applicable. Two significant unobservable inputs used in the discounted cash flow technique are discount rate and terminal capitalization rate. These unobservable inputs are inter-related. A significant increase in the discount or terminal capitalization rate in isolation would result in a significantly lower fair value measurement. The estimated fair values do not necessarily represent the prices at which the real estate investments would sell, since market prices can only be determined by negotiation between a willing buyer and a willing seller. This investment is classified within Level 3 of the valuation hierarchy.

***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 \$100,205,851, \$84,301,726 was held by the broker or dealer or by its trust department or agent, in the name of the City of Harrisburg Police Pension Plan, and \$15,904,125 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. The City's investment in INVEST is valued at amortized cost, which approximates fair value. At December 31, 2017, INVEST carried a AAA rating and had an average maturity of less than one year.

***Concentration of Credit Risk.*** The City's Combined Police Pension Plan's investment policy places the following limits on the amount the Plan may invest in any one issuer: 1) Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation; 2) Not more than 40% of the total stock portfolio valued at market may be held in any one industry sector; 3) Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio; and 4) Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940. Other than as noted above, the City has no other limit on the amount the City may invest in any one issuer. At December 31, 2017, there were no investments that represent more than five percent of the City's total investments.

***Credit Risk.*** The City's Combined Police Pension Plan's investment policy limits the overall rating of the fixed income investments, as calculated by the investment advisor, to investment grade, based on the rating of one nationally recognized statistical rating organization. Other than as noted above, the City does not have a formal policy relating

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to credit risk of investments. The City's investments had the following level of exposure to credit risk as of December 31, 2017:

|                             | <u>Fair Value</u> | <u>Rating</u> |
|-----------------------------|-------------------|---------------|
| Money market funds          | \$ 5,913,960      | AAA           |
| External investment pool    | 10,707,144        | AAA           |
| Mutual funds - fixed income | 18,594,733        | *A            |
| Mutual funds - fixed income | 1,829,377         | *BB           |
| Partnership                 | 2,852,848         | Unrated       |

\* This is the weighted-average quality rating for a mutual fund made up of fixed income securities.

**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:

| <u>Investment Type</u>      | <u>Fair Value</u>    | <u>Investment Maturities</u> |                      |
|-----------------------------|----------------------|------------------------------|----------------------|
|                             |                      | <u>2018</u>                  | <u>2024-2028</u>     |
| Money market funds          | \$ 5,913,960         | \$ 5,913,960                 | \$ -                 |
| External investment pool    | 10,707,144           | 10,707,144                   | -                    |
| Mutual funds - fixed income | 20,424,110           | -                            | 20,424,110           |
| Total                       | <u>\$ 37,045,214</u> | <u>\$ 16,621,104</u>         | <u>\$ 20,424,110</u> |

*Component Unit*

*Redevelopment Authority of the City of Harrisburg*

Restricted investments represent resources set aside for liquidation of specific obligations.

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The fair value of the investments of the Redevelopment Authority at December 31, 2017 were as follows:

| <u>Investments</u>       | <u>Fair Value</u>   |
|--------------------------|---------------------|
| Money market funds       | \$ 1,232,001        |
| External investment pool | <u>858</u>          |
| Total investments        | <u>\$ 1,232,859</u> |

The money market funds are valued using quoted market prices (Level 1 inputs).

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.

**Custodial Credit Risk.** The Redevelopment Authority does not have an investment policy for custodial credit risk. At December 31, 2017, the Redevelopment Authority's money market funds were not exposed to custodial credit risk, because those investments 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, 2017, there were no issuers who held more than 5% of the Redevelopment Authority's investments.

**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, 2017:

|                          | <u>Fair Value</u> | <u>Rating</u> |
|--------------------------|-------------------|---------------|
| Money market funds       | \$ 1,232,001      | AAA           |
| External investment pool | 858               | AAA           |

**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 Redevelopment Authority's money market funds and external investment pool have a related average maturity of less than one year as of December 31, 2017.

### **3. 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 2017 is as follows:

|                             |  |
|-----------------------------|--|
| January 1, 2017             | - lien date                            |
| January 31, 2017            | - original levy date                   |
| January 31 – March 31, 2017 | - 2% discount period                   |
| April 1 – May 31, 2017      | - face payment period                  |
| June 1 – December 31, 2017  | - 10% penalty period                   |
| January 1, 2018             | - 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 2017 was 5.16 mills on improvements and 30.97 mills on land. Both land and improvements are assessed at 100% of market value, with an effective combined equivalent single millage rate of 10.9098 mills.

Property taxes are recorded as of the date levied. Amounts not collected within sixty days after the end of the year are reported as unavailable 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. Rent Receivable**

#### *Primary Government*

In accordance with the Agreement, as disclosed in Note 1, the City receives monthly rent payments from PEDFA based upon the flow of funds. As a result of this, governmental activities investment earnings for the year ended December 31, 2017 include rent revenue in the amount of \$1,596,056, of which \$1,120,335 is recorded as rent receivable as of December 31, 2017. The receivable is offset with an unavailable revenue in the General Fund, as payments were not received in the City's availability period.

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Contingent upon the available funds in accordance with the Agreement, as disclosed in Note 1, the following amounts are to be received by the City in future years:

| Period ending<br>December 31, | Rent                 |
|-------------------------------|----------------------|
| 2018                          | \$ 1,762,331         |
| 2019                          | 2,241,682            |
| 2020                          | 1,057,258            |
| 2021                          | 1,071,587            |
| 2022                          | 1,086,345            |
| 2023-2027                     | 5,669,072            |
| 2028-2032                     | 6,110,403            |
| 2033-2037                     | 6,622,025            |
| 2038-2042                     | 7,215,138            |
| 2043-2047                     | 7,902,715            |
| 2048-2052                     | 8,699,807            |
| 2053                          | 1,846,448            |
| Total                         | <u>\$ 51,284,811</u> |

*Component Unit*

*Harrisburg Parking Authority*

In accordance with the Agreement, as disclosed in Note 1, the Authority receives monthly rent payments from PEDFA based upon the flow of funds. During the year ended December 31, 2013, the Authority entered into the 2013 Harrisburg Downtown Parking Cooperation Agreement with the City and HDC, of which the Authority directs these monthly rent payments received from PEDFA directly to the City. The Authority reports the rent revenue in the year provided for under the Agreement. As a result of this, rent revenue and corresponding transfer to the City for the year ended December 31, 2017 amounted to \$1,202,000, of which \$895,609 is recorded as rent receivable and due to the City as of December 31, 2017. The City has reported a receivable from the Authority. A portion of the receivable is offset with an unavailable revenue in the General Fund, as payments were not received in the City's availability period.

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Contingent upon the available funds in accordance with the Agreement, as disclosed in Note 1, the following amounts are to be received by the Authority and then disbursed to the City in future years:

| Period ending<br>December 31, | Rent                 |
|-------------------------------|----------------------|
| 2018                          | \$ 1,238,060         |
| 2019                          | 1,275,201            |
| 2020                          | 1,313,458            |
| 2021                          | 1,352,861            |
| 2022                          | 1,393,447            |
| 2023-2027                     | 7,619,940            |
| 2028-2032                     | 8,833,598            |
| 2033-2037                     | 10,240,562           |
| 2038-2042                     | 11,871,618           |
| 2043-2047                     | 13,762,459           |
| 2048-2052                     | 15,954,462           |
| 2053                          | 3,483,730            |
| Total                         | <u>\$ 78,339,396</u> |

In November 2016, the Authority’s Board approved to file suit against PEDFA for failure to pay rent and City payments and failure to deliver an annual budget. PEDFA has asserted that there are ambiguities in the Agreement as to whether accrued rent from prior years has to be paid, and as to the level of the waterfall at which accrued rent within the current year has to be paid. The Authority disputes that there is any ambiguity in the Agreement. The Authority contends that it is entitled to immediate release of the withheld rent and payment of accrued and unpaid rent for all years as funds become available in accordance with the waterfall, as defined in the Agreement.

**5. Notes Receivable**

On December 23, 2013, the Authority entered into an Agreement dated December 1, 2013 with PEDFA. Under the Agreement, the Authority agreed to lease, for a period of approximately forty years, certain parking facilities, meters, and lots for an upfront acquisition price of approximately \$267 million, plus four notes receivable, with a present value of approximately \$12 million. At closing on December 23, 2013, at the request of the City, the Authority assigned the notes receivable to the City, County, and Bond Insurer. Any surplus revenues (as defined in the Agreement), are to be paid on the notes receivable, with 75% going to the Bond Insurer and the County and 25% going to the City, until such time as the Bond Insurer and the County are made whole and then

all amounts going to the City. The present value of the City's notes, discounted at 5.833 percent over forty years, in the amount of approximately \$8.1 million, is presented as notes receivable on the Governmental Activities statement of net position and General Fund balance sheet. The General Fund balance sheet also presents this amount as unavailable revenue.

## **6. Interfund Balances and Transfers**

The composition of interfund balances at December 31, 2017 is as follows:

| <u>Primary Government</u>   | <u>Due from<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> |
|-----------------------------|---------------------------------|-------------------------------|
| General Fund                | \$ 5,853,272                    | \$ 795,220                    |
| Grant Programs Fund         | 720,351                         | 3,448,951                     |
| Debt Service Fund           | -                               | 35,385                        |
| Nonmajor governmental funds | <u>305,998</u>                  | <u>2,331,655</u>              |
| Total governmental funds    | <u>6,879,621</u>                | <u>6,611,211</u>              |
| Harrisburg Senators Fund    | 78,386                          | -                             |
| Neighborhood Services Fund  | <u>614</u>                      | <u>347,410</u>                |
| Total proprietary funds     | <u>79,000</u>                   | <u>347,410</u>                |
| Total primary government    | <u><u>\$ 6,958,621</u></u>      | <u><u>\$ 6,958,621</u></u>    |

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

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The composition of interfund transfers for the year ended December 31, 2017 is as follows:

| <u>Primary Government</u>   | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|-----------------------------|-------------------------|--------------------------|
| General Fund                | \$ 795,380              | \$ 11,093,228            |
| Grant Programs Fund         | 336,117                 | 500,994                  |
| Debt Service Fund           | 9,949,834               | 34,744                   |
| Nonmajor governmental funds | 500,000                 | 250,030                  |
| Total governmental funds    | <u>11,581,331</u>       | <u>11,878,996</u>        |
| Harrisburg Senators Fund    | 297,665                 | -                        |
| Total proprietary funds     | <u>297,665</u>          | <u>-</u>                 |
| Total primary government    | <u>\$ 11,878,996</u>    | <u>\$ 11,878,996</u>     |

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

**7. Intergovernmental Revenue**

The General Fund intergovernmental revenue for the year ended December 31, 2017 is as follows:

|  |                     |
|--|---------------------|
| Commonwealth of Pennsylvania, Pension System Aid           | \$ 2,639,729        |
| Commonwealth of Pennsylvania, general appropriation        | 5,000,000           |
| Commonwealth of Pennsylvania, Gaming Control Board grant   | 30,993              |
| Commonwealth of Pennsylvania, Bus Stops Optimization grant | 4,684               |
| Utilities payments in lieu of taxes from other governments | 42,611              |
| Harrisburg Parking Authority                               | <u>1,074,346</u>    |
|  | <u>\$ 8,792,363</u> |

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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                       | \$ 1,987,423        |
| Lead Based Paint Grant                                  | 1,093,765           |
| HOME Program  | 520,067             |
| Emergency Solutions Grant                               | 183,507             |
| Federal and Pennsylvania Emergency Management Agency    | 1,088,178           |
| State capital projects                                  | 286,249             |
| Public Safety Partnership and Community Policing grants | 182,114             |
| Highway Planning and Construction Grant                 | 32,789              |
| Other federal grants                                    | 29,566              |
|   | <u>\$ 5,403,658</u> |

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**8. Capital Assets**

Capital asset activity for the year ended December 31, 2017 is as follows:

*Primary Government*

|  | Beginning<br>of Year | Additions          | Retirements<br>and Dispositions | End of Year          |
|--|----------------------|--------------------|---------------------------------|----------------------|
| Governmental activities                      |                      |                    |                                 |                      |
| Capital assets, not being depreciated        |                      |                    |                                 |                      |
| Land   | \$ 7,144,863         | \$ -               | \$ -                            | \$ 7,144,863         |
| Construction-in-progress                     | -                    | 1,482,806          |                                 | 1,482,806            |
| Artifacts                                    | 18,649,000           | -                  | (175,000)                       | 18,474,000           |
| Total capital assets, not being depreciated  | <u>25,793,863</u>    | <u>1,482,806</u>   | <u>(175,000)</u>                | <u>27,101,669</u>    |
| Capital assets, being depreciated            |                      |                    |                                 |                      |
| Buildings                                    | 64,846,261           | 1,219,676          | -                               | 66,065,937           |
| Improvements                                 | 24,917,648           | -                  | -                               | 24,917,648           |
| Equipment and furniture                      | 34,969,370           | 1,399,039          | -                               | 36,368,409           |
| Infrastructure                               | 102,358,095          | 1,576,346          | -                               | 103,934,441          |
| Total capital assets, being depreciated      | <u>227,091,374</u>   | <u>4,195,061</u>   | <u>-</u>                        | <u>231,286,435</u>   |
| Less accumulated depreciation for            |                      |                    |                                 |                      |
| Buildings                                    | (39,885,168)         | (1,705,013)        | -                               | (41,590,181)         |
| Improvements                                 | (9,060,554)          | (395,154)          | -                               | (9,455,708)          |
| Equipment and furniture                      | (33,044,796)         | (668,883)          | -                               | (33,713,679)         |
| Infrastructure                               | (79,641,122)         | (2,862,556)        | -                               | (82,503,678)         |
| Total accumulated depreciation               | <u>(161,631,640)</u> | <u>(5,631,606)</u> | <u>-</u>                        | <u>(167,263,246)</u> |
| Total capital assets, being depreciated, net | <u>65,459,734</u>    | <u>(1,436,545)</u> | <u>-</u>                        | <u>64,023,189</u>    |
| Governmental activities, capital assets, net | <u>\$ 91,253,597</u> | <u>\$ 46,261</u>   | <u>\$ (175,000)</u>             | <u>\$ 91,124,858</u> |

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|   | Beginning<br>of Year | Additions    | Retirements<br>and Dispositions | End of Year   |
|---|----------------------|--------------|---------------------------------|---------------|
| Business-type activities                      |                      |              |                                 |               |
| Capital assets, not being depreciated         |                      |              |                                 |               |
| Land  | \$ -                 | \$ 62,686    | \$ -                            | \$ 62,686     |
| Construction-in-progress                      | -                    | 307,335      | -                               | 307,335       |
| Total capital assets, not being depreciated   | -                    | 370,021      | -                               | 370,021       |
| Capital assets, being depreciated             |                      |              |                                 |               |
| Buildings                                     | 37,704,816           | 37,058       | -                               | 37,741,874    |
| Equipment and furniture                       | 5,068,791            | 2,671,306    | -                               | 7,740,097     |
| Total capital assets, being depreciated       | 42,773,607           | 2,708,364    | -                               | 45,481,971    |
| Less accumulated depreciation for             |                      |              |                                 |               |
| Buildings                                     | (6,797,311)          | (929,214)    | -                               | (7,726,525)   |
| Equipment and furniture                       | (3,476,692)          | (390,337)    | -                               | (3,867,029)   |
| Total accumulated depreciation                | (10,274,003)         | (1,319,551)  | -                               | (11,593,554)  |
| Total capital assets being depreciated, net   | 32,499,604           | 1,388,813    | -                               | 33,888,417    |
| Business-type activities, capital assets, net | \$ 32,499,604        | \$ 1,758,834 | \$ -                            | \$ 34,258,438 |

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

|   |  |                     |
|---|--|---------------------|
| Governmental activities:                              |  |                     |
| General government                                    |  | \$ 1,661,323        |
| Community and economic development                    |  | 677,786             |
| Public safety   |  | 729,049             |
| Public works  |  | 2,563,448           |
| Total depreciation expense - governmental activities  |  | <u>\$ 5,631,606</u> |
| Business-type activities:                             |  |                     |
| Harrisburg Senators                                   |  | \$ 928,600          |
| Neighborhood Services                                 |  | 390,951             |
| Total depreciation expense - business-type activities |  | <u>\$ 1,319,551</u> |

*Component Units*

|  | Beginning<br>of Year | Additions    | Retirements | End of Year  |
|--|----------------------|--------------|-------------|--------------|
| Harrisburg Parking Authority                         |                      |              |             |              |
| Buildings and improvements                           | \$ 7,999,997         | \$ -         | \$ -        | \$ 7,999,997 |
| Less accumulated depreciation                        | (3,708,568)          | (208,412)    | -           | (3,916,980)  |
| Harrisburg Parking Authority,<br>capital assets, net | \$ 4,291,429         | \$ (208,412) | \$ -        | \$ 4,083,017 |

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|   | Beginning<br>of Year | Additions             | Retirements | End of Year          |
|---|----------------------|-----------------------|-------------|----------------------|
| Harrisburg Downtown Improvement District, Inc.  |                      |                       |             |                      |
| Capital assets, being depreciated   |                      |                       |             |                      |
| Leasehold improvements  | \$ 30,000            | \$ -                  | \$ -        | \$ 30,000            |
| Visitor information center equipment  | 6,897                | -                     | -           | 6,897                |
| Marketing and office equipment  | 57,335               | -                     | -           | 57,335               |
| Total capital assets, being depreciated   | <u>94,232</u>        | <u>-</u>              | <u>-</u>    | <u>94,232</u>        |
| Less accumulated depreciated for  |                      |                       |             |                      |
| Equipment and leasehold improvements  | (94,106)             | (126)                 | -           | (94,232)             |
| Total accumulated depreciation  | <u>(94,106)</u>      | <u>(126)</u>          | <u>-</u>    | <u>(94,232)</u>      |
| Total capital assets, being depreciated, net  | <u>126</u>           | <u>(126)</u>          | <u>-</u>    | <u>-</u>             |
| Project costs, being amortized  |                      |                       |             |                      |
| Plaza improvement project costs   | 39,908               | -                     | -           | 39,908               |
| DID territory improvement project costs   | 44,687               | -                     | -           | 44,687               |
| Total project costs, being amortized  | <u>84,595</u>        | <u>-</u>              | <u>-</u>    | <u>84,595</u>        |
| Less accumulated amortization for   |                      |                       |             |                      |
| Project costs   | (61,402)             | (4,326)               | -           | (65,728)             |
| Total accumulated amortization  | <u>(61,402)</u>      | <u>(4,326)</u>        | <u>-</u>    | <u>(65,728)</u>      |
| Total project costs, being amortized, net   | <u>23,193</u>        | <u>(4,326)</u>        | <u>-</u>    | <u>18,867</u>        |
| Harrisburg Downtown Improvement District, Inc.<br>capital assets and project costs, net | <u>\$ 23,319</u>     | <u>\$ (4,452)</u>     | <u>\$ -</u> | <u>\$ 18,867</u>     |
|   |                      |                       |             |                      |
|   | Beginning<br>of Year | Additions             | Retirements | End of Year          |
| Redevelopment Authority of the City of Harrisburg                                       |                      |                       |             |                      |
| Capital assets, not being depreciated   |                      |                       |             |                      |
| Land  | \$ 30,000            | \$ -                  | \$ -        | \$ 30,000            |
| Total capital assets, not<br>being depreciated  | <u>30,000</u>        | <u>-</u>              | <u>-</u>    | <u>30,000</u>        |
| Capital assets, being depreciated   |                      |                       |             |                      |
| Buildings   | 2,093,040            | -                     | -           | 2,093,040            |
| Buildings - leased  | 38,847,761           | -                     | -           | 38,847,761           |
| Leasehold improvements  | 6,861,227            | -                     | -           | 6,861,227            |
| Total capital assets being depreciated  | <u>47,802,028</u>    | <u>-</u>              | <u>-</u>    | <u>47,802,028</u>    |
| Less accumulated depreciation for   |                      |                       |             |                      |
| Buildings   | (392,445)            | (52,326)              | -           | (444,771)            |
| Buildings - leased  | (1,079,104)          | (1,294,925)           | -           | (2,374,029)          |
| Leasehold improvements  | (1,255,493)          | (171,531)             | -           | (1,427,024)          |
| Total accumulated depreciation  | <u>(2,727,042)</u>   | <u>(1,518,782)</u>    | <u>-</u>    | <u>(4,245,824)</u>   |
| Total capital assets being<br>depreciated, net  | <u>45,074,986</u>    | <u>(1,518,782)</u>    | <u>-</u>    | <u>43,556,204</u>    |
| Redevelopment Authority of the City of<br>Harrisburg, capital assets, net               | <u>\$ 45,104,986</u> | <u>\$ (1,518,782)</u> | <u>\$ -</u> | <u>\$ 43,586,204</u> |

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**9. Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2017 is as follows:

*Primary Government*

|   | Beginning<br>of Year | Additions           | Accretion           | Retirements/<br>Settlements | End of Year          | Current<br>Portion   |
|---|----------------------|---------------------|---------------------|-----------------------------|----------------------|----------------------|
| Governmental activities:                              |                      |                     |                     |                             |                      |                      |
| Workers' compensation claims                          | \$ 2,581,571         | \$ 94,002           | \$ -                | \$ (689,176)                | \$ 1,986,397         | \$ 574,267           |
| Bonds payable (Note 10)                               | 15,895,938           | -                   | 825,104             | (4,495,000)                 | 12,226,042           | 4,328,144            |
| Notes payable (Note 12)                               | 31,262,954           | -                   | 1,485,332           | (4,954,619)                 | 27,793,667           | 4,830,583            |
| Capital lease obligations (Note 14)                   | 2,391,882            | 46,450              | -                   | (401,893)                   | 2,036,439            | 327,953              |
| Vested compensated absences                           | 5,100,316            | 3,649,478           | -                   | (3,664,219)                 | 5,085,575            | 364,745              |
| Due to bond insurer (Note 13)                         | 14,678,747           | 250,000             | -                   | (16,608)                    | 14,912,139           | -                    |
| Settlement with suburban municipalities (Note 15)     | 2,225,000            | -                   | -                   | (1,000,000)                 | 1,225,000            | 1,000,000            |
| <b>Governmental activities Long-term liabilities</b>  | <b>\$ 74,136,408</b> | <b>\$ 4,039,930</b> | <b>\$ 2,310,436</b> | <b>\$ (15,221,515)</b>      | <b>\$ 65,265,259</b> | <b>\$ 11,425,692</b> |
| Business-type activities:                             |                      |                     |                     |                             |                      |                      |
| Workers' compensation claims                          | \$ 1,184,539         | \$ -                | \$ -                | \$ (283,641)                | \$ 900,898           | \$ 260,450           |
| Bonds payable (Note 10)                               | 6,423,087            | -                   | 3,324               | (325,000)                   | 6,101,411            | 340,000              |
| Capital lease obligations (Note 14)                   | 1,691,710            | -                   | -                   | (354,736)                   | 1,336,974            | 278,721              |
| Vested compensated absences                           | 565,168              | 328,744             | -                   | (379,914)                   | 513,998              | 30,918               |
| <b>Business-type activities Long-term liabilities</b> | <b>\$ 9,864,504</b>  | <b>\$ 328,744</b>   | <b>\$ 3,324</b>     | <b>\$ (1,343,291)</b>       | <b>\$ 8,853,281</b>  | <b>\$ 910,089</b>    |

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

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*Component Unit*

|   | Beginning<br>of Year | Additions   | Amortization        | Retirements           | End of Year          | Current<br>Portion  |
|---|----------------------|-------------|---------------------|-----------------------|----------------------|---------------------|
| Redevelopment Authority of<br>the City of Harrisburg: |                      |             |                     |                       |                      |                     |
| Bonds payable (Note 10)                               | \$ 40,750,000        | \$ -        | \$ -                | \$ (1,880,000)        | \$ 38,870,000        | \$ 1,910,000        |
| Notes payable (Note 12)                               | 988,504              | -           | -                   | (64,960)              | 923,544              | 344,916             |
| Due to other governments                              | 170,832              | -           | -                   | -                     | 170,832              | -                   |
| Total long-term liabilities                           | 41,909,336           | -           | -                   | (1,944,960)           | 39,964,376           | 2,254,916           |
| Less:   |                      |             |                     |                       |                      |                     |
| Unamortized discount                                  | (18,695,434)         | -           | 1,631,863           | -                     | (17,063,571)         | -                   |
| Redevelopment Authority of<br>the City of Harrisburg  |                      |             |                     |                       |                      |                     |
| Long-term liabilities                                 | <u>\$ 23,213,902</u> | <u>\$ -</u> | <u>\$ 1,631,863</u> | <u>\$ (1,944,960)</u> | <u>\$ 22,900,805</u> | <u>\$ 2,254,916</u> |

**10. Bonds Payable**

Bonds payable at December 31, 2017 are as follows:

|                      | Primary Government         |                             | Total<br>Primary<br>Government |
|----------------------|----------------------------|-----------------------------|--------------------------------|
|                      | Governmental<br>Activities | Business-type<br>Activities |                                |
| Bonds payable        | \$ 12,226,042              | \$ 6,125,000                | \$ 18,351,042                  |
| Unamortized discount | -                          | (23,589)                    | (23,589)                       |
| Total bonds payable  | <u>\$ 12,226,042</u>       | <u>\$ 6,101,411</u>         | <u>\$ 18,327,453</u>           |
|                      | Component<br>Unit          |                             |                                |
|                      | Redevelopment<br>Authority |                             |                                |
| Bonds payable        | \$ 38,870,000              |                             |                                |
| Unamortized discount | (17,063,571)               |                             |                                |
| Total bonds payable  | <u>\$ 21,806,429</u>       |                             |                                |

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Bonds payable are accounted for in the following activities:

|                                | Governmental<br>Activities  | Business-type<br>Activities | Total<br>Primary<br>Government |
|--------------------------------|-----------------------------|-----------------------------|--------------------------------|
|                                | <u>                    </u> | <u>                    </u> | <u>                    </u>    |
| General Obligation Bonds       |                             |                             |                                |
| Series D of 1997               | \$ 12,226,042               | \$ -                        | \$ 12,226,042                  |
| Total general obligation bonds | <u>12,226,042</u>           | <u>-</u>                    | <u>12,226,042</u>              |
| Revenue Bonds                  |                             |                             |                                |
| Senators Revenue Bonds         |                             |                             |                                |
| Series A-2 of 2005             | -                           | 6,125,000                   | 6,125,000                      |
| Less: Unamortized discount     | <u>-</u>                    | <u>(23,589)</u>             | <u>(23,589)</u>                |
| Total revenue bonds            | <u>-</u>                    | <u>6,101,411</u>            | <u>6,101,411</u>               |
| Total bonds payable            | <u>\$ 12,226,042</u>        | <u>\$ 6,101,411</u>         | <u>\$ 18,327,453</u>           |

Bonds payable are accounted for in the Redevelopment Authority:

|  |                      |
|--|----------------------|
| Guaranteed Revenue Bonds, Series A of 1998 | \$ 38,870,000        |
| Less: Unamortized discount                 | <u>(17,063,571)</u>  |
| Total bonds payable                        | <u>\$ 21,806,429</u> |

A settlement agreement was entered into on January 30, 2015 between the City, Assured Guaranty Municipal Corporation (AGM), and the Redevelopment Authority related to certain portions of the Strawberry Square Site located in City (Verizon Building) and subject to the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

If sufficient revenues are not generated to pay the debt service on the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998, any shortfalls in funds will be paid for by the City. In accordance with the Reimbursement Agreement between the City and the Redevelopment Authority, the Redevelopment Authority is required to reimburse the City for amounts paid by the City under the guarantee. Interest will accrue on amounts owed by the Redevelopment Authority at a rate of 8% annually. In September 2017, \$500,000 was paid by the City to the Redevelopment Authority under the guarantee. As of December 31, 2017, interest of \$10,000 was accrued by the Redevelopment Authority on the \$500,000 paid by the City. The City considers the \$510,000 due from the Redevelopment Authority to be 100% uncollectible and, therefore, no receivable has been recorded. Based on anticipated deficits of future cash flows, the City has

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accrued the present value of future anticipated payments under the guarantee in the amount of approximately \$16.5 million at December 31, 2017.

In April 2018, an additional \$500,000 was paid by the City to the Redevelopment Authority to be used toward the May 2018 principal payment of the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

During the year ended December 31, 2017, the Redevelopment Authority filed two notices of material events with the Electronic Municipal Market Access System (EMMA) with respect to its inability to make required debt service payments, including draws on the debt service reserve fund and payments by the City under the guarantee agreement, with respect to the Redevelopment Authority's Federally Taxable Guaranteed Revenue Bonds, Series A of 1998. These draws were necessary for the Redevelopment Authority to make debt service payments under this bond issue.

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. During the year ended December 31, 2017, the City was not in compliance with such covenants. See Note 22 for further information on the City's compliance.

The composition of bonds outstanding included in the primary government at December 31, 2017 is as follows:

General Obligation Bonds

5.50%-5.52%, General Obligation Refunding Bonds, Series D of 1997, dated December 30, 1997, principal payable in semi-annual installments of \$1,261,929 to \$4,328,144 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. \$ 12,226,042

Revenue Bonds

5.00%-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. 6,125,000

Total primary government bonds payable 18,351,042

Less: unamortized discount (23,589)

Net primary government bonds payable \$ 18,327,453

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The composition of bonds outstanding of the Redevelopment Authority at December 31, 2017 is as follows:

|   |                      |
|---|----------------------|
| Revenue Bonds   |                      |
| Guaranteed Revenue Bonds, Series A of 1998, dated December 19, 1998, consisting of term bonds maturing from 2018 to 2033 in annual installments of various amounts. | \$ 38,870,000        |
| Less: unamortized discount  | <u>(17,063,571)</u>  |
| Net Redevelopment Authority of the City of Harrisburg   | <u>\$ 21,806,429</u> |

Debt Service Requirements

The annual requirements to amortize all bonds outstanding as of December 31, 2017 are as follows:

|  | General Obligation   |                     | Revenue              |                     | Total                |                     |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
|  | Principal            | Interest            | Principal            | Interest            | Principal            | Interest            |
| Primary Government                                     |                      |                     |                      |                     |                      |                     |
| 2018   | \$ 4,328,144         | \$ 161,856          | \$ 340,000           | \$ 310,859          | \$ 4,668,144         | \$ 472,715          |
| 2019   | 4,093,455            | 401,545             | 360,000              | 293,287             | 4,453,455            | 694,832             |
| 2020   | 1,261,929            | 223,071             | 375,000              | 274,690             | 1,636,929            | 497,761             |
| 2021   | 1,266,741            | 308,259             | 395,000              | 254,895             | 1,661,741            | 563,154             |
| 2022   | 1,275,773            | 399,227             | 420,000              | 233,705             | 1,695,773            | 632,932             |
| 2023-2027  | -                    | -                   | 2,435,000            | 809,443             | 2,435,000            | 809,443             |
| 2028-2030  | -                    | -                   | 1,800,000            | 146,005             | 1,800,000            | 146,005             |
|  | <u>12,226,042</u>    | <u>1,493,958</u>    | <u>6,125,000</u>     | <u>2,322,884</u>    | <u>18,351,042</u>    | <u>3,816,842</u>    |
| Less unamortized discount                              | -                    | -                   | (23,589)             | -                   | (23,589)             | -                   |
| Primary Government, net                                | <u>\$ 12,226,042</u> | <u>\$ 1,493,958</u> | <u>\$ 6,101,411</u>  | <u>\$ 2,322,884</u> | <u>\$ 18,327,453</u> | <u>\$ 3,816,842</u> |
|  |                      |                     |                      |                     |                      |                     |
|  |                      |                     |                      |                     |                      |                     |
|  | General Obligation   |                     | Revenue              |                     | Total                |                     |
|  | Principal            | Interest            | Principal            | Interest            | Principal            | Interest            |
| Redevelopment Authority of the City of Harrisburg      |                      |                     |                      |                     |                      |                     |
| 2018   | \$ -                 | \$ -                | \$ 1,910,000         | \$ -                | \$ 1,910,000         | \$ -                |
| 2019   | -                    | -                   | 1,930,000            | -                   | 1,930,000            | -                   |
| 2020   | -                    | -                   | 1,960,000            | -                   | 1,960,000            | -                   |
| 2021   | -                    | -                   | 1,990,000            | -                   | 1,990,000            | -                   |
| 2022   | -                    | -                   | 2,010,000            | -                   | 2,010,000            | -                   |
| 2023-2027  | -                    | -                   | 10,470,000           | -                   | 10,470,000           | -                   |
| 2028-2032  | -                    | -                   | 11,250,000           | -                   | 11,250,000           | -                   |
| 2033   | -                    | -                   | 7,350,000            | -                   | 7,350,000            | -                   |
|  | -                    | -                   | <u>38,870,000</u>    | -                   | <u>38,870,000</u>    | -                   |
| Less unamortized discount                              | -                    | -                   | (17,063,571)         | -                   | (17,063,571)         | -                   |
| Redevelopment Authority of the City of Harrisburg, net | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ 21,806,429</u> | <u>\$ -</u>         | <u>\$ 21,806,429</u> | <u>\$ -</u>         |
| Total  | <u>\$ 12,226,042</u> | <u>\$ 1,493,958</u> | <u>\$ 27,907,840</u> | <u>\$ 2,322,884</u> | <u>\$ 40,133,882</u> | <u>\$ 3,816,842</u> |

**11. Defeasance of Debt**

The City and its component units defeased general obligation and other bonds in prior years by placing the proceeds of net bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2017, the following bonds outstanding are considered defeased:

|  |                      |
|--|----------------------|
| City of Harrisburg                         |                      |
| General Obligation Bonds, Series A of 1995 | \$ 7,870,000         |
| Harrisburg Parking Authority               |                      |
| Parking Revenue Bonds, Series T of 2007    | <u>13,490,000</u>    |
|  | <u>\$ 21,360,000</u> |

**12. 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, clearance, rehabilitation, and disposal 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.

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The composition of promissory notes outstanding under Section 108 (included in governmental activities) at December 31, 2017 is as follows:

Variable based on 90-day LIBOR plus 20 basis points (1.89% at December 31, 2017), Section 108 Note, dated May 13, 2000, interest payable semiannually and principal payable in annual installments of \$315,000 to \$335,000, through August 1, 2019, to be serviced through general revenues of the City. \$ 650,000

Variable based on 90-day LIBOR plus 20 basis points (1.89% at December 31, 2017), Section 108 Note, dated September 14, 2006, interest payable quarterly 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. 1,905,000

2,555,000

The composition of notes payable included in the primary government at December 31, 2017 is as follows:

5.50%-5.52%, General Obligation Refunding Notes, Series F of 1997, dated December 31, 1997, principal payable in annual installments of \$3,792,948 to \$6,113,793 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. 24,952,720

4.13%, Pennsylvania Infrastructure bank loan, principal payable through March 26, 2018, to be serviced through general revenues of the City, used to fund City street resurfacing projects. 285,947

25,238,667

Total primary government notes payable \$ 27,793,667

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The composition of notes payable of the Redevelopment Authority at December 31, 2017 is as follows:

|   |                          |
|---|--------------------------|
| 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, 2017, 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.  | 216,669                  |
| 4.83% for the first three years and variable based on the prime rate thereafter (4.50% at December 31, 2017), 2008 loan agreement, for financing construction of Susquehanna Harbor Safe Haven, and is payable through December 10, 2026.   | <u>435,448</u>           |
| Total Redevelopment Authority of the City of Harrisburg   | <u><u>\$ 923,544</u></u> |

The annual requirements to amortize all notes payable outstanding as of December 31, 2017, using interest rates in effect at December 31, 2017 for variable rate issues, are as follows:

| Year Ending December 31, | Governmental Activities                           |                     |
|--------------------------|---|---------------------|
|                          | Principal   | Interest            |
| Primary Government       |   |                     |
| 2018                     | \$ 4,830,583                                      | \$ 202,538          |
| 2019                     | 4,337,949   | 407,528             |
| 2020                     | 6,323,793   | 1,092,148           |
| 2021                     | 5,898,539   | 1,397,866           |
| 2022                     | 5,547,803   | 1,679,064           |
| 2023-2026                | 855,000   | 42,037              |
|                          | <u>\$ 27,793,667</u>                              | <u>\$ 4,821,181</u> |
|                          |   |                     |
|                          | Redevelopment Authority of the City of Harrisburg |                     |
| Year Ending December 31, | Principal   | Interest            |
| 2018                     | \$ 344,916  | \$ 125,677          |
| 2019                     | 75,334  | 16,929              |
| 2020                     | 77,263  | 14,999              |
| 2021                     | 79,282  | 12,981              |
| 2022                     | 81,392  | 10,870              |
| 2023-2026                | 265,357   | 20,365              |
|                          | <u>\$ 923,544</u>                                 | <u>\$ 201,821</u>   |

### **13. Due to Bond Insurer**

At times during 2013, the City's bond insurer made payments to bondholders on behalf of the City. These amounts and the accrued interest were reported as due to the bond insurer in the City's General Fund, because they were due and payable. During the year ended December 31, 2013, the City and the bond insurer entered into an agreement to restructure the amounts due to the bond insurer. Under the agreement, the City's is obligated to reimburse the bond insurer for payments made pursuant to the insurance policy at an interest rate of 6.10% per annum compounded semi-annually. In return, the bond insurer has agreed to forebear from exercising its rights and remedies under the Bonds, the Ordinance, and other applicable law. During the year ended December 31, 2017, the bond insurer paid \$250,000 to bondholders on behalf of the City. The balance due to bond insurer at December 31, 2017 was \$14,912,139.

Under the agreement, repayment is based on a schedule that includes future drawdowns. As such, no repayment schedule is available for amounts due at December 31, 2017. However, principal payments are not scheduled to begin until 2023.

### **14. Leases**

#### ***Capitalized Lease Obligations***

##### *Primary Government*

The City leased certain equipment under long-term lease agreements which were classified as capital leases. Capital leases were issued during the years ended December 31, 2015, 2016, and 2017. As of December 31, 2017, the governmental activities and business-type activities included equipment and furniture under capital leases with a net book value of \$2,833,655 and \$1,706,084, respectively. Restricted assets of the Capital Projects Fund include approximately \$83,000, in capital lease proceeds held by the City pending disbursement.

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The future minimum payments under capital leases and the minimum lease payments at December 31, 2017 are as follows:

| Lease year ending December 31,                    | Governmental<br>Activities | Business-type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| 2018  | \$ 395,970                 | \$ 315,877                  | \$ 711,847          |
| 2019  | 395,970                    | 393,177                     | 789,147             |
| 2020  | 395,970                    | 360,610                     | 756,580             |
| 2021  | 395,969                    | 354,811                     | 750,780             |
| 2022  | 386,139                    | -                           | 386,139             |
| 2023  | 289,605                    | -                           | 289,605             |
| Total commitment under capital lease              | 2,259,623                  | 1,424,475                   | 3,684,098           |
| Less amount representing interest                 | (223,184)                  | (87,501)                    | (310,685)           |
| Present value of future minimum<br>lease payments | <u>\$ 2,036,439</u>        | <u>\$ 1,336,974</u>         | <u>\$ 3,373,413</u> |

*Component Units*

***Transportation Center Lease Income***

The Redevelopment Authority leases space and parking to a commercial rail company and other tenants with lease ending dates varying through 2022. Additionally, the Redevelopment Authority leases space to a non-profit corporation with a lease ending date of June 30, 2018. These leases are noncancellable operating leases.

Minimum rentals on noncancellable leases through 2022 are as follows:

| Lease year ending December 31, |                   |
|--------------------------------|-------------------|
| 2018                           | \$ 244,584        |
| 2019                           | 90,585            |
| 2020                           | 77,566            |
| 2021                           | 78,651            |
| 2022                           | <u>72,187</u>     |
| Total minimum lease payments   | <u>\$ 563,573</u> |

***Strawberry Square Lease***

The Redevelopment Authority received ownership of the Verizon Building after expiration of the lease with Verizon, which terminated on February 29, 2016. Upon expiration of the lease with Verizon, the Harristown Development Corporation (HDC) leased the Verizon Building from the Redevelopment Authority pursuant to a lease

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agreement entered into on January 30, 2015. HDC also entered into another agreement with the Department of General Services of the Commonwealth of Pennsylvania (DGS) to sublease the Verizon Building (DGS lease).

The term of the DGS lease, associated with the SO3 Tower of Strawberry Square, commenced March 1, 2016, the day after the expiration of the Verizon Lease, and expires by its terms on February 28, 2033. For the period from March 1, 2016 to March 31, 2025, monthly installments are due to the Redevelopment Authority in the amount of \$50,000 per month. For the period April 1, 2025 to February 28, 2033, monthly installments are due to the Redevelopment Authority in the amount of \$62,500 per month. These rentals obtained from the DGS lease and paid by HDC to the Redevelopment Authority are expected to pay a portion of the payments due on the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

The term of the DGS lease, associated with the SO1 and SO2 Towers of Strawberry Square, commenced March 1, 2016, the day after the expiration of the Verizon Lease, and expires by its terms on April 1, 2025. The rentals, obtained from the DGS lease and paid by HDC to the Redevelopment Authority, were expected to pay a portion of the payments due on the Federally Taxable Guaranteed Revenue Bonds, Series B of 1998. However, the lease rentals were paid up-front through the Commonwealth of Pennsylvania's issuance of the Certificates of Participation, Series 2016 on December 15, 2016.

The deferred lease revenue in the amount of \$56,490,862 at December 31, 2017 will be reduced annually by the amount of rental income revenue recognized over the term of the lease. During the year ended December 31, 2017, the Redevelopment Authority recognized \$7,458,849 of rental income.

The present value of the future minimum lease payments at December 31, 2017 is as follows:

| Year Ending<br>December 31, | Amount              |
|-----------------------------|---------------------|
| 2018                        | \$ 577,136          |
| 2019                        | 540,800             |
| 2020                        | 505,940             |
| 2021                        | 473,260             |
| 2022                        | 442,340             |
| 2023-2027                   | 2,019,764           |
| 2028-2032                   | 1,591,376           |
| 2033                        | 42,020              |
| Total                       | <u>\$ 6,192,636</u> |

**15. Settlement with Suburban Municipalities**

The City had an agreement to transport and treat sewage for several suburban municipalities, from whom the City collected fees for such transportation and treatment. The suburban municipalities alleged that the City had 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 claimed they were owed approximately \$15 million in reimbursement. The Receiver, with the cooperation and agreement of the suburban municipalities, through their counsel, negotiated a compromise of the claim and other amounts that might be owed to the suburban municipalities as a result of the overcharging of sewer rates. In settlement of these claims, in addition to the City's agreement to credit certain amounts as part of the suburban municipalities' prospective financial commitments to the comprehensive overhaul of the sewer system, the City will make payments to the suburban municipalities pursuant to the following payment schedule.

| <u>Year Ending December 31,</u> |                            |
|---------------------------------|----------------------------|
| 2018                            | \$ 1,000,000               |
| 2019                            | <u>225,000</u>             |
|                                 | <u><u>\$ 1,225,000</u></u> |

**16. Pension Plans**

*Primary Government*

***Plan Description and Administration***

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 PMRS. 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 Non-uniformed Employees' A Plan, 10 years for Non-uniformed Employees' 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 a separate Comprehensive Annual Financial Report (CAFR), which may be obtained by writing to the 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 Combined Police Pension Plan is governed by the City of Harrisburg Police Pension Board, which consists of three persons appointed by the City, three persons appointed by the representatives of the Members' collective bargaining unit, and a neutral person appointed by a majority of the first six representatives. The City of Harrisburg Police Pension Board is responsible for the management of the Combined Police Pension Plan assets, appointment of the Combined Police Pension Plan trustee or custodian, and selection of investment advisors and managers.

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the Combined Police Pension Plan and funded through investment earnings.

### ***Benefit Provisions***

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act (Act 205), grants the authority to establish and amend the benefit terms of the Non-uniformed Employees' Plan A and B and Combined Firefighters' Plan to City Council. As outlined in Ordinance No. 21 of 1998, as amended by Ordinance No. 5 of 2001, the authority to establish and amend benefit provisions of the Combined Police Pension plan rests with the participants' collective bargaining unit and the City's administration. It then must be approved by the Board of the Combined Police Pension Plan and ratified and enacted by City Council.

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 participants of the Combined Police Pension Plan, participants are eligible for normal retirement after attainment of age 50. For participants of the Combined Police Pension Plan hired after September 2013, participants are eligible for normal retirement after attainment of age 50 and completion of 20 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 monthly compensation is added to participants who complete 27 years of service, up to a maximum monthly pension of 70% of average monthly compensation. Effective September 2013, the benefit provisions of the Combined Police Pension Plan for new hires were changed to decrease the maximum monthly pension to 50% of average monthly compensation plus an incremental pension equal to 1/40<sup>th</sup> of the pension for each complete year of service in excess of 20 years and before age 65, up to a maximum of \$100 per additional month. 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.

### ***Contributions***

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. There are no active employees of the Non-uniformed plan A at December 31, 2017. Non-uniformed employees are required to contribute 5% of annual compensation for plan B, currently reduced to 4%. Fire and police employees contribute 5% of annual compensation plus \$1 per month. An interest rate of 5.25% 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. As outlined in Ordinance No. 21 of 1998, as amended, the authority to make amendments to the contribution rate of the Combined Police Pension Plan participants rests with the participants' collective bargaining unit and the City's administration. It then must be approved by the Board of the Combined Police Pension Plan and ratified and enacted by City Council. 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. During the year ended December 31, 2016, the City made a contribution of \$280,858 to the Combined Firefighters' Pension Plan. The MMO for the year ended December 31, 2016 was \$280,858. During the year ended December 31, 2017, the City made the minimum municipal obligation contribution of \$327,146 to the Combined Firefighters' Pension Plan. The 2017 contribution is reported as a deferred outflow of resources at December 31, 2017. The City made the minimum municipal obligation contribution of \$3,319,118 to the Combined Police Pension Plan for the year ended December 31, 2017.

Contributions are recognized when due as required by Act 205.

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***Plan Membership***

Membership related to the Non-uniform Employees' and Combined Firefighters' Plans at December 31, 2016 and membership related to the Combined Police Plan at December 31, 2017 consisted of the following:

|   | Non-Uniformed<br>Employees' | Combined<br>Firefighters' | Combined Police |
|---|-----------------------------|---------------------------|-----------------|
| Active members  | 180                         | 72                        | 132             |
| Inactive members or beneficiaries<br>currently receiving benefits | 204                         | 131                       | 213             |
| Inactive members entitled to but not<br>yet receiving benefits    | 31                          | 1                         | 2               |
|   | <u>415</u>                  | <u>204</u>                | <u>347</u>      |

***Changes in the Net Pension Liability (Asset)***

The changes in the net pension liability (asset) of the City for the year ended December 31, 2017 were as follows:

***Non-uniformed Employees' Pension Plan:***

|   | Increase (Decrease)        |                                |                                  |
|---|----------------------------|--------------------------------|----------------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability (Asset) |
| Balances at December 31, 2016 (based on the<br>measurement date of December 31, 2015) | \$60,419,220               | \$69,788,087                   | \$ (9,368,867)                   |
| Changes for the year:   |                            |                                |                                  |
| Service cost  | 724,376                    | -                              | 724,376                          |
| Interest  | 3,252,606                  | -                              | 3,252,606                        |
| Changes of assumptions  | 1,595,806                  | -                              | 1,595,806                        |
| Changes from experience   | (828,876)                  | -                              | (828,876)                        |
| Contributions - employer  | -                          | 144                            | (144)                            |
| Contributions - member  | -                          | 332,840                        | (332,840)                        |
| Investment income   | -                          | 5,307,177                      | (5,307,177)                      |
| Benefit payments, including refunds   | (4,065,011)                | (4,065,011)                    | -                                |
| Administrative expenses   | -                          | (205,486)                      | 205,486                          |
| Net changes   | <u>678,901</u>             | <u>1,369,664</u>               | <u>(690,763)</u>                 |
| Balances at December 31, 2017 (based on the<br>measurement date of December 31, 2016) | <u>\$61,098,121</u>        | <u>\$71,157,751</u>            | <u>\$ (10,059,630)</u>           |
| Plan fiduciary net position as a percentage of<br>the total pension liability         |                            |                                | <u>116.5%</u>                    |

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The net pension asset of the Non-uniformed Employees' Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$7,728,813 and \$2,330,817, respectively, at December 31, 2017.

*Combined Firefighters' Pension Plan:*

|  | Increase (Decrease)                |  |  |
|--|------------------------------------|--|--|
|  | <u>Total Pension<br/>Liability</u> | <u>Plan Fiduciary<br/>Net Position</u> | <u>Net Pension<br/>Liability (Asset)</u> |
| Balances at December 31, 2016 (based on the measurement date of December 31, 2015) | \$67,341,475                       | \$69,259,543                           | \$ (1,918,068)                           |
| Changes for the year:  |                                    |  |  |
| Service cost   | 1,093,507                          | -                                      | 1,093,507                                |
| Interest   | 3,660,185                          | -                                      | 3,660,185                                |
| Changes of assumptions   | 1,972,328                          | -                                      | 1,972,328                                |
| Changes for experience   | (306,406)                          | -                                      | (306,406)                                |
| Contributions - employer   | -                                  | 280,858                                | (280,858)                                |
| Contributions - member   | -                                  | 262,850                                | (262,850)                                |
| Investment income  | -                                  | 6,428,418                              | (6,428,418)                              |
| Benefit payments, including refunds  | (3,823,520)                        | (3,823,520)                            | -  |
| Administrative expenses  | -                                  | (199,487)                              | 199,487                                  |
| Net changes  | <u>2,596,094</u>                   | <u>2,949,119</u>                       | <u>(353,025)</u>                         |
| Balances at December 31, 2017 (based on the measurement date of December 31, 2016) | <u>\$69,937,569</u>                | <u>\$72,208,662</u>                    | <u>\$ (2,271,093)</u>                    |
| Plan fiduciary net position as a percentage of the total pension liability         |                                    |  | <u>103.2%</u>                            |

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*Combined Police Pension Plan:*

|   | Increase (Decrease)        |                                |                          |
|---|----------------------------|--------------------------------|--------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
| Balances at December 31, 2016   | \$92,939,765               | \$75,079,690                   | \$17,860,075             |
| Changes for the year:   |                            |                                |                          |
| Service cost  | 1,504,157                  | -                              | 1,504,157                |
| Interest  | 7,309,215                  | -                              | 7,309,215                |
| Changes for experience  | (2,624,640)                | -                              | (2,624,640)              |
| Changes of assumptions  | 2,659,196                  | -                              | 2,659,196                |
| Contributions - employer  | -                          | 3,319,118                      | (3,319,118)              |
| Contributions - member  | -                          | 542,472                        | (542,472)                |
| Investment income   | -                          | 11,643,216                     | (11,643,216)             |
| Benefit payments, including refunds   | (6,226,579)                | (6,226,579)                    | -                        |
| Administrative expenses   | -                          | (50,943)                       | 50,943                   |
| Net changes   | <u>2,621,349</u>           | <u>9,227,284</u>               | <u>(6,605,935)</u>       |
| Balances at December 31, 2017   | <u>\$95,561,114</u>        | <u>\$84,306,974</u>            | <u>\$11,254,140</u>      |
| Plan fiduciary net position as a percentage of<br>the total pension liability |                            |                                | <u>88.2%</u>             |

***Actuarial Assumptions***

The total pension liability for the Non-uniformed Employees' Pension Plan and the Combined Firefighters' Pension Plan was determined by an actuarial valuation performed on January 1, 2017, with liabilities measured at December 31, 2016, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

|  |                                   |
|--|-----------------------------------|
| Investment rate of return                  | 5.25%                             |
| Projected salary increases                 | 2.8% - 7.05%*                     |
| * includes inflation rate of 2.8%          |                                   |
| Post-retirement cost-of-living adjustments | 2.8%, subject to plan limitations |

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2009 to December 31, 2013

Pre-retirement mortality:

Males: RP 2000 Male Non-Annuitant table projected 15 years with Scale AA  
Females: RP 2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years

Post-retirement mortality:

Males: RP 2000 Male Annuitant table projected 5 years with Scale AA  
Females: RP 2000 Female Annuitant table projected 10 years with Scale AA

For the Combined Police Pension Plan, the total pension liability was measured as of December 31, 2016 and was determined by the January 1, 2017 actuarial valuation. No significant events or changes occurred between the valuation date and the fiscal year end.

The January 1, 2017 actuarial valuation for the Combined Police Pension Plan used the entry age normal actuarial cost method and IRS 2017 Static Combined Table for Small Plans mortality table. The actuarial assumptions include: a) 8.00% investment rate of return, b) a projected salary increase of 5.00%, c) 3.00% inflation rate, d) level dollar closed amortization method, and e) 11-year remaining amortization period.

*Changes in Actuarial Assumptions* – The actuarial assumptions for the Non-uniformed Employees' Pension Plan and the Combined Firefighters' Pension Plan noted above were used for the prior measurement date of December 31, 2015 except for investment return assumption for municipal assets decreased from 5.50% to 5.25%.

The actuarial assumptions for the Combined Police Pension Plan noted above were used for the prior measurement date of December 31, 2016, except that the mortality table

was updated from the RP-2000 Table for Males and Females to the IRS 2017 Static Combined Table for Small Plans.

*Investment Policy* - The Combined Police Pension Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board of the Combined Police Pension Plan. The Board of the Combined Police Pension Plan seeks to achieve long-term growth of the Combined Police Pension Plan’s assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the Combined Police Pension Plan’s current and long-term pension obligations.

*Long-Term Expected Rate of Return* – The PMRS System’s (System) long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to this method used by the System and an in-depth description of the process, including the anticipated rate of return by asset class, can be found at [www.pMrs.state.pa.us](http://www.pMrs.state.pa.us). Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 7.5%. The rationale for the difference between the System’s long-term expected rate of return and the discount rate can be found at [www.pMrs.state.pa.us](http://www.pMrs.state.pa.us).

The long-term expected rate of return on the Combined Police Pension Plan’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the Combined Police Pension Plan as of December 31, 2017 are summarized in the following table:

| Asset Class          | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic equity      | 46.0%             | 5.5% - 7.5%                            |
| International equity | 25.0%             | 4.5% - 6.5%                            |
| Fixed income         | 25.0%             | 1.0% - 3.0%                            |
| Limited partnerships | 3.0%              | 5.5% - 7.5%                            |
| Cash                 | 1.0%              | 0.0% - 1.0%                            |
|                      | <u>100.0%</u>     |  |

*Rate of Return* - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return on Combined Police Pension Plan investments, net of investment expense, was 16.01%.

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*Discount Rate* – The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities’ total pension liability as of December 31, 2016 was 5.25%. The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System’s long-term expected rate of return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The discount rate used to measure the total pension liability as of December 31, 2017 was 8.00% for the Combined Police Pension Plan. The Combined Police Pension Plan’s fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability (Asset) Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Plans, calculated using the discount rate described above, as well as what the Plan’s net pension liability (asset) would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

|                          | 1% Decrease<br>(4.25%) | Current<br>Discount Rate<br>(5.25%) | 1% Increase<br>(6.25%) |
|--------------------------|------------------------|-------------------------------------|------------------------|
| Non-uniformed Employees' | \$ (2,973,876)         | \$ (10,059,630)                     | \$ (16,071,601)        |
| Combined Firefighters'   | \$ 6,564,131           | \$ (2,271,093)                      | \$ (9,598,786)         |

|                 | 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|-----------------|------------------------|-------------------------------------|------------------------|
| Combined Police | \$ 21,399,076          | \$ 11,254,140                       | \$ 2,663,114           |

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Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense of \$8,757,631 in the governmental activities and (\$1,286,127) in the business-type activities.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Governmental<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| <u>Deferred Outflows of Resources:</u>   |                            |                             |
| Differences between expected and actual experience                               | \$ 1,402,914               | \$ 404,855                  |
| City contributions subsequent to measurement date                                | 327,146                    | -                           |
| Changes of assumptions   | 6,458,058                  | 316,180                     |
| Net difference between projected and actual earnings on pension plan investments | <u>522,193</u>             | <u>395,701</u>              |
| Total deferred outflows of resources   | <u>\$ 8,710,311</u>        | <u>\$ 1,116,736</u>         |
| <u>Deferred Inflows of Resources:</u>  |                            |                             |
| Differences between expected and actual experience                               | \$ 3,108,595               | \$ 144,038                  |
| Changes of assumptions   | <u>30,328</u>              | <u>-</u>                    |
| Total deferred inflows of resources  | <u>\$ 3,138,923</u>        | <u>\$ 144,038</u>           |

The differences in the City's expected and actual experience and changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending December 31,</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2018                            | \$ 3,908,468                       | \$ 623,042                          |
| 2019                            | 2,505,557                          | 218,186                             |
| 2020                            | 655,390                            | 190,813                             |
| 2021                            | (1,825,173)                        | (59,343)                            |
|                                 | <u>\$ 5,244,242</u>                | <u>\$ 972,698</u>                   |

## **17. Other Post-Employment Benefits**

### ***Plan Descriptions***

In addition to the pension benefits described in Note 16, the City provides certain post-employment healthcare benefits to its retirees through one single-employer, defined benefit 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. Upon reaching Medicare age, retiree must pay the full premium to continue coverage. 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 between January 1, 1992 and September 18, 2013:*

Eligibility: Any officer that is eligible for the Combined 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.

*Retire after September 19, 2013 and hired prior to September 18, 2013:*

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

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision (under the same plans as active employees which may be modified to the extent that coverage is modified for active employees), 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. Retirees and their dependents shall not be eligible for post-retirement health care if the retiree or dependent has available health care coverage elsewhere at a reasonably comparable benefit level and at the same or lower cost. The City would pay the cost of coverage for medical, prescription drug, dental, and vision for the retiree less a percentage of the retiree's pension ranging from 2% to 5% until the retiree reaches Medicare age. Upon reaching Medicare age, the City will reimburse a maximum monthly amount ranging from \$260 to \$350 for a Medicare Supplement Plan.

*Hired after September 18, 2013:* Not eligible for post-retirement health benefits.

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 health 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:*

Eligibility: Any firefighter that is eligible for the Combined Firefighters' Pension Plan benefits

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. Upon reaching age 65, the City will provide supplemental coverage, major medical, and prescription unless prescription is provided by another agency. This benefit is for the retired firefighter only. If the retiree dies, the spouse may continue coverage, in which case the spouse would pay for the full cost of coverage.

*Retire between January 1, 1993 and April 22, 2014:*

Eligibility: Any firefighter that is eligible for the Combined Firefighters' 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 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.

*Retire after April 23, 2014 and hired prior to April 22, 2014:*

Eligibility: Any firefighter that is eligible for the Combined Firefighters' Pension Plan benefits

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision (under the same plans as active employees which may be modified to the extent that coverage is modified for active employees), 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. Retirees and their dependents shall not be eligible for post-retirement health care if the retiree or dependent has available health care coverage elsewhere at a reasonably comparable benefit level and at the same or lower cost. The City would pay the cost of coverage for medical, prescription drug, dental, and vision for the retiree less a percentage of the retiree's pension ranging from 2% to 5% until the retiree reaches Medicare age with certain exceptions. Upon reaching Medicare age, the City will reimburse a maximum monthly amount ranging from \$260 to \$350 for a Medicare Supplement Plan. 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. Currently, four retirees have been "grandfathered" and the City continues to pay for coverage.

*Hired after April 23, 2014:* Not eligible for post-retirement health benefits.

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, one retiree has been "grandfathered" and the City continues to pay the cost of 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-uniformed Employees' 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. Currently, there are two retirees and one active employee that are covered under the Police contract.

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

Eligibility: Any non-uniformed management employee who is eligible for the Non-uniformed Employees' 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 between June 1, 2007 and September 18, 2013:*

Eligibility: Non-uniformed union employee must be eligible for the Non-uniformed Employees' 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. If the retiree has attained age 60 and completed 20 years of service, the City pays 100% of medical premium for single coverage. 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. If retiree is disabled after completion of 20 years of service, attained age 55 and completed 20 years of service, or attained age 65 and completed 15 years of service, the City would pay 60% of premium for single coverage. Otherwise, retiree would pay for 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.

*Retire between September 19, 2013 and December 31, 2014:*

Eligibility: Non-uniformed union employee must be eligible for the Non-uniformed Employees' Pension Plan benefits and satisfy the Rule of 85 Window requirements as of December 31, 2013.

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision (under the same plans as active employees which may be modified to the extent that coverage is modified for active employees), 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. If the retiree has attained age 55 as of December 31, 2013, the City pays full medical premiums for single coverage until the retiree reaches Medicare age. If the retiree has not attained age 55 as of December 31, 2013, the City pays 60% of the medical premium for single coverage until the retiree reaches Medicare age. For any coverage other than single, the retiree must pay any difference between the premiums. The retiree must pay the full premium of prescription drug, dental, and vision coverage. Upon reaching Medicare age, the City will reimburse a maximum monthly amount ranging from \$260 to \$350 for a Medicare Supplement Plan.

*Retire after September 19, 2013 and hired prior to September 18, 2013 (not under the Rule of 85 Window):*

Eligibility: Non-uniformed union employee must be eligible for the Non-uniformed Employees' Pension Plan benefits.

Benefits: The health care coverage currently includes medical, prescription drugs, dental, vision (under the same plans as active employees which may be modified to the extent that coverage is modified for active employees), 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. If retiree has attained age 60 and completed 20 years of service, the retiree shall pay an amount equal to the amount which the employee would pay for individual coverage as of the date of retirement. The City pays 60% of the cost of health insurance for employees retiring on or after January 1, 2002 with 20 or more years of service or at least 15 years of service at age 65. Upon reaching Medicare eligibility, the retiree shall be eligible only for Medicare supplement reimbursement schedule. Otherwise, the retiree would pay 100% of the medical premium for single coverage. For any coverage other than single, the retiree must pay any difference between the premiums. Retirees must pay full premium for prescription drug, dental, and vision coverage. Upon reaching Medicare age, the City will reimburse a maximum monthly amount ranging from \$260 to \$350 for a Medicare Supplement Plan. Retirees and their dependents shall not be eligible for post-retirement health care if the retiree or dependent has available health care coverage elsewhere at a reasonably comparable benefit level and at the same or lower cost.

*Hired after September 18, 2013:* Not eligible for post-retirement health benefits.

Effective for the period beginning January 1, 2017 and through December 31, 2018, any employee who would meet a Rule of 80 (combination of employee's age and years of service totaling 80) by no later than December 31, 2018 shall be eligible for normal retirement without applying an early retirement reduction. Those employees retiring under this early retirement window and the Rule of 80 will not receive post-retirement healthcare unless they qualify under the existing post-retirement healthcare provisions as found in the current collective bargaining agreement.

#### ***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, 2017, the City contributed \$6,380,080 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 estimates are made about the future.

***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             | 1/1/2016  |
| 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 | 6.5% in 2016, 6.0% in 2017, and 5.5% in 2018 through 2020, rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 |

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***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, 2017 were as follows:

|                                 | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---------------------------------|----------------------------|-----------------------------|----------------------|
| Annual required contribution    | \$ 11,046,914              | \$ 683,609                  | \$ 11,730,523        |
| Interest on net OPEB obligation | 3,404,845                  | 237,802                     | 3,642,647            |
| Adjustment to ARC               | (4,645,077)                | (324,422)                   | (4,969,499)          |
| Annual OPEB cost                | 9,806,682                  | 596,989                     | 10,403,671           |
| Contribution made               | (6,004,999)                | (375,081)                   | (6,380,080)          |
| Change in Net OPEB Obligation   | 3,801,683                  | 221,908                     | 4,023,591            |
| Net OPEB Obligation, beginning  | 76,535,905                 | 4,606,425                   | 81,142,330           |
| Net OPEB Obligation, ending     | <u>\$ 80,337,588</u>       | <u>\$ 4,828,333</u>         | <u>\$ 85,165,921</u> |

During the year ended December 31, 2013, sewer operations were transferred to CRW and the sewer fund was eliminated. While the City still retains the OPEB liability for sewer retirees, through the shared services agreement, CRW has agreed to reimburse the City for these costs. Therefore, the OPEB liability for sewer retirees has been transferred to governmental activities, with a related amount due from CRW.

***Three-Year Trend Information***

| Year | Annual OPEB Cost<br>(AOC) | Percentage of AOC<br>Contributed | Net OPEB<br>Obligation |
|------|---------------------------|----------------------------------|------------------------|
| 2017 | \$ 10,403,671             | 61.48%                           | \$ 85,165,921          |
| 2016 | 10,494,816                | 58.22%                           | 81,142,330             |
| 2015 | 9,020,316                 | 62.67%                           | 76,757,716             |

***Funded Status and Schedule of Funding Progress***

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>- Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 1/1/2016                       | \$ -                                   | \$ 155,120,287  | \$ 155,120,287                     | 0.00%                    | \$ 18,398,262             | 843.12%   |

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.

## **18. Accumulated Deficits**

### *Component Unit*

#### *Redevelopment Authority of the City of Harrisburg*

The Redevelopment Authority's net position (deficit) at December 31, 2017 is related to the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998 bond issuance and the deferred lease revenue. The deferred lease revenue will be reduced annually by the amount of rental income revenue recognized over the term of the lease. The City guarantees the payment of the bond issuance.

## **19. Restatement**

### *Primary Government*

Beginning fund balance of the General Fund has been increased by \$1,009,774 (and nonmajor governmental fund fund balance decreased by a like amount) from the fund balance originally stated of \$36,611,653 to fund balance restated of \$37,621,427. The restatement was made to include the fund balance of six funds that the City had previously treated as special revenue funds, but which no longer met the requirements to be reported as special revenue funds.

### *Component Unit*

#### *Redevelopment Authority of the City of Harrisburg*

Beginning net position of the Redevelopment Authority has been decreased by \$25,000 from (\$32,148,801) to (\$32,173,801). Net position was restated to properly account for advance payments from the Pennsylvania National Fire Museum related to a purchase option contained in the lease agreement.

## **20. Financial Recovery Plan**

For several years, the City had 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 preliminary 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 and subsequent status reports related thereto can be viewed at <http://dced.pa.gov/download/harrisburg-strong-plan-pdf/?wpdmdl=57498>. The Recovery Plan was approved by the Commonwealth Court on March 9, 2012.

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 CRW's Resource Recovery Facility (Incinerator) which the City guaranteed; 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 was applied to the Incinerator debt) and set forth contributions to be made by various stakeholders. Since the contributions required from stakeholders could not be determined until the value of the assets was known, CRW 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, CRW 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 entity, 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 entities have since undertaken these processes. The Receiver was authorized under Act 47 to proceed with all transactions related to the assets of the City and the entities, and to cause the sale, lease, conveyance, assignment or other use or disposition of those assets.

To address the City's structural budget deficit, an annual gap in excess of \$11 million as estimated by the Receiver, the Recovery Plan called 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, with certain of the study's proposed fee increases being considered for approval by City Council in 2013.

Having achieved a comprehensive solution indicating consensual agreements with stakeholders, the Receiver filed a modified recovery plan with the Commonwealth Court on August 26, 2013 entitled the "Harrisburg Strong Plan." In the days leading to this filing, City Council took action on various issues related to the sale of the Incinerator, Parking System monetization, earned income tax rate extension through 2016, and Fraternal Order of Police (FOP) and American Federation of State, County and Municipal Employees (AFSCME) labor contracts concession amendments.

A hearing was held before the Court on September 19, 2013, at which counsel for the Mayor, City Council, Dauphin County, Assured Guaranty Municipal Assurance Corporation (AGM), and the suburban communities all stated support for the Harrisburg Strong Plan. On September 23, 2013, the Court issued an Order confirming the Harrisburg Strong Plan and directed its implementation in accordance with the terms of the Plan.

As of March 1, 2014, the City is no longer in receivership.

The City Council adopted a Modified Recovery Plan of the Act 47 Coordinator on April 27, 2016 that included an extension of both the increased Local Services Tax and the increased EIT through December 31, 2018, which had been set forth in the annual proposed budget revenue and expenditures projections by the Coordinator. The Modified Recovery Plan, including the increased tax rates, was approved by the Commonwealth Court of Pennsylvania on July 20, 2016.

An Exit Plan process was legislated by amendments to Act 47 approved in 2014. The Coordinator for the City filed the newly required Financial Condition Report on March 22, 2018 recommending the City receive a three-year extension of its “distressed municipality” status. This was to be done through an Exit Plan to be prepared by the Coordinator. The process for review and adoption of an Exit Plan for the City is underway.

## **21. Commitments and Contingencies**

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

### *Primary Government*

#### **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.

#### **Construction Commitments**

At December 31, 2017, the City has a contractual commitment for projects of approximately \$7 million.

#### **Transfer and Transition Agreement and Shared Services Agreement**

In November 2013, the City and CRW entered into a transfer agreement related to the Sewer Collection System (transfer agreement) and a transition agreement related to the Water, Wastewater, and Stormwater Systems (transition agreement). In conjunction with the transfer and transition agreements, the City and CRW entered into a shared services agreement whereby the City agreed to perform certain services with respect to

and for the benefit of the water system and combined sewer system and CRW agreed to perform certain services with respect to and for the benefit of the City's Neighborhood Services Fund, Green Infrastructure Projects, and other initiatives. The services performed by the City under the shared services agreement relate to payment processing services, information technology services, operations and revenue services, and public works services. The services performed by CRW under the shared services agreement include revenue billing and collection functions for the City's Neighborhood Services Fund including the implementation of a lockbox system. As of April 2015, CRW opened their own office for billing and collections and no longer used any of the City's information technology services or operations and revenue services. Each of these services, including the term of the services, is detailed in a shared services schedule incorporated into the shared services agreement.

The City and CRW, in advance of performing the services, are to prepare a budget for the total cost of the services and the total cost is to be agreed upon by both parties. Within 60 days after the end of the term of each shared service, the City and CRW are to reconcile the actual costs of providing the services to the budgeted costs. Payments due to either the City or CRW are payable within 30 days of the finalization of the reconciliation. During the year ended December 31, 2017, the City and CRW were billed based on pay-as-you-go expenditures incurred for OPEB costs related to water and sewer retirees and certain receivables and payables have been recorded based on these amounts. A reconciliation based on actual cost incurred from the date of transfer through December 31, 2017 is still being negotiated and any changes will be made prospectively.

*Component Unit*

*Harrisburg Downtown Improvement District, Inc.*

A contract effective January 1, 2011 and ending December 31, 2013, was entered into with ABM Janitorial Services to provide all services and labor necessary to commence and complete a cleaning program with the District. The vendor will be compensated on a cost-plus basis not to exceed \$302,512 annually. Hourly wage rates, supplies, equipment expenses, and other costs are detailed in the proposal. Yearly 12-month extensions since the end date have been agreed upon. A 12-month extension was agreed upon in December 2017 to continue through December 2018 with subsequent 12-month extensions.

**Guarantees**

The City is contingently liable under various agreements which guarantee debt of entities not included in the primary government's financial statements aggregating \$21,806,429 at December 31, 2017, all of which is for guarantees of component unit

debt, and maturing at various dates through 2033. Information regarding the component unit debt guarantees is discussed in Note 10.

## **22. Compliance**

### *Primary Government*

Management of the City believes that the City has complied, in all material respects, with all applicable finance related legal and contractual provisions including applicable covenants of bond indentures, except as noted below.

The City has issued multiple notices of material events with EMMA with respect to its inability to make required debt service payments with respect to the City's General Obligation Refunding Bonds and Notes, Series D and F of 1997 for the years ended December 31, 2012 through 2017.

## **23. Litigation**

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, 2017. The City has accrued for such cases that it believes are estimable and probable.

### *Primary Government*

Several 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. Legal Counsel for the contracting companies did issue a letter query in 2017 on reviving the matter for discussion of resolution. The City believes it has no likely exposure on these stale claims.

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 agreed to a temporary stay in this case until September 2012. Since September 2012, 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. Legal Counsel for the contractor issued a letter notice in 2017 seeking to revive the claim. Should the stale matter be allowed to proceed, it will be likely decided on a contract interpretation or procedural issue. No additional judicial filings have been made in the matter.

The United States Environmental Protection Agency (EPA) had issued an order against the City under the Clean Water Act requiring the City to provide certain information in response to EPA inquiries into the issues involving what were the City's combined sewer overflows and its municipal separate storm water system program. The EPA considered the City to be in violation of the Clean Water Act and other regulatory mandates. The City, CRW, the EPA, and the Pennsylvania Department of Environmental Protection have entered into a Partial Settlement Agreement of those claims, which has been lodged in the U.S. District Court for the Middle District of Pennsylvania, wherein the City is not required to pay any federal or state fines or penalties. This matter remains an open Consent Decree. The City anticipates that it will be permitted to be released from the partial Consent Decree as all remaining related issues are within the control of CRW.

An extraordinary series of holes in the street and on the private property of homeowners suddenly appeared starting in February 2014. Issues of liability for a utility collapse/water main break versus other causes of these events have been the subject of engineering reviews and analysis. The cost of restoration of the street and abatement of the underlying fissures are projected to be more than \$4,000,000, while the overall cost of public acquisition and demolition of 53 homes impacted by the matter has been estimated to exceed \$6,000,000. The City has secured Federal and State disaster relief funding, as well as other public grant funds to underwrite the acquisition of the properties and the requisite relocation costs of property owners and tenants. Identification of additional funding sources to complete the required remediation and demolition of the area remains underway, which is anticipated to represent more than \$2,000,000 of the overall sinkhole project costs. Acquisition and demolition are expected to be completed in 2018. While the issues related to the sinkhole originally were considered to create a litigation risk, any such risk now appears de minimus.

The City is a party to a series of related legal actions arising from the collapse of a privately-owned wall onto a neighboring property. While the City does not view a likelihood of fiscal exposure in terms of liability, the nature of the matter presents numerous uncertainties that could create future fiscal risk to the City in litigation-related expenses. The City has accrued \$250,000 on the matter as a likely cost arising from the litigation.

The City is a party to an Ordinance challenge in a federal district court proceeding on First Amendment grounds for protests in front of women's health clinics. The likely costs and risks associate with such proceedings are not insubstantial, but are not yet estimable. Nonetheless, the City anticipates the case will require the use of litigation-related resources over several years, with expenses to date already exceeding \$150,000.

The City is defending ongoing claims by a property owner alleging that rates for the collection and disposal of solid waste and recycling are impermissible, which they now seek to convert to a class action with a demand for disgorgement of funds collected. The City will continue to defend the action. The matter is complex litigation that the City anticipates will require the use of litigation-related resources over several years.

The City received a notice of claim related to the claims of wrongful death arising from a boating accident at the Dock Street Dam in May 2018. A mother and child died after a motor boat smashed into the dam after dark. The operator has been criminally charged related to the deaths. The City was notified that additional signage and buoy requirements are necessary and a review of dam safety issues is underway.

The City received a notice of claim related to a claim for wrongful death of a motorcyclist arising from a 2018 intersection collision with a police vehicle. The matter remains under review.

## **24. Subsequent Events**

Subsequent events with respect to material event notices with EMMA and debt related items are included in the respective notes.

In April 2018, the City entered into a \$2 million loan agreement with the Commonwealth of Pennsylvania Department of Transportation Infrastructure Bank for the purpose of restoring, repairing, and improving City streets. The loan requires annual payments of principal and interest for 10 years and bears interest at 2.125%.

In April 2018, the City entered into two lease agreements for the purchase of certain equipment totaling \$584,115 and \$955,716. The leases require quarterly principal and

interest payments of \$32,397 and \$52,854, respectively, for five years and bear interest at 4.066%.

**25. Extraordinary Item – Harrisburg University (HU) Settlement**

*Component Unit*

Harrisburg Parking Authority

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. During the year ended December 31, 2017, the Authority received as settlement in the amount of \$613,506 from HU. The settlement was payment on a 2013 note receivable entered into as a result of the Agreement referenced in Note 1. The note receivable was deemed uncollectible by the Authority's management during the year ended December 31, 2013. The amount received of \$613,506 represents the \$500,000 note receivable balance and accrued interest of \$113,506.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF HARRISBURG, PENNSYLVANIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGETARY (NON-GAAP) BASIS - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2017**  
**REQUIRED SUPPLEMENTARY INFORMATION**

|  | Budget              |                     | Variance<br>of Original<br>with Final<br>Budget<br>Positive<br>(Negative) | Actual<br>Amounts    | Variance<br>of Actual<br>with Final<br>Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|----------------------|---|
|  | Original<br>Amounts | Final<br>Amounts    |   |                      |   |
| Revenues   |                     |                     |   |                      |   |
| Taxes  | \$ 40,941,743       | \$ 40,941,743       | \$ -  | \$ 44,715,226        | \$ 3,773,483  |
| Licenses and permits   | 644,244             | 644,244             | -   | 709,247              | 65,003  |
| Intergovernmental revenue  | 4,273,142           | 4,273,142           | -   | 3,900,538            | (372,604)   |
| Departmental earnings  | 10,523,167          | 10,647,659          | 124,492   | 11,179,189           | 531,530   |
| Fines and forfeits   | 733,000             | 733,000             | -   | 865,222              | 132,222   |
| Investment income  | 1,903,452           | 1,903,452           | -   | 1,873,456            | (29,996)  |
| Miscellaneous  | 2,844,754           | 3,352,985           | 508,231   | 3,538,223            | 185,238   |
| Total revenues   | <u>61,863,502</u>   | <u>62,496,225</u>   | <u>632,723</u>  | <u>66,781,101</u>    | <u>4,284,876</u>  |
| Expenditures   |                     |                     |   |                      |   |
| General government   |                     |                     |   |                      |   |
| Elected and appointed offices  |                     |                     |   |                      |   |
| City Council   | 415,742             | 416,195             | (453)   | 331,116              | 85,079  |
| Mayor  | 242,363             | 242,363             | -   | 215,802              | 26,561  |
| City Controller  | 162,723             | 162,723             | -   | 148,435              | 14,288  |
| City Treasurer   | 426,081             | 426,081             | -   | 342,794              | 83,287  |
| City Solicitor   | 697,765             | 762,661             | (64,896)  | 578,483              | 184,178   |
| Total elected and appointed offices  | <u>1,944,674</u>    | <u>2,010,023</u>    | <u>(65,349)</u>   | <u>1,616,630</u>     | <u>393,393</u>  |
| Office of administration   |                     |                     |   |                      |   |
| Administration   | 3,529,179           | 4,296,821           | (767,642)   | 3,173,962            | 1,122,859   |
| General expenditures   | 15,199,051          | 15,442,549          | (243,498)   | 14,253,702           | 1,188,847   |
| Total general government   | <u>20,672,904</u>   | <u>21,749,393</u>   | <u>(1,076,489)</u>  | <u>19,044,294</u>    | <u>2,705,099</u>  |
| Community and economic development   | 1,874,264           | 1,983,223           | (108,959)   | 1,585,358            | 397,865   |
| Public safety  | 27,721,523          | 28,214,196          | (492,673)   | 25,475,591           | 2,738,605   |
| Public works   | 7,195,036           | 8,713,100           | (1,518,064)   | 5,301,235            | 3,411,865   |
| Total expenditures   | <u>57,463,727</u>   | <u>60,659,912</u>   | <u>(3,196,185)</u>  | <u>51,406,478</u>    | <u>9,253,434</u>  |
| Excess of revenues over (under) expenditures before other financing sources (uses) | <u>4,399,775</u>    | <u>1,836,313</u>    | <u>(2,563,462)</u>  | <u>15,374,623</u>    | <u>13,538,310</u>   |
| Other financing sources (uses)   |                     |                     |   |                      |   |
| Sale of assets   | -                   | -                   | -   | 27,412               | 27,412  |
| Transfers in   | 202,458             | 2,918,207           | 2,715,749   | 330,623              | (2,587,584)   |
| Transfers out  | (9,190,136)         | (13,741,006)        | (4,550,870)   | (13,469,098)         | 271,908   |
| Total other financing sources (uses)   | <u>(8,987,678)</u>  | <u>(10,822,799)</u> | <u>(1,835,121)</u>  | <u>(13,111,063)</u>  | <u>(2,288,264)</u>  |
| Net change in fund balance   | (4,587,903)         | (8,986,486)         | (4,398,583)   | 2,263,560            | 11,250,046  |
| Fund balance - beginning of year, budgetary basis - restated                       | <u>4,645,988</u>    | <u>11,721,818</u>   | <u>7,075,830</u>  | <u>32,474,534</u>    | <u>20,752,716</u>   |
| Fund balance - end of year, budgetary basis  | <u>\$ 58,085</u>    | <u>\$ 2,735,332</u> | <u>\$ 2,677,247</u>   | <u>\$ 34,738,094</u> | <u>\$ 32,002,762</u>  |

**CITY OF HARRISBURG, PENNSYLVANIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2017**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**1. Budgetary Data**

Annual budgets are legally adopted for the General Fund (which includes the Neighborhood Mitigation Fund, Special Events Fund, Fire Protection Fund, Police Protection Fund, Parks and Recreation Fund, WHBG-TV Fund, and Events Fund), Debt Service Fund, Neighborhood Services Fund, and the following nonmajor governmental funds: State Liquid Fuels Tax Fund and Host Municipality Fees Fund. Budgets for governmental funds are prepared on a cash basis. Specific funds exempted from legally adopted budgetary requirements include:

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

Several 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. Control over spending in the Parks and Property Improvement Fund is achieved through 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 2017 budget for governmental funds. The budget for the General Fund was prepared on a cash basis. 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.

**CITY OF HARRISBURG, PENNSYLVANIA****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2017****REQUIRED SUPPLEMENTARY INFORMATION**

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

|  | Fund Balance,<br>Beginning of<br>Year | Revenues             | Expenditures           | Financing<br>Sources (Uses)<br>and Special<br>Items | Fund Balance,<br>End of Year |
|--|---------------------------------------|----------------------|------------------------|---|------------------------------|
| Budgetary basis                            | \$ 32,474,534                         | \$ 66,781,101        | \$ (51,406,478)        | \$ (13,111,063)                                     | \$ 34,738,094                |
| Taxes receivable                           | 14,223,851                            | 40,268               | -                      | -   | 14,264,119                   |
| Other assets                               | 13,741,420                            | 132,859              | 913,916                | 2,165,543   | 16,953,738                   |
| Accounts payable                           | (2,206,062)                           | (69,594)             | (297,971)              | -   | (2,573,627)                  |
| Accrued liabilities                        | (667,146)                             | -                    | (74,981)               | -   | (742,127)                    |
| Advances and amounts<br>due to other funds | (797,550)                             | -                    | 2,330                  | -   | (795,220)                    |
| Unearned and<br>unavailable revenue        | (19,147,620)                          | (1,436,080)          | -                      | -   | (20,583,700)                 |
| Reclassifications                          | -                                     | (834,491)            | (137,043)              | 971,534   | -                            |
| GAAP basis                                 | <u>\$ 37,621,427</u>                  | <u>\$ 64,614,063</u> | <u>\$ (51,000,227)</u> | <u>\$ (9,973,986)</u>                               | <u>\$ 41,261,277</u>         |

\* Beginning of year fund balance – budgetary basis was restated by \$1,235,338 to include the fund balance of six funds that the City had previously treated as special revenue funds, but which no longer met the requirements to be reported as special revenue funds.

## 2. 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 were thirteen instances where the City' exceeded the budgeted expenditure amount on a line item level.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND**  
**RELATED RATIOS - NON-UNIFORMED EMPLOYEES' PENSION PLAN**  
**YEAR ENDED DECEMBER 31, \***  
**REQUIRED SUPPLEMENTARY INFORMATION**

|   | 2017                   | 2016                  | 2015                   |
|---|------------------------|-----------------------|------------------------|
| <b>Total Pension Liability</b>  |                        |                       |                        |
| Service cost  | \$ 724,376             | \$ 737,701            | \$ 1,126,817           |
| Interest  | 3,252,606              | 3,244,391             | 2,971,992              |
| Changes of assumptions  | 1,595,806              | 335,514               | -                      |
| Benefit payments, including refunds   | (4,065,011)            | (4,242,451)           | (4,075,097)            |
| Differences between expected and actual experience                                | (828,876)              | -                     | 6,989,303              |
| Transfers   | -                      | -                     | (3,135,289)            |
| <b>Net Changes in Total Pension Liability</b>                                     | 678,901                | 75,155                | 3,877,726              |
| <b>Total Pension Liability - Beginning</b>  | 60,419,220             | 60,344,065            | 56,466,339             |
| <b>Total Pension Liability - Ending (a)</b>                                       | <u>\$ 61,098,121</u>   | <u>\$ 60,419,220</u>  | <u>\$ 60,344,065</u>   |
| <b>Plan Fiduciary Net Position:</b>   |                        |                       |                        |
| Contributions - employer  | \$ 144                 | \$ -                  | \$ 14,004              |
| Contributions - plan member   | 332,840                | 388,780               | 199,463                |
| Investment income (loss)  | 5,307,177              | (414,677)             | 3,833,485              |
| Benefit payments, including refunds   | (4,065,011)            | (4,242,451)           | (4,075,097)            |
| Administrative expense  | (205,486)              | (176,532)             | (155,705)              |
| Transfers   | -                      | -                     | (3,135,317)            |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | 1,369,664              | (4,444,880)           | (3,319,167)            |
| <b>Plan Fiduciary Net Position - Beginning</b>                                    | 69,788,087             | 74,232,967            | 77,552,134             |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <u>\$ 71,157,751</u>   | <u>\$ 69,788,087</u>  | <u>\$ 74,232,967</u>   |
| <b>Net Pension Asset - Ending (a-b)</b>   | <u>\$ (10,059,630)</u> | <u>\$ (9,368,867)</u> | <u>\$ (13,888,902)</u> |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <u>116.46%</u>         | <u>115.51%</u>        | <u>123.02%</u>         |
| <b>Employee Covered Payroll</b>   | <u>\$ 8,413,551</u>    | <u>\$ 7,259,478</u>   | <u>\$ 6,497,415</u>    |
| <b>Net Pension Asset as a Percentage of Employee Covered Payroll</b>              | -119.56%               | -129.06%              | -213.76%               |

\* The amounts presented for each fiscal year were determined as of the measurement date, which is December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension information.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND**  
**RELATED RATIOS - COMBINED FIREFIGHTERS' PENSION PLAN**  
**YEAR ENDED DECEMBER 31, \***  
**REQUIRED SUPPLEMENTARY INFORMATION**

|   | 2017                  | 2016                  | 2015                  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>  |                       |                       |                       |
| Service cost  | \$ 1,093,507          | \$ 1,253,437          | \$ 1,325,049          |
| Interest  | 3,660,185             | 3,611,615             | 3,536,047             |
| Changes of assumptions  | 1,972,328             | (60,658)              | -                     |
| Benefit payments, including refunds   | (3,823,520)           | (3,700,881)           | (3,614,868)           |
| Differences between expected and actual experience                                | (306,406)             | -                     | 241,776               |
| <b>Net Changes in Total Pension Liability</b>                                     | 2,596,094             | 1,103,513             | 1,488,004             |
| <b>Total Pension Liability - Beginning</b>  | 67,341,475            | 66,237,962            | 64,749,958            |
| <b>Total Pension Liability - Ending (a)</b>                                       | <u>\$ 69,937,569</u>  | <u>\$ 67,341,475</u>  | <u>\$ 66,237,962</u>  |
| <b>Plan Fiduciary Net Position:</b>   |                       |                       |                       |
| Contributions - employer  | \$ 280,858            | \$ 358,000            | \$ 22,130             |
| Contributions - plan member   | 262,850               | 250,526               | 226,360               |
| Investment income (loss)  | 6,428,418             | (595,792)             | 4,191,372             |
| Benefit payments, including refunds   | (3,823,520)           | (3,700,881)           | (3,614,868)           |
| Administrative expense  | (199,487)             | (169,934)             | (154,993)             |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | 2,949,119             | (3,858,081)           | 670,001               |
| <b>Plan Fiduciary Net Position - Beginning</b>                                    | 69,259,543            | 73,117,624            | 72,447,623            |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <u>\$ 72,208,662</u>  | <u>\$ 69,259,543</u>  | <u>\$ 73,117,624</u>  |
| <b>Net Pension Asset - Ending (a-b)</b>   | <u>\$ (2,271,093)</u> | <u>\$ (1,918,068)</u> | <u>\$ (6,879,662)</u> |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <u>103.25%</u>        | <u>102.85%</u>        | <u>110.39%</u>        |
| <b>Employee Covered Payroll</b>   | <u>\$ 4,716,216</u>   | <u>\$ 4,886,967</u>   | <u>\$ 5,001,992</u>   |
| <b>Net Pension Asset as a Percentage of Employee Covered Payroll</b>              | -48.15%               | -39.25%               | -137.54%              |

\* The amounts presented for each fiscal year were determined as of the measurement date, which is December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension information.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND**  
**RELATED RATIOS - COMBINED POLICE PENSION PLAN**  
**YEAR ENDED DECEMBER 31, \***  
**REQUIRED SUPPLEMENTARY INFORMATION**

|   | 2017                       | 2016                       | 2015                       | 2014                       |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Total Pension Liability:</b>   |                            |                            |                            |                            |
| Service cost  | \$ 1,504,157               | \$ 1,564,700               | \$ 1,490,190               | \$ 1,542,107               |
| Interest  | 7,309,215                  | 7,106,970                  | 6,895,688                  | 6,403,162                  |
| Changes of assumptions  | 2,659,196                  | -                          | 4,507,561                  | -                          |
| Benefit payments, including refunds   | (6,226,579)                | (6,008,655)                | (5,630,072)                | (5,351,314)                |
| Differences between expected and actual experience                                | (2,624,640)                | -                          | (753,653)                  | -                          |
| <b>Net Changes in Total Pension Liability</b>                                     | <b>2,621,349</b>           | <b>2,663,015</b>           | <b>6,509,714</b>           | <b>2,593,955</b>           |
| <b>Total Pension Liability - Beginning</b>  | <b>92,939,765</b>          | <b>90,276,750</b>          | <b>83,767,036</b>          | <b>81,173,081</b>          |
| <b>Total Pension Liability - Ending (a)</b>                                       | <b><u>\$95,561,114</u></b> | <b><u>\$92,939,765</u></b> | <b><u>\$90,276,750</u></b> | <b><u>\$83,767,036</u></b> |
| <b>Plan Fiduciary Net Position:</b>   |                            |                            |                            |                            |
| Contributions - employer  | \$ 3,319,118               | \$ 2,906,315               | \$ 2,972,450               | \$ 2,424,298               |
| Contributions - plan member   | 542,472                    | 479,598                    | 462,539                    | 478,549                    |
| Investment income   | 11,643,216                 | 4,175,445                  | 586,944                    | 4,082,703                  |
| Benefit payments, including refunds   | (6,226,579)                | (6,008,655)                | (5,630,072)                | (5,351,314)                |
| Administrative expense  | (50,943)                   | (53,331)                   | (48,790)                   | (58,924)                   |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | <b>9,227,284</b>           | <b>1,499,372</b>           | <b>(1,656,929)</b>         | <b>1,575,312</b>           |
| <b>Plan Fiduciary Net Position - Beginning</b>                                    | <b>75,079,690</b>          | <b>73,580,318</b>          | <b>75,237,247</b>          | <b>73,661,935</b>          |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <b><u>\$84,306,974</u></b> | <b><u>\$75,079,690</u></b> | <b><u>\$73,580,318</u></b> | <b><u>\$75,237,247</u></b> |
| <b>Net Pension Liability - Ending (a-b)</b>                                       | <b><u>\$11,254,140</u></b> | <b><u>\$17,860,075</u></b> | <b><u>\$16,696,432</u></b> | <b><u>\$8,529,789</u></b>  |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <b><u>88.22%</u></b>       | <b><u>80.78%</u></b>       | <b><u>81.51%</u></b>       | <b><u>89.82%</u></b>       |
| <b>Employee Covered Payroll</b>   | <b><u>\$ 8,689,052</u></b> | <b><u>\$ 8,628,184</u></b> | <b><u>\$ 8,887,141</u></b> | <b><u>\$ 9,363,263</u></b> |
| <b>Net Pension Liability as a Percentage of Employee Covered Payroll</b>          | <b>129.52%</b>             | <b>207.00%</b>             | <b>187.87%</b>             | <b>91.10%</b>              |

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension information.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULES OF CITY CONTRIBUTIONS**  
**NON-UNIFORMED EMPLOYEES' AND COMBINED FIREFIGHTERS' PENSION PLANS**  
**YEAR ENDED DECEMBER 31, \***  
**REQUIRED SUPPLEMENTARY INFORMATION**

|   | 2017         | 2016         | 2015         | 2014 | 2013 | 2012 | 2011 | 2010 | 2009   | 2008 |
|---|--------------|--------------|--------------|------|------|------|------|------|--------|------|
| <b>NON-UNIFORMED EMPLOYEES' PENSION PLAN:</b>                         |              |              |              |      |      |      |      |      |        |      |
| <b>Schedule of City Contributions</b>                                 |              |              |              |      |      |      |      |      |        |      |
| Actuarially determined contribution under Act 205                     | \$ -         | \$ -         | \$ -         | \$ - | \$ - | \$ - | \$ - | \$ - | \$ -   | \$ - |
| Contributions in relation to the actuarially determined contributions | 144          | -            | 14,004       | -    | -    | -    | -    | -    | -      | -    |
| Contribution deficiency (excess)                                      | (144)        | \$ -         | \$ (14,004)  | \$ - | \$ - | \$ - | \$ - | \$ - | \$ -   | \$ - |
| Covered employee payroll  | 8,413,551    | \$ 7,259,478 | \$ 6,497,415 |      |      |      |      |      |        |      |
| Contributions as a percentage of employee covered payroll             | 0.00%        | 0.00%        | 0.22%        |      |      |      |      |      |        |      |
| <b>COMBINED FIREFIGHTERS' PENSION PLAN:</b>                           |              |              |              |      |      |      |      |      |        |      |
| <b>Schedule of City Contributions</b>                                 |              |              |              |      |      |      |      |      |        |      |
| Actuarially determined contribution under Act 205                     | \$ 280,858   | \$ 358,000   | \$ -         | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 834 | \$ - |
| Contributions in relation to the actuarially determined contributions | 280,858      | 358,000      | 22,130       | -    | -    | -    | -    | -    | -      | -    |
| Contribution deficiency (excess)                                      | \$ -         | \$ -         | \$ (22,130)  | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 834 | \$ - |
| Covered employee payroll  | \$ 4,716,216 | \$ 4,886,967 | \$ 5,001,992 |      |      |      |      |      |        |      |
| Contributions as a percentage of employee covered payroll             | 5.96%        | 7.33%        | 0.44%        |      |      |      |      |      |        |      |

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension information.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS**  
**COMBINED POLICE PENSION PLAN**  
**YEAR ENDED DECEMBER 31, 2017**  
**REQUIRED SUPPLEMENTARY INFORMATION**

|   | 2017         | 2016         | 2015         | 2014         | 2013          | 2012           | 2011           | 2010         | 2009         | 2008         |
|---|--------------|--------------|--------------|--------------|---------------|----------------|----------------|--------------|--------------|--------------|
| <b>COMBINED POLICE PENSION PLAN:</b>                                  |              |              |              |              |               |                |                |              |              |              |
| <b>Schedule of City Contributions</b>                                 |              |              |              |              |               |                |                |              |              |              |
| Actuarially determined contribution under Act 205                     | \$ 3,319,118 | \$ 2,906,315 | \$ 2,972,450 | \$ 2,034,070 | \$ 2,146,827  | \$ 1,517,751   | \$ 1,551,579   | \$ 314,094   | \$ 275,869   | \$ 285,274   |
| Contributions in relation to the actuarially determined contributions | 3,319,118    | 2,906,315    | 2,972,450    | 2,424,298    | 2,594,752     | 2,524,734      | 4,510,723      | 314,094      | 275,869      | 285,274      |
| Contribution deficiency (excess)                                      | \$ -         | \$ -         | \$ -         | \$ (390,228) | \$ (447,925)  | \$ (1,006,983) | \$ (2,959,144) | \$ -         | \$ -         | \$ -         |
| Covered employee payroll  | \$ 8,689,052 | \$ 8,628,184 | \$ 8,887,141 | \$ 9,363,263 | \$ 10,240,017 | \$ 10,358,429  | \$ 10,250,723  | \$ 9,650,596 | \$ 9,524,752 | \$ 9,137,927 |
| Contributions as a percentage of employee covered payroll             | 38.20%       | 33.68%       | 33.45%       | 25.89%       | 25.34%        | 24.37%         | 44.00%         | 3.25%        | 2.90%        | 3.12%        |
| <b>Investment Returns</b>   |              |              |              |              |               |                |                |              |              |              |
| Annual money-weighted rate of return, net of investment expense       | 16.01%       | 6.08%        | 1.01%        | 6.05%        | 15.30%        |                |                |              |              |              |

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension information.

**CITY OF HARRISBURG, PENNSYLVANIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**1. Actuarial Methods and Assumptions**

Methods and assumptions used to determine the contribution rates required under Act 205 for the year ended December 31, 2016 (presented as the subsequent year on the preceding schedules) are as follows:

|  | <u>Non-uniformed Employees' and<br/>Combined Firefighters'</u> |
|--|--|
| Actuarial valuation date   | 1/1/2015   |
| Actuarial cost method  | Entry age normal   |
| Amortization method  | Level dollar closed  |
| Remaining amortization period                                      | Based on periods in Act 205                                    |
| Asset valuation method   | Based on the municipal reserves                                |
| Actuarial assumptions:   |  |
| Investment rate of return  | 5.5%   |
| Projected salary increases   | Age related scale with merit and<br>inflation component        |
| Underlying inflation rate  | 3.0%   |
| Post-retirement cost-of-living<br>adjustment increase              | 3.0%, subject to plan limitations                              |
| Pre-retirement mortality:  |  |
| Males: RP 2000 with 1 year set back                                |  |
| Females: RP 2000 with 5 year set back                              |  |
| Post-retirement mortality:   |  |
| Males and females: Sex distinct RP 2000 Combined Healthy Mortality |  |

**Change in Actuarial Assumptions**

The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 first effective.

The December 31, 2016 investment return assumption for municipal assets decreased from 5.50% to 5.25%.

**CITY OF HARRISBURG, PENNSYLVANIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION**

**YEAR ENDED DECEMBER 31, 2016**

**REQUIRED SUPPLEMENTARY INFORMATION**

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The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates required under Act 205 for the year ended December 31, 2017 are as follows:

|                                 | <u>Combined Police</u>  |
|---------------------------------|---|
| Actuarial valuation date        | 1/1/2015  |
| Actuarial cost method           | Entry age normal  |
| Amortization method             | Level dollar closed   |
| Asset valuation method          | Smoothed value with a<br>corridor of 80% to 120% of<br>market value |
| Remaining amortization period   | 10 years  |
| Actuarial assumptions:          |   |
| Investment rate of return       | 8.0%  |
| Projected salary increases      | 5.0%  |
| Underlying inflation rate       | 3.0%  |
| Post-retirement mortality table | RP2000 mortality table  |

Change in Actuarial Assumptions

In the January 1, 2017 actuarial valuation, the mortality table was updated from the RP-2000 Table for Males and Females to the IRS 2017 Static Combined Table for Small Plans.

In the January 1, 2015 actuarial valuation, the mortality table was updated from the UP 1984 Table to the RP-2000 Table for Males and Females

**CITY OF HARRISBURG, PENNSYLVANIA**  
**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**YEAR ENDED DECEMBER 31, 2016**  
**REQUIRED SUPPLEMENTARY INFORMATION**

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Schedule of Funding Progress 01/01/12-01/01/16

| Actuarial Valuation Date | (a)<br>Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (c) Unfunded AAL (FAAL) (a) | (d) Funded Ratio (a/b) | (e) Covered Payroll | UAAAL as a Percentage of Covered Payroll (c/e) |
|--------------------------|----------------------------------|---------------------------------------|-----------------------------|------------------------|---------------------|--|
| 01/01/12                 | * \$ -                           | \$ 148,055,171                        | \$ 148,055,171              | 0.00 %                 | \$ 23,361,420       | 633.76 %                                       |
| 01/01/14                 | -                                | 133,006,585                           | 133,006,585                 | 0.00                   | 18,893,017          | 704.00   |
| 01/01/16                 | -                                | 155,120,287                           | 155,120,287                 | 0.00                   | 18,398,262          | 843.12   |

\* - revised for removal of active sewer employees from the City's employee base and revision of policies during the year ended December 31, 2013

Schedule of Required Employer Contributions 2012-2017

| Year Ended December 31 | (f) Annual Required Contribution (ARC) | Actuarial Valuation Date Basis for ARC | (g) Employer Contribution | Percentage Contribution (g/f) |
|------------------------|--|--|---------------------------|-------------------------------|
| 2012                   | \$ 15,654,748                          | 01/01/12                               | \$ 4,476,131              | 28.59%                        |
| 2013                   | 16,194,677                             | 01/01/12                               | 4,783,417                 | 29.54%                        |
| 2014                   | 10,216,593                             | 01/01/14                               | 5,375,266                 | 52.61%                        |
| 2015                   | 10,223,974                             | 01/01/14                               | 5,653,446                 | 55.30%                        |
| 2016                   | 11,753,620                             | 01/01/16                               | 6,110,202                 | 51.99%                        |
| 2017                   | 11,730,523                             | 01/01/16                               | 6,380,080                 | 54.39%                        |

**SUPPLEMENTARY INFORMATION  
COMBINING AND INDIVIDUAL NONMAJOR FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**CITY OF HARRISBURG, PENNSYLVANIA**

DESCRIPTION OF FUNDS

NONMAJOR GOVERNMENTAL FUNDS

---

**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.

**Host Municipality Fees Fund**

The Host Municipality Fees Fund is used to account for \$1 per ton of municipal waste processed inside the host municipality limits. The fee is restricted for environmental related purposes.

**Parks and Property Improvement Fund**

The Parks and Property Improvement Fund is used to account for contributions that have been restricted 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, 2017**

|   | Special Revenue                   |                                   |  |                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------------|-----------------------------------|--|---------------------|--|
|   | State Liquid<br>Fuels<br>Tax Fund | Host<br>Municipality<br>Fees Fund | Parks and<br>Property<br>Improvement<br>Fund | Capital<br>Projects |  |
| <b>ASSETS</b>   |                                   |                                   |  |                     |  |
| Cash and cash equivalents                                   | \$ 394                            | \$ 5,695                          | \$ -   | \$ -                | \$ 6,089                                   |
| Investments, at fair value                                  | 1,611,703                         | 554,507                           | 172,699                                      | 3,673,232           | 6,012,141                                  |
| Receivables, net of allowance<br>for uncollectible accounts |                                   |                                   |  |                     |  |
| Taxes   | -                                 | -                                 | -  | 42,271              | 42,271                                     |
| Other   | -                                 | 82,868                            | -  | 264,198             | 347,066                                    |
| Due from other funds  | -                                 | -                                 | -  | 305,998             | 305,998                                    |
| Restricted assets   |                                   |                                   |  |                     |  |
| Cash and cash equivalents                                   | -                                 | -                                 | -  | 2,377,182           | 2,377,182                                  |
| <b>Total assets</b>   | <b>\$ 1,612,097</b>               | <b>\$ 643,070</b>                 | <b>\$ 172,699</b>                            | <b>\$ 6,662,881</b> | <b>\$ 9,090,747</b>                        |
| <b>LIABILITIES AND<br/>FUND BALANCE</b>                     |                                   |                                   |  |                     |  |
| Liabilities   |                                   |                                   |  |                     |  |
| Accounts payable  | \$ 7,188                          | \$ 117,995                        | \$ -   | \$ 90,332           | \$ 215,515                                 |
| Accrued liabilities   | -                                 | 1,661                             | -  | -                   | 1,661                                      |
| Due to other funds  | -                                 | -                                 | 72,903                                       | 2,258,752           | 2,331,655                                  |
| Total liabilities   | <u>7,188</u>                      | <u>119,656</u>                    | <u>72,903</u>                                | <u>2,349,084</u>    | <u>2,548,831</u>                           |
| Fund balance  |                                   |                                   |  |                     |  |
| Restricted for  |                                   |                                   |  |                     |  |
| Environment   | -                                 | 523,414                           | -  | -                   | 523,414                                    |
| Public works  | 1,604,909                         | -                                 | -  | -                   | 1,604,909                                  |
| Community and<br>economic development                       | -                                 | -                                 | 99,796                                       | -                   | 99,796                                     |
| Tourism   | -                                 | -                                 | -  | 2,058,525           | 2,058,525                                  |
| Capital projects  | -                                 | -                                 | -  | 1,755,272           | 1,755,272                                  |
| Assigned for  |                                   |                                   |  |                     |  |
| Capital projects  | -                                 | -                                 | -  | 500,000             | 500,000                                    |
| Total fund balance  | <u>1,604,909</u>                  | <u>523,414</u>                    | <u>99,796</u>                                | <u>4,313,797</u>    | <u>6,541,916</u>                           |
| <b>Total liabilities and fund<br/>balance</b>               | <b>\$ 1,612,097</b>               | <b>\$ 643,070</b>                 | <b>\$ 172,699</b>                            | <b>\$ 6,662,881</b> | <b>\$ 9,090,747</b>                        |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

|   | Special Revenue                   |                                   |  | Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------------|-----------------------------------|--|---------------------|--|
|   | State Liquid<br>Fuels<br>Tax Fund | Host<br>Municipality<br>Fees Fund | Parks and<br>Property<br>Improvement<br>Fund |                     |  |
| <b>Revenues</b>                             |                                   |                                   |  |                     |  |
| Intergovernmental revenue                   | \$ 1,326,297                      | \$ 325,233                        | \$ -   | \$ 264,198          | \$ 1,915,728                               |
| Department earnings and<br>program revenue  | -                                 | -                                 | -  | 1,175,149           | 1,175,149                                  |
| Investment income                           | 17,790                            | 1,870                             | -  | 13,734              | 33,394                                     |
| <b>Total revenues</b>                       | <b>1,344,087</b>                  | <b>327,103</b>                    | <b>-</b>                                     | <b>1,453,081</b>    | <b>3,124,271</b>                           |
| <b>Expenditures</b>                         |                                   |                                   |  |                     |  |
| Current                                     |                                   |                                   |  |                     |  |
| Public works                                | 1,005,104                         | -                                 | -  | -                   | 1,005,104                                  |
| Environment                                 | -                                 | 260,458                           | -  | -                   | 260,458                                    |
| Capital outlay                              | -                                 | -                                 | -  | 124,950             | 124,950                                    |
| Debt service                                |                                   |                                   |  |                     |  |
| Principal retirements                       | -                                 | -                                 | -  | 5,177               | 5,177                                      |
| <b>Total expenditures</b>                   | <b>1,005,104</b>                  | <b>260,458</b>                    | <b>-</b>                                     | <b>130,127</b>      | <b>1,395,689</b>                           |
| Excess of revenues over<br>expenditures     | 338,983                           | 66,645                            | -  | 1,322,954           | 1,728,582                                  |
| Other financing sources (uses)              |                                   |                                   |  |                     |  |
| Transfers in                                | -                                 | -                                 | -  | 500,000             | 500,000                                    |
| Transfers out                               | -                                 | -                                 | -  | (250,030)           | (250,030)                                  |
| <b>Total other financing sources (uses)</b> | <b>-</b>                          | <b>-</b>                          | <b>-</b>                                     | <b>249,970</b>      | <b>249,970</b>                             |
| Net change in fund balances                 | 338,983                           | 66,645                            | -  | 1,572,924           | 1,978,552                                  |
| Fund balances - beginning of year           | 1,265,926                         | 456,769                           | 99,796                                       | 2,740,873           | 4,563,364                                  |
| Fund balances - end of year                 | \$ 1,604,909                      | \$ 523,414                        | \$ 99,796                                    | \$ 4,313,797        | \$ 6,541,916                               |

**CITY OF HARRISBURG, PENNSYLVANIA**

DESCRIPTION OF FUNDS

AGENCY FUNDS

---

**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.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS**  
**DECEMBER 31, 2017**

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|                           | <u>School Tax<br/>Collection</u> | <u>Payroll and<br/>Other<br/>Escrow<br/>Liabilities</u> | <u>Total<br/>Agency<br/>Funds</u> |
|---------------------------|----------------------------------|---|-----------------------------------|
| <b>ASSETS</b>             |                                  |   |                                   |
| Cash and cash equivalents | \$ 447,413                       | \$ 475,383  | \$ 922,796                        |
| Total assets              | <u>447,413</u>                   | <u>475,383</u>  | <u>922,796</u>                    |
| <b>LIABILITIES</b>        |                                  |   |                                   |
| Due to other governments  | 447,413                          | -   | 447,413                           |
| Escrow liabilities        | <u>-</u>                         | <u>475,383</u>  | <u>475,383</u>                    |
| Total liabilities         | <u>\$ 447,413</u>                | <u>\$ 475,383</u>                                       | <u>\$ 922,796</u>                 |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

|   | Beginning<br>of Year | Additions     | Deductions    | End<br>of Year |
|---|----------------------|---------------|---------------|----------------|
| <b>School Tax Collection</b>                    |                      |               |               |                |
| Assets  |                      |               |               |                |
| Cash and cash equivalents                       | \$ 299,056           | \$ 38,451,265 | \$ 38,302,908 | \$ 447,413     |
| Liabilities                                     |                      |               |               |                |
| Due to other governments                        | \$ 299,056           | \$ 38,451,265 | \$ 38,302,908 | \$ 447,413     |
| <br><b>Payroll and Other Escrow Liabilities</b> |                      |               |               |                |
| Assets  |                      |               |               |                |
| Cash and cash equivalents                       | \$ 877,926           | \$ 30,245,985 | \$ 30,648,528 | \$ 475,383     |
| Liabilities                                     |                      |               |               |                |
| Due to City's General Fund                      | \$ 201,759           | \$ -          | \$ 201,759    | \$ -           |
| Escrow liabilities                              | 676,167              | 30,245,985    | 30,446,769    | 475,383        |
| Total liabilities                               | \$ 877,926           | \$ 30,245,985 | \$ 30,648,528 | \$ 475,383     |
| <br><b>Total Agency Funds</b>                   |                      |               |               |                |
| Assets  |                      |               |               |                |
| Cash and cash equivalents                       | \$ 1,176,982         | \$ 68,697,250 | \$ 68,951,436 | \$ 922,796     |
| Liabilities                                     |                      |               |               |                |
| Due to other governments                        | \$ 299,056           | \$ 38,451,265 | \$ 38,302,908 | \$ 447,413     |
| Due to City's General Fund                      | 201,759              | -             | 201,759       | -              |
| Escrow liabilities                              | 676,167              | 30,245,985    | 30,446,769    | 475,383        |
| Total liabilities                               | \$ 1,176,982         | \$ 68,697,250 | \$ 68,951,436 | \$ 922,796     |

## Statistical Section

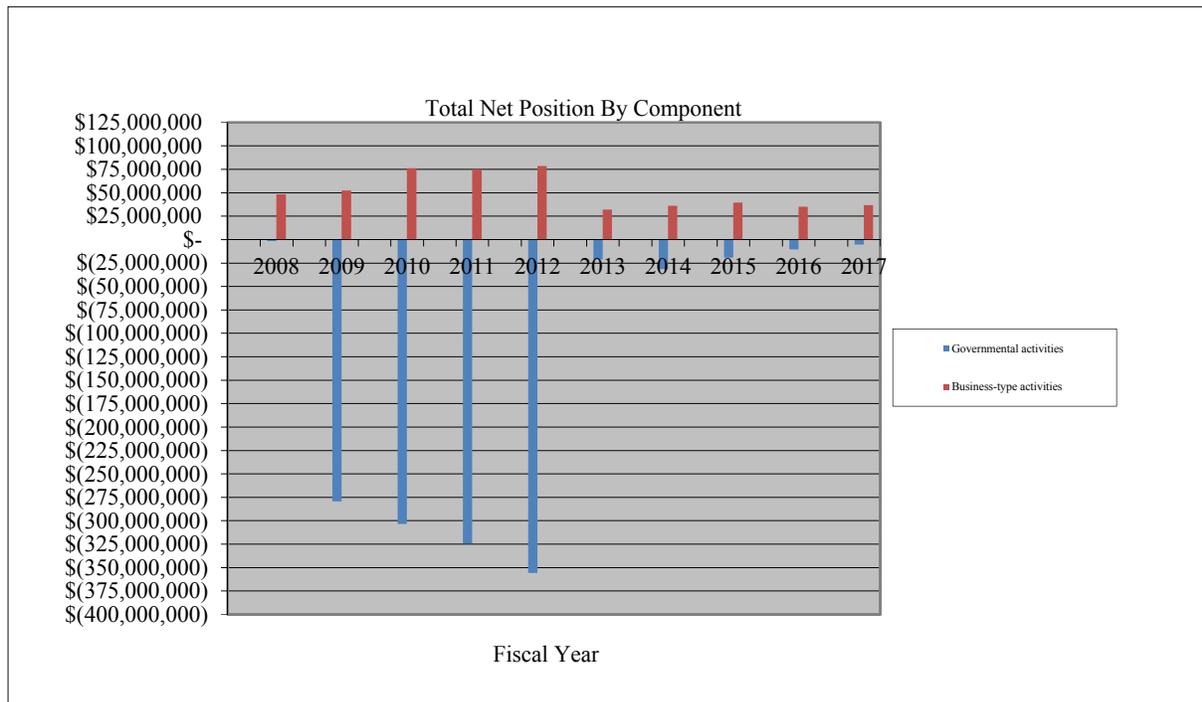
This section of the City of Harrisburg's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| <u>Contents</u>  | <u>Page(s)</u> |
|--|----------------|
| <b>Financial Trends</b>  |                |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  | 120 - 137      |
| <b>Revenue Capacity</b>  |                |
| These schedules contain information to help the reader assess the City's most significant revenue sources.   | 138 - 143      |
| <b>Debt Capacity</b>   |                |
| The schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the its ability to issue additional debt in the future.   | 144 - 151      |
| <b>Demographic and Economic Information</b>  |                |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. | 152 - 154      |
| <b>Operating Information</b>   |                |
| These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services it provides and the activities it performs.               | 155 - 160      |

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

|  | Fiscal Year                 |  |                              |                              |
|--|-----------------------------|--|------------------------------|------------------------------|
|  | 2008                        | 2009                                   | 2010                         | 2011                         |
| <b>Governmental activities</b>                     |                             |  |                              |                              |
| Net investment in capital assets                   | \$ 30,518,850               | \$ 29,652,340                          | \$ 26,965,615                | \$ 29,241,273                |
| Restricted   | 1,130,021                   | 1,069,700                              | 640,116                      | 3,090,228 <sup>(6)</sup>     |
| Unrestricted                                       | (33,523,545) <sup>(1)</sup> | (310,123,203) <sup>(1)</sup>           | (331,339,207) <sup>(1)</sup> | (356,548,393) <sup>(1)</sup> |
| <b>Total governmental activities net position</b>  | <b>\$ (1,874,674)</b>       | <b>\$ (279,401,163) <sup>(2)</sup></b> | <b>\$ (303,733,476)</b>      | <b>\$ (324,216,892)</b>      |
| <b>Business-type activities</b>                    |                             |  |                              |                              |
| Net investment in capital assets                   | \$ 34,753,854               | \$ 45,126,740 <sup>(3)</sup>           | \$ 68,133,744 <sup>(5)</sup> | \$ 68,661,765                |
| Restricted   | 7,044,942                   | 658,387 <sup>(4)</sup>                 | 658,243                      | 658,245                      |
| Unrestricted                                       | 6,254,761                   | 6,523,061                              | 7,292,382                    | 5,727,090                    |
| <b>Total business-type activities net position</b> | <b>\$ 48,053,557</b>        | <b>\$ 52,308,188</b>                   | <b>\$ 76,084,369</b>         | <b>\$ 75,047,100</b>         |
| <b>Primary government</b>                          |                             |  |                              |                              |
| Net investment in capital assets                   | \$ 65,272,704               | \$ 74,779,080                          | \$ 95,099,359                | \$ 97,903,038                |
| Restricted   | 8,174,963                   | 1,728,087                              | 1,298,359                    | 3,748,473                    |
| Unrestricted                                       | (27,268,784)                | (303,600,142)                          | (324,046,825)                | (350,821,303)                |
| <b>Total primary government net position</b>       | <b>\$ 46,178,883</b>        | <b>\$ (227,092,975)</b>                | <b>\$ (227,649,107)</b>      | <b>\$ (249,169,792)</b>      |

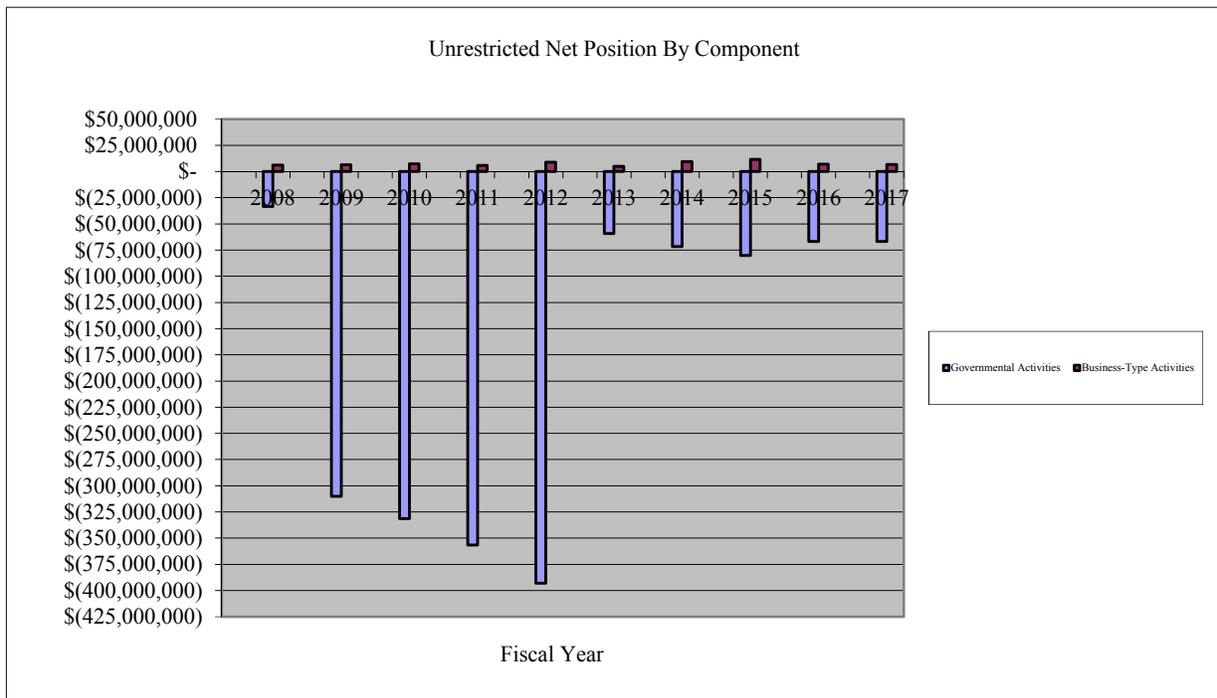
- (1) Implemented GASB Statement No. 45, which required the City to record approximately \$12.7 million of post-employment benefits annually. For 2012, the City recorded liabilities of \$11.2 million due to the suburban municipalities for overcharging of sewer rates (see Note 15).
- (2) Increased due to the City having to honor its guarantee obligations on Capital Region Water Resource Recovery Facility debt.
- (3) Increase is primarily attributed to the improvements and upgrades to the Harrisburg Senators baseball stadium of \$11 million funded through debt-related construction funds and state grants.
- (4) Attributed to reclassification of \$6.4 million in bond-related construction funds from restricted to net investment in capital assets.
- (5) Increased primarily due to completion of phase II of the Harrisburg Senators Stadium repairs project.



Source: City's audited basic financial statements; see page 123 for continuation of footnote explanations

| Fiscal Year                  |                              |                             |                              |                               |                               |
|------------------------------|------------------------------|-----------------------------|------------------------------|-------------------------------|-------------------------------|
| 2012                         | 2013                         | 2014                        | 2015                         | 2016                          | 2017                          |
| \$ 34,549,918                | \$ 24,665,069                | \$ 26,922,301               | \$ 27,613,046                | \$ 31,676,658 <sup>(13)</sup> | \$ 38,466,843 <sup>(17)</sup> |
| 2,582,918                    | 13,102,159                   | 13,174,481                  | 33,087,175 <sup>(11)</sup>   | 24,561,407 <sup>(14)</sup>    | 22,966,422 <sup>(18)</sup>    |
| (392,900,721) <sup>(1)</sup> | (59,250,223) <sup>(7)</sup>  | (71,664,488) <sup>(9)</sup> | (80,162,410) <sup>(11)</sup> | (66,879,017) <sup>(15)</sup>  | (66,849,307)                  |
| <u>\$ (355,767,885)</u>      | <u>\$ (21,482,995)</u>       | <u>\$ (31,567,706)</u>      | <u>\$ (19,462,189)</u>       | <u>\$ (10,640,952)</u>        | <u>\$ (5,416,042)</u>         |
| <br>                         |                              |                             |                              |                               |                               |
| \$ 68,909,584                | \$ 26,230,948 <sup>(8)</sup> | \$ 25,835,917               | \$ 25,436,201                | \$ 26,112,503                 | \$ 27,010,165 <sup>(19)</sup> |
| 658,262                      | 658,241                      | 658,241                     | 2,283,243 <sup>(11)</sup>    | 1,785,316                     | 2,989,557 <sup>(20)</sup>     |
| 8,938,205                    | 4,922,700                    | 9,476,502 <sup>(10)</sup>   | 11,563,772 <sup>(12)</sup>   | 7,072,504 <sup>(16)</sup>     | 6,737,173                     |
| <u>\$ 78,506,051</u>         | <u>\$ 31,811,889</u>         | <u>\$ 35,970,660</u>        | <u>\$ 39,283,216</u>         | <u>\$ 34,970,323</u>          | <u>\$ 36,736,895</u>          |
| <br>                         |                              |                             |                              |                               |                               |
| \$ 103,459,502               | \$ 50,896,017                | \$ 52,758,218               | \$ 53,049,247                | \$ 57,789,161                 | \$ 65,477,008                 |
| 3,241,180                    | 13,760,400                   | 13,832,722                  | 35,370,418                   | 26,346,723                    | 25,955,979                    |
| (383,962,516)                | (54,327,523)                 | (62,187,986)                | (68,598,638)                 | (59,806,513)                  | (60,112,134)                  |
| <u>\$ (277,261,834)</u>      | <u>\$ 10,328,894</u>         | <u>\$ 4,402,954</u>         | <u>\$ 19,821,027</u>         | <u>\$ 24,329,371</u>          | <u>\$ 31,320,853</u>          |

- <sup>(6)</sup> \$2.4 million increase is attributed to current year financial statement reclassification of revolving loan program's net position.
- <sup>(7)</sup> Increase is attributed to the \$184 million contribution from the Harrisburg Parking Authority applicable to the parking facility lease and elimination of the \$164 million debt guaranty/insurance involving Capital Region Water and Dauphin County.
- <sup>(8)</sup> Decrease is primarily due to the \$48.9 million transfer of Sewer Fund operations and ownership to Capital Region Water in November, 2013.
- <sup>(9)</sup> Significant decrease is attributed to the City adopting the provisions of GASB Statement No. 70 resulting in a \$13.3 million restatement of beginning net position, so as to properly reflect the recording of a financial guarantee liability associated with the Series A of 1998 Revenue Bonds issued by the Harrisburg Redevelopment Authority (see Note 10).
- <sup>(10)</sup> Significant increase is mostly attributed to the overall positive change in net position occurring for the City's Incinerator (Disposal) Fund; this change approximated \$4.1 million in 2014.



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

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- (11) The overall increase in restricted and unrestricted net position for governmental activities, and increase in restricted net position for business-type activities, are attributed to the City adopting GASB Statement Nos. 68 and 71 relative to pension plan reporting and pension contributions occurring subsequent to measurement (see Note 1). This implementation has resulted in a \$13.4 million restatement of beginning net position for governmental activities and a \$2.5 million restatement of beginning net position for business-type activities (specifically, the City's Sanitation Fund).
- (12) Noted increase in unrestricted net position is attributed to the City's Incinerator (Disposal) Fund producing \$1.9 million in net operating revenue for 2015.
- (13) Change is attributed to a \$4.2 million net increase including a \$1 million decrease in net capital assets, a \$1.2 million decrease in fund balance for the Capital Projects Fund, and a \$6.4 million decrease in related long-term debt (bonds and notes payable).
- (14) Decrease in the restricted position was impacted by the approximate \$9 million decrease in net pension asset involving related adjustments for Fire and Non-Uniform pension activity.
- (15) This significant change was most affected by over \$4 million in tax revenue increase resulting from the increased local services tax, the below noted \$4.2 million related to liabilities transferred from governmental activities to the business-type activity, Neighborhood Services, and \$3.2 million less in City services (public works function) expenses occurring as a result of creation of the business-type activity, Neighborhood Services, for accommodating such former governmental activity expenses.
- (16) Decrease is attributed to \$4.2 million in recorded transfer from governmental activities to the new business-type activity, reflecting the need to establish liability balances in this new activity involving a capital lease, OPEB, workers' compensation, and compensated absences formerly recognized in prior years in the governmental activities which then accounted for such public works/City services activity.
- (17) Increase in net investment in capital assets is mostly comprised of a \$6.6 million net decrease in related General Obligation bonds and notes payable.
- (18) Decrease in restricted of approximately \$1.6 million reflects the 2017 release of Harrisburg Strong Plan growth funds for settlement distributions to Assured Guaranty Municipal Corp. (\$1,356,799) and the County of Dauphin (\$339,200).
- (19) Increase in 2017 reflects the City's significant additions to its proprietary capital assets through the Neighborhood Services Fund and also the occurring business-type debt reduction of all outstanding lease rental bonds and capitalized lease obligations related to proprietary capital assets.
- (20) Increase in restricted of approximately \$1.2 million is attributed to the increase in net position for the net pension asset.

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

|   | Fiscal Year               |                              |                           |                              |                              |                              |
|---|---------------------------|------------------------------|---------------------------|------------------------------|------------------------------|------------------------------|
|   | 2008                      | 2009                         | 2010                      | 2011                         | 2012                         | 2013                         |
| <b>Expenses</b>                                       |                           |                              |                           |                              |                              |                              |
| Governmental activities:                              |                           |                              |                           |                              |                              |                              |
| General government                                    | \$ 11,227,267             | \$ 11,284,960                | \$ 12,176,174             | \$ 9,610,524 <sup>(8)</sup>  | \$ 10,819,415                | \$ 10,163,508                |
| Community and economic development                    | 6,074,003                 | 4,830,380                    | 5,828,521                 | 3,822,733                    | 4,235,693                    | 5,191,903                    |
| Public safety   | 43,249,161 <sup>(1)</sup> | 43,145,655                   | 42,992,219                | 42,751,189                   | 40,859,175                   | 38,100,377                   |
| Public works  | 9,439,071                 | 9,053,138                    | 7,530,749                 | 9,723,212                    | 10,947,141 <sup>(10)</sup>   | 9,882,691                    |
| Parks and recreation                                  | 4,797,981                 | 4,569,158                    | 3,605,131                 | 3,432,543                    | 1,338,934 <sup>(10)</sup>    | 1,410,958                    |
| Incinerator   | -                         | 8,006,987 <sup>(3)</sup>     | 15,597,533 <sup>(3)</sup> | 7,554,484 <sup>(3)</sup>     | 10,367,451 <sup>(3)</sup>    | - <sup>(19)</sup>            |
| Tourism, environment                                  | 280,072                   | 139,027                      | 14,055                    | 1,084                        | 71                           | 3,256                        |
| Interest on long-term debt                            | 5,859,272                 | 5,413,550                    | 4,977,654                 | 4,588,166                    | 4,510,977                    | 4,937,270                    |
| <b>Total governmental activities expenses</b>         | <b>80,926,827</b>         | <b>86,442,855</b>            | <b>92,722,036</b>         | <b>81,483,935</b>            | <b>83,078,857</b>            | <b>69,689,963</b>            |
| Business-type activities:                             |                           |                              |                           |                              |                              |                              |
| Sewer   | 15,093,480 <sup>(2)</sup> | 18,523,561                   | 15,774,669                | 16,482,029                   | 9,863,885 <sup>(11)</sup>    | 8,745,389                    |
| Neighborhood services                                 | -                         | -                            | -                         | -                            | -                            | -                            |
| Sanitation  | 3,380,182                 | 3,026,609                    | 3,271,570                 | 2,683,966                    | 2,711,335                    | 3,169,601                    |
| Harrisburg Senators                                   | 677,038                   | 623,263                      | 1,172,073                 | 1,374,984                    | 1,396,634                    | 1,365,436                    |
| Incinerator   | -                         | 6,306,580 <sup>(4)</sup>     | 6,100,599                 | 6,234,436                    | 5,809,063                    | 5,820,527                    |
| <b>Total business-type activities expenses</b>        | <b>19,150,700</b>         | <b>28,480,013</b>            | <b>26,318,911</b>         | <b>26,775,415</b>            | <b>19,780,917</b>            | <b>19,100,953</b>            |
| <b>Total primary government expenses</b>              | <b>\$ 100,077,527</b>     | <b>\$ 114,922,868</b>        | <b>\$ 119,040,947</b>     | <b>\$ 108,259,350</b>        | <b>\$ 102,859,774</b>        | <b>\$ 88,790,916</b>         |
| <b>Program Revenues</b>                               |                           |                              |                           |                              |                              |                              |
| Governmental activities:                              |                           |                              |                           |                              |                              |                              |
| Charges for services:                                 |                           |                              |                           |                              |                              |                              |
| General government                                    | \$ 14,879,393             | \$ 18,120,575 <sup>(5)</sup> | \$ 16,059,751             | \$ 11,836,225 <sup>(9)</sup> | \$ 4,201,175 <sup>(11)</sup> | \$ 7,274,749 <sup>(15)</sup> |
| Community and economic development                    | 2,214,519                 | 1,616,505                    | 1,259,402                 | 1,189,218                    | 979,188                      | 1,186,535                    |
| Public safety   | 4,215,536                 | 3,758,960                    | 4,149,302                 | 3,067,837                    | 5,057,422 <sup>(12)</sup>    | 3,361,590 <sup>(16)</sup>    |
| Public works  | 2,375,503                 | 1,991,260                    | 1,961,451                 | 1,933,490                    | 1,951,430                    | 1,842,993                    |
| Environment   | -                         | -                            | -                         | -                            | -                            | 295,700                      |
| Parks and recreation                                  | 175,629                   | 118,749                      | 180,879                   | 129,320                      | 129,749                      | 147,003                      |
| Incinerator   | 714,171                   | -                            | -                         | -                            | -                            | -                            |
| Operating grants and contributions                    | 9,387,069                 | 8,540,464                    | 9,531,510                 | 7,854,858                    | 9,476,900 <sup>(13)</sup>    | 12,092,005 <sup>(17)</sup>   |
| Capital grants and contributions                      | 2,163,278                 | 3,903,498                    | 436,474                   | 990,057                      | 5,819,787 <sup>(14)</sup>    | 2,912,221                    |
| <b>Total governmental activities program revenue</b>  | <b>36,125,098</b>         | <b>38,050,011</b>            | <b>33,578,769</b>         | <b>27,001,005</b>            | <b>27,615,651</b>            | <b>29,112,796</b>            |
| Business-type activities:                             |                           |                              |                           |                              |                              |                              |
| Charges for services:                                 |                           |                              |                           |                              |                              |                              |
| Sewer   | 15,054,421                | 14,272,553                   | 14,945,166                | 14,591,775                   | 12,255,817                   | 9,137,190 <sup>(18)</sup>    |
| Neighborhood services                                 | -                         | -                            | -                         | -                            | -                            | -                            |
| Sanitation  | 4,204,769                 | 4,205,746                    | 5,033,905                 | 4,235,209                    | 4,281,800                    | 4,163,737                    |
| Harrisburg Senators                                   | 715,113                   | 450,386                      | 449,886                   | 438,539                      | 437,464                      | 503,650                      |
| Incinerator   | -                         | 7,115,890 <sup>(4)</sup>     | 6,476,927                 | 6,658,440                    | 6,608,376                    | 7,672,805                    |
| Operating grants and contributions                    | 137,294                   | 3,214,952 <sup>(5)</sup>     | 312,997                   | 36,337                       | 51,853                       | 106,051                      |
| Capital grants and contributions                      | 1,025,582                 | 3,633,962 <sup>(6)</sup>     | 23,962,564 <sup>(7)</sup> | 1,400,791 <sup>(7)</sup>     | 1,049,542                    | 315,242                      |
| <b>Total business-type activities program revenue</b> | <b>21,137,179</b>         | <b>32,893,489</b>            | <b>51,181,445</b>         | <b>27,361,091</b>            | <b>24,684,852</b>            | <b>21,898,675</b>            |
| <b>Total primary government program revenues</b>      | <b>\$ 57,262,277</b>      | <b>\$ 70,943,500</b>         | <b>\$ 84,760,214</b>      | <b>\$ 54,362,096</b>         | <b>\$ 52,300,503</b>         | <b>\$ 51,011,471</b>         |

<sup>(1)</sup> Attributed to implementation of GASB Statement No. 45.

<sup>(2)</sup> Attributed to increased administrative service charges of \$831,370 and implementation of GASB Statement No. 45.

<sup>(3)</sup> This amount represents the City's portion of Capital Region Water Resource Recovery Facility debt guarantee obligations paid or accrued during the year.

<sup>(4)</sup> This change accounts for the collection and remittance of incinerator/resource recovery disposal fees billed by the City and remitted to Capital Region Water for its provisions of solid waste incineration services.

<sup>(5)</sup> This change represents \$3,200,000 of Operating Transfers In from Capital Region Water into the Sewer Fund and subsequent remittance to the General Fund as administrative service charges.

<sup>(6)</sup> This change represents \$2,000,000 from State Grants occurring in the Harrisburg Senators Fund.

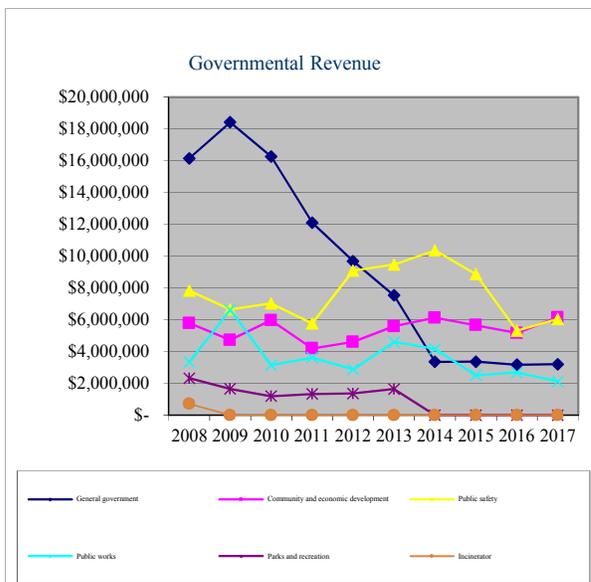
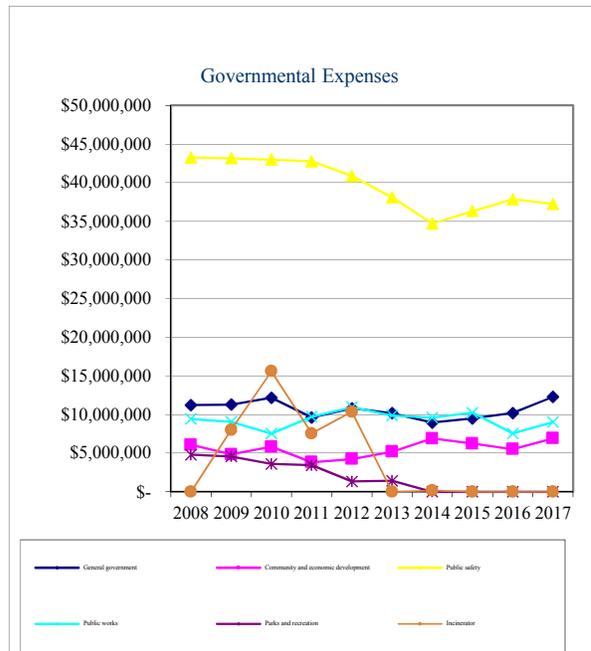
<sup>(7)</sup> This change represents \$19.5 million in state grants for the improvements and upgrades to the Harrisburg Senators baseball stadium.

<sup>(8)</sup> Decrease of approximately \$2.5 million from the prior year is attributed to lower City engineering costs and Operations and Revenue expenses occurring by \$750,000 and \$979,000, respectively, and lower depreciation and compensated absences occurring by \$509,000 and \$560,000, respectively.

<sup>(9)</sup> Difference is attributed to a \$4.3 million decrease in administrative service charges collected from the Water Fund due to its increased debt service payments.

Source: City's audited basic financial statements; see pages 128 through 131 for continuation of footnote explanations

| Fiscal Year                  |                            |                            |                               |  |
|------------------------------|----------------------------|----------------------------|-------------------------------|--|
| 2014                         | 2015                       | 2016                       | 2017                          |  |
| \$ 8,962,050 <sup>(29)</sup> | \$ 9,490,724               | \$ 10,194,954              | \$ 12,283,431 <sup>(58)</sup> |  |
| 6,906,424 <sup>(37)</sup>    | 6,229,752                  | 5,509,957                  | 6,921,061 <sup>(59)</sup>     |  |
| 34,720,194 <sup>(30)</sup>   | 36,322,347 <sup>(38)</sup> | 37,862,228 <sup>(48)</sup> | 37,246,320                    |  |
| 9,593,222                    | 10,229,336 <sup>(39)</sup> | 7,558,344 <sup>(49)</sup>  | 9,023,397 <sup>(60)</sup>     |  |
| - <sup>(37)</sup>            | -                          | -                          | -                             |  |
| 157,733                      | -                          | -                          | -                             |  |
| 159,205                      | 249,209                    | 250,661                    | 262,425                       |  |
| 4,217,747                    | 3,814,480                  | 3,852,512                  | 3,509,356                     |  |
| <u>64,716,575</u>            | <u>66,335,848</u>          | <u>65,228,656</u>          | <u>69,245,990</u>             |  |
| - <sup>(31)</sup>            | -                          | -                          | -                             |  |
| -                            | -                          | 13,317,968 <sup>(50)</sup> | 12,317,774 <sup>(61)</sup>    |  |
| 1,916,478 <sup>(32)</sup>    | 2,612,193 <sup>(40)</sup>  | - <sup>(50)</sup>          | -                             |  |
| 1,309,197                    | 1,294,895                  | 1,279,652                  | 1,288,460                     |  |
| 5,677,460                    | 6,861,088 <sup>(41)</sup>  | - <sup>(50)</sup>          | -                             |  |
| <u>8,903,135</u>             | <u>10,768,176</u>          | <u>14,597,620</u>          | <u>13,606,234</u>             |  |
| <u>\$ 73,619,710</u>         | <u>\$ 77,104,024</u>       | <u>\$ 79,826,276</u>       | <u>\$ 82,852,224</u>          |  |
| <br>                         |                            |                            |                               |  |
| \$ 2,436,259 <sup>(33)</sup> | \$ 3,241,988               | \$ 2,791,311               | \$ 3,173,538                  |  |
| 492,080 <sup>(37)</sup>      | 1,514,166 <sup>(42)</sup>  | 451,678 <sup>(51)</sup>    | 482,700                       |  |
| 3,729,313                    | 3,046,433                  | 3,413,670                  | 3,806,802                     |  |
| 2,871,146                    | 844,318 <sup>(43)</sup>    | 1,191,418                  | 763,992                       |  |
| 285,393                      | 299,278                    | 315,986                    | 325,233                       |  |
| - <sup>(37)</sup>            | -                          | -                          | -                             |  |
| -                            | -                          | -                          | -                             |  |
| 13,214,573                   | 10,997,750 <sup>(44)</sup> | 7,706,809 <sup>(52)</sup>  | 9,155,652 <sup>(62)</sup>     |  |
| 347,311 <sup>(34)</sup>      | 736,564                    | 761,975                    | 125,973                       |  |
| <u>23,376,075</u>            | <u>20,680,497</u>          | <u>16,632,847</u>          | <u>17,833,890</u>             |  |
| - <sup>(31)</sup>            | -                          | -                          | -                             |  |
| -                            | -                          | 13,277,415 <sup>(50)</sup> | 14,495,451 <sup>(63)</sup>    |  |
| 4,035,097                    | 3,883,460                  | - <sup>(50)</sup>          | -                             |  |
| 345,558                      | 379,738                    | 397,595                    | 488,384                       |  |
| 9,789,279                    | 8,772,452 <sup>(45)</sup>  | - <sup>(50)</sup>          | -                             |  |
| -                            | 46,609                     | 41,765                     | 51,817                        |  |
| -                            | -                          | -                          | -                             |  |
| <u>14,169,934</u>            | <u>13,082,259</u>          | <u>13,716,775</u>          | <u>15,035,652</u>             |  |
| <u>\$ 37,546,009</u>         | <u>\$ 33,762,756</u>       | <u>\$ 30,349,622</u>       | <u>\$ 32,869,542</u>          |  |



- <sup>(10)</sup> In 2012, Parks Maintenance was moved from Parks and Recreation to Public Works. In addition, the entire Park Ranger Corp was eliminated.
- <sup>(11)</sup> Attributed to decreased administrative service charges of \$0.6 million and \$6.4 million from the Water and Sewer Funds, respectively, in accordance with the Receiver's directive, which is detailed at length per the Financial Recovery Plan footnote (Note 20) to the basic financial statements.
- <sup>(12)</sup> Commonwealth of Pennsylvania increased capital fire protection payment to the City by \$2.004 million in 2012.
- <sup>(13)</sup> In 2012, the City received a Community Conservation and Employment Program grant from PA DCED in the amount of \$2.0 million, of which \$1.75 million was expended on public safety. Further, the City realized approximately \$600,000 in emergency management assistance for damage done by Tropical Storm Lee.
- <sup>(14)</sup> Attributed to increased revenue of about \$4 million for the Federal funded 7th Street Widening project and a Community Development Block Grant of \$.7 million.
- <sup>(15)</sup> Attributed to recognition of various debt guaranty fees for debt that was defeased, and to noted increase in Express Scripts rebate revenue.
- <sup>(16)</sup> Attributed to Capital Fire Protection proceeds from Commonwealth of Pennsylvania decreased from \$2.5 million to \$496,000.
- <sup>(17)</sup> Attributed to PA DCED grant for public safety (operating costs) increased from \$1,950,000 to \$4,504,000.
- <sup>(18)</sup> Attributed to the transition of the Sewer Fund's operating activity in November, 2013 to Capital Region Water.
- <sup>(19)</sup> Decrease is attributed to defeasance of all Resource Recovery Facility debt, resulting from the sale of this facility and proceeds received from the monetization of certain City parking system facilities.

# City of Harrisburg, Pennsylvania

## Changes in Net Position, Last Ten Fiscal Years (Continued)

(accrual basis of accounting)

|   | Fiscal Year            |                               |                            |                      |
|---|------------------------|-------------------------------|----------------------------|----------------------|
|   | 2008                   | 2009                          | 2010                       | 2011                 |
| <b>Net (Expense)/Revenue</b>                              |                        |                               |                            |                      |
| Governmental activities                                   | \$ (44,801,729)        | \$ (48,392,844)               | \$ (59,143,267)            | \$ -                 |
| Business-type activities                                  | 1,986,479              | 4,413,476                     | 24,862,534                 | -                    |
| Total primary government net expense                      | <u>\$ (42,815,250)</u> | <u>\$ (43,979,368)</u>        | <u>\$ (34,280,733)</u>     | <u>\$ -</u>          |
| <b>General Revenues and Other Changes in Net Position</b> |                        |                               |                            |                      |
| Governmental activities:                                  |                        |                               |                            |                      |
| Taxes   |                        |                               |                            |                      |
| Property taxes  | \$ 15,879,973          | \$ 16,378,324                 | \$ 15,828,894              | \$ 15,872,051        |
| Real estate transfer taxes                                | 1,044,116              | 404,348                       | 382,718                    | 307,406              |
| Local services taxes                                      | 1,950,258              | 2,353,229                     | 2,821,776                  | 2,163,391            |
| Occupational privilege taxes                              | 85                     | 469                           | -                          | -                    |
| Earned income taxes                                       | 3,810,889              | 3,831,531                     | 4,297,332                  | 3,330,468            |
| Business privilege taxes                                  | 3,980,739              | 3,594,777                     | 3,486,359                  | 3,324,267            |
| Franchise taxes   | 510,448                | 551,253                       | 546,911                    | 539,612              |
| Public utility realty taxes                               | 36,288                 | 37,641                        | 38,093                     | 36,328               |
| Payments in lieu of taxes                                 | 429,151                | 420,839                       | 410,244                    | 420,286              |
| Grants and contributions                                  | 7,340,486              | 6,561,795                     | 5,315,339                  | 5,780,373            |
| Litigation settlement                                     | -                      | 450,000                       | -                          | -                    |
| Other income and gain on sale of assets                   | -                      | -                             | 87,173                     | -                    |
| Unrestricted investment earnings                          | 477,404                | 363,094                       | 504,459                    | 586,976              |
| Transfers - internal activities                           | (349,699)              | 191,086                       | 1,091,656                  | 1,638,356            |
| Extraordinary Item:                                       |                        |                               |                            |                      |
| Contingent liability for component unit debt              | -                      | (264,272,031) <sup>(21)</sup> | -                          | -                    |
| Special Item  | -                      | -                             | -                          | -                    |
| Total governmental activities                             | <u>35,110,138</u>      | <u>(229,133,645)</u>          | <u>34,810,954</u>          | <u>33,999,514</u>    |
| Business-type activities                                  |                        |                               |                            |                      |
| Investment earnings and other income                      | 215,292                | 32,241                        | 5,303                      | 15,411               |
| Transfers - internal activities                           | 349,699                | (191,086)                     | (1,091,656)                | (1,638,356)          |
| Special Item  | -                      | -                             | -                          | -                    |
| Total business-type activities                            | <u>564,991</u>         | <u>(158,845)</u>              | <u>(1,086,353)</u>         | <u>(1,622,945)</u>   |
| Total primary government general revenues                 | <u>\$ 35,675,129</u>   | <u>\$ (229,292,490)</u>       | <u>\$ 33,724,601</u>       | <u>\$ 32,376,569</u> |
| <b>Change in Net Position</b>                             |                        |                               |                            |                      |
| Governmental activities                                   | \$ (9,691,591)         | \$ (277,526,489)              | \$ (24,332,313)            | \$ 33,999,514        |
| Business-type activities                                  | 2,551,470              | 4,254,631                     | 23,776,181 <sup>(22)</sup> | (1,622,945)          |
| Total primary government change in net position           | <u>\$ (7,140,121)</u>  | <u>\$ (273,271,858)</u>       | <u>\$ (556,132)</u>        | <u>\$ 32,376,569</u> |

<sup>(20)</sup> Includes a .8 mill real estate tax increase.

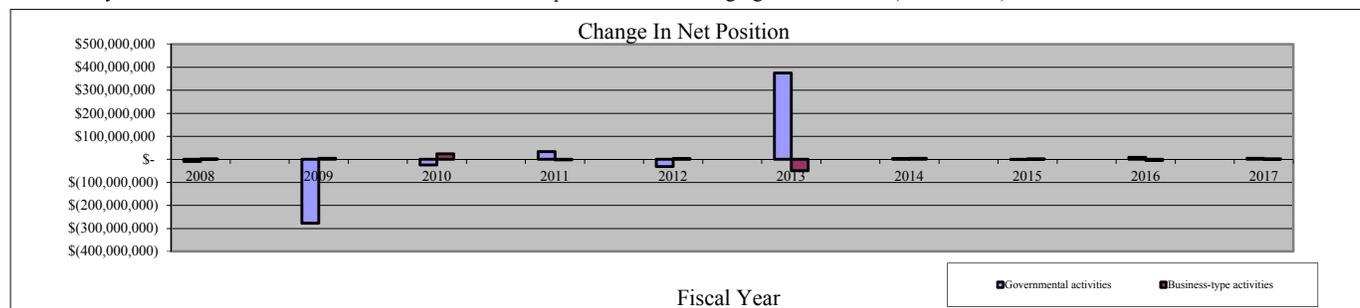
<sup>(21)</sup> Due to the City having to honor its guarantee obligations on Capital Region Water Resource Recovery Facility debt.

<sup>(22)</sup> \$19.5 million in state grant for upgrades to the Harrisburg Senators baseball stadium was received.

<sup>(23)</sup> Includes an increase in Parking Tax rate from 15% to 20%.

<sup>(24)</sup> State Pension System Aid decreased by about \$2 million in 2012, whereas it had increased by about the same amount in 2011.

<sup>(25)</sup> The City recorded \$11.2 million due to the suburban municipalities for overcharging of sewer rates (see Note 15).



Source: City's audited basic financial statements; see pages 128 through 131 for continuation of footnote explanations

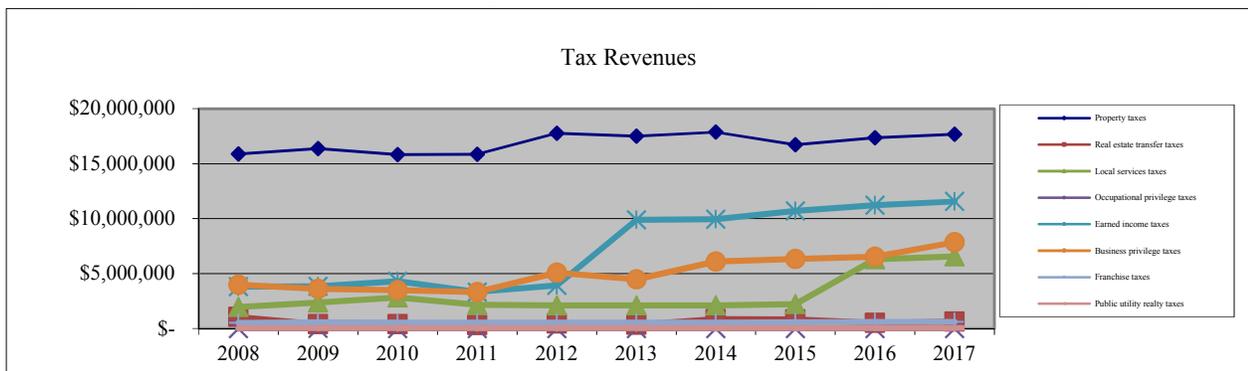
| Fiscal Year            |             |                        |                        |                        |                        |
|------------------------|-------------|------------------------|------------------------|------------------------|------------------------|
| 2012                   | 2013        | 2014                   | 2015                   | 2016                   | 2017                   |
| \$ (55,463,206)        | \$ -        | \$ (41,340,500)        | \$ (45,655,351)        | \$ (48,595,809)        | \$ (51,412,100)        |
| 4,903,935              | -           | 5,266,799              | 2,314,083              | (880,845)              | 1,429,418              |
| <u>\$ (50,559,271)</u> | <u>\$ -</u> | <u>\$ (36,073,701)</u> | <u>\$ (43,341,268)</u> | <u>\$ (49,476,654)</u> | <u>\$ (49,982,682)</u> |

|                               |                              |                           |                               |                               |                           |
|-------------------------------|------------------------------|---------------------------|-------------------------------|-------------------------------|---------------------------|
| \$ 17,777,740 <sup>(20)</sup> | \$ 17,496,972                | \$ 17,879,236             | \$ 16,728,825 <sup>(46)</sup> | \$ 17,358,638 <sup>(53)</sup> | \$ 17,676,374             |
| 451,528                       | 321,959                      | 842,215                   | 821,880                       | 506,260                       | 636,111                   |
| 2,088,885                     | 2,095,891                    | 2,101,956                 | 2,202,865                     | 6,294,598 <sup>(53)</sup>     | 6,565,218                 |
| -                             | -                            | -                         | -                             | -                             | -                         |
| 3,934,680                     | 9,883,939 <sup>(26)</sup>    | 9,950,837                 | 10,693,585                    | 11,236,882 <sup>(53)</sup>    | 11,558,850                |
| 5,089,375 <sup>(23)</sup>     | 4,473,456                    | 6,088,309 <sup>(35)</sup> | 6,316,908                     | 6,537,626                     | 7,854,818 <sup>(56)</sup> |
| 542,255                       | 546,156                      | 549,778                   | 560,101                       | 588,505                       | 604,679                   |
| 35,704                        | 36,557                       | 39,469                    | 45,699                        | 41,845                        | 42,611                    |
| 360,226                       | 428,299                      | 1,011,832                 | 171,068 <sup>(47)</sup>       | 728,031                       | 542,364                   |
| 2,793,634 <sup>(24)</sup>     | 2,609,214                    | 3,538,398 <sup>(36)</sup> | 3,358,159                     | 8,216,905 <sup>(54)</sup>     | 8,863,715                 |
| -                             | -                            | -                         | -                             | -                             | -                         |
| -                             | 526,866                      | 26,104                    | 73,532                        | 10,000                        | 27,412                    |
| 593,588                       | 489,288                      | 1,441,824                 | 1,894,824                     | 2,438,766                     | 2,562,523                 |
| 1,469,598                     | 559,694                      | 1,111,837                 | 1,472,238                     | 3,458,990 <sup>(55)</sup>     | (297,665) <sup>(57)</sup> |
| -                             | -                            | -                         | -                             | -                             | -                         |
| (11,225,000) <sup>(25)</sup>  | 335,393,766 <sup>(27)</sup>  | -                         | -                             | -                             | -                         |
| <u>23,912,213</u>             | <u>374,862,057</u>           | <u>44,581,795</u>         | <u>44,339,684</u>             | <u>57,417,046</u>             | <u>56,637,010</u>         |
| 24,614                        | 20,213                       | 3,809                     | 2,038                         | 26,942                        | 39,489                    |
| (1,469,598)                   | (559,694)                    | (1,111,837)               | (1,472,238)                   | (3,458,990) <sup>(55)</sup>   | 297,665 <sup>(57)</sup>   |
| -                             | (48,840,470) <sup>(28)</sup> | -                         | -                             | -                             | -                         |
| <u>(1,444,984)</u>            | <u>(49,379,951)</u>          | <u>(1,108,028)</u>        | <u>(1,470,200)</u>            | <u>(3,432,048)</u>            | <u>337,154</u>            |
| <u>\$ 22,467,229</u>          | <u>\$ 325,482,106</u>        | <u>\$ 43,473,767</u>      | <u>\$ 42,869,484</u>          | <u>\$ 53,984,998</u>          | <u>\$ 56,974,164</u>      |
| \$ (31,550,993)               | \$ 374,862,057               | \$ 3,241,295              | \$ (1,315,667)                | \$ 8,821,237                  | \$ 5,224,910              |
| 3,458,951                     | (49,379,951)                 | 4,158,771                 | 843,883                       | (4,312,893)                   | 1,766,572                 |
| <u>\$ (28,092,042)</u>        | <u>\$ 325,482,106</u>        | <u>\$ 7,400,066</u>       | <u>\$ (471,784)</u>           | <u>\$ 4,508,344</u>           | <u>\$ 6,991,482</u>       |

<sup>(26)</sup> Due to 1% increase in the Earned Income Tax effective January 1, 2013.

<sup>(27)</sup> Increased primarily due to \$184 million contribution from the Harrisburg Parking Authority because of parking facility lease, and elimination of debt guaranty/insurance of \$164 million involving Capital Region Water and Dauphin County.

<sup>(28)</sup> Decreased primarily due to \$48.9 million transfer of operations of the sewer segment to Capital Region Water in November, 2013.



**City of Harrisburg, Pennsylvania**  
**Changes in Net Position, Last Ten Fiscal Years (continued)**

*(accrual basis of accounting)*

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- <sup>(29)</sup> Decrease relates to total City salaries decreasing by about 9% in 2014 due to several retirements occurring in 2013 and to noted decrease in applicable legal expenses by over \$400,000.
- <sup>(30)</sup> Significant portion of decrease is attributable to the 2014 public safety other post-employment benefits liability adjustment being approximately \$5 million less compared with the same adjustment for 2013.
- <sup>(31)</sup> No noted sewer business-type activities for 2014 pertain to the prior year transfer of Sewer Fund operations and ownership to Capital Region Water.
- <sup>(32)</sup> Decrease is attributed to approximately \$900,000 less in general administrative charges distributed to the General Fund, mainly resulting from concerns over conserving cash for the Sanitation Fund.
- <sup>(33)</sup> Decrease is comprised of several factors including \$2.6 million less in amortized debt guarantee fees resulting from prior year extinguishment of the involved debt associated with Capital Region Water and the Harrisburg Parking Authority, and approximately \$1.7 million less in administrative service charges revenue from the Water and Sewer Funds as a result of the prior year transition and transfer of the water and wastewater collection and conveyance systems from the City to Capital Region Water.
- <sup>(34)</sup> Decrease is related to substantial completion occurring in 2013 for the Federal funded Seventh Street widening project.
- <sup>(35)</sup> The City is no longer remitting 50% of its parking tax collections to the Harrisburg Parking Authority.
- <sup>(36)</sup> Approximately \$1 million was realized related to the new parking system ground lease created from the late prior year monetization of City parking system assets.
- <sup>(37)</sup> Beginning in 2014 and due to a change in City budget unit classification, the formerly described Building and housing development line item now includes the Parks and recreation line item and has been collectively renamed as Community and economic development; also in 2014, activity associated with the City's Bureau of Codes Enforcement has been reclassified from aforementioned Building and housing development to the Public safety line item.
- <sup>(38)</sup> Increase from the prior year is mainly attributed to the effects of implementing GASB Statement No. 68 relative to pension plan reporting, with resulting pension expense amounting to \$1.2 million for the Bureau of Police and \$500,000 for the Bureau of Fire.
- <sup>(39)</sup> Increase from the prior year is attributed to \$575,000 in pension expense resulting from the implementation of GASB Statement No. 68 relative to pension plan reporting.
- <sup>(40)</sup> Increase from the prior year is related to more utilization of available budgeted amount for general administrative charges benefiting the General Fund.
- <sup>(41)</sup> Increase of \$1.2 million over the prior year resulted from the significant purchase of various trash and recycling containers, in support of the City's strong efforts for reducing abandoned trash problems and promoting the related recycling initiative.
- <sup>(42)</sup> Revenue increase from the prior year is attributed to previously deferred revenue being properly recognized as program income in 2015 for both the HOME Investment Partnership Program (HOME) and the Community Development Block Grant (CDBG).
- <sup>(43)</sup> Decrease in the public works line item is mostly impacted by \$1,476,772 less in reimbursement for shared services with Capital Region Water occurring due to the reconciliation of involved over-billings, and \$365,911 less in other public works revenue resulting from primarily the City receiving agreed-to funds in 2014 to help offset the cost of relocating its public works complex.
- <sup>(44)</sup> Operating grant revenue decreased significantly in 2015 including \$136,603 less in disaster grants funding due to less involved projects, \$546,766 less in Lead-Based Paint Hazard Control revenue due to this grant program reaching its near conclusion in 2015, over \$800,000 less in Staffing for Adequate Fire and Emergency Response revenue due to this grant program being substantially completed in 2014, and approximately \$1 million less in needed and combined CDBG and HOME entitlement funds due to previously deferred program income being utilized.
- <sup>(45)</sup> Decrease in ready-to-dispose charge revenue is related to a \$1.2 million warranted adjustment for increasing the receivable allowance on certain significantly large utility billing accounts.
- <sup>(46)</sup> Decrease in property tax revenue is related to a noted decrease in the change of current year collections of prior years' tax levies. Specifically, such collections in 2014 increased by \$641,000 over prior year 2013 whereas for 2015 these collections decreased by \$457,000 from prior year 2014, resulting in an overall comparative year-to-year negative change of approximately \$1.1 million.
- <sup>(47)</sup> Significant decrease from the prior year is attributed to a related payment of \$600,000 applicable to two fiscal years being received and fully recognized as revenue within 2014; as a result, the combination of an additional \$300,000 being received in 2014 and \$300,000 less being recognized in 2015 accounts for the majority of this noted revenue decrease.

**City of Harrisburg, Pennsylvania**  
**Changes in Net Position, Last Ten Fiscal Years (continued)**

*(accrual basis of accounting)*

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- <sup>(48)</sup> Increase in public safety expenses can be attributed to noted increases in pension expense for both Police - \$847,605, and Fire - \$927,741.
- <sup>(49)</sup> The majority of the noted decrease here is a combination of \$1.2 million more in engineering and traffic expenses related to traffic control devices, streetlighting system upgrades, streets and roads resurfacing, and bridge improvements, and \$3.2 million less in City services (public works function) expenses as a result of creation of the new business-type activity for accommodating such former governmental activity expenses as well as costs previously segregated in prior years within the former business-type activities.
- <sup>(50)</sup> As part of preliminary budget planning/preparation work for the General Fund, the City advanced the idea of combining the Sanitation and Incinerator (Disposal) Funds, along with the City Services (public works function) portion of the General Fund, into a newly appropriated proprietary fund with the purpose of serving the public community (or neighborhood); thus the creation of the Neighborhood Services Fund for 2016, primarily funded with operating refuse and disposal collections and also relieving a significant budget pressure from the General Fund as to the fiscal management of costs related to City services/public works and, thus, shifting costs from governmental activities to business-type activities.
- <sup>(51)</sup> Decrease here is primarily attributed to approximately \$900,000 less in program income being utilized within the Community Development Block Grant program, as more of such revenue occurred in the prior year further offsetting the need to draw additional entitlement funds relative to the payment of program expenses.
- <sup>(52)</sup> Decrease in operating grants and contributions would include \$4,504,000 less in state grant funding from PA DCED, \$181,652 more in annual funds allocation for the State Liquid Fuels Tax Fund, \$500,495 in new Federally awarded disaster assistance grant funding from FEMA associated with an extreme 2016 winter storm event, \$188,303 in additional state funding from PA DEP in the form of a Section 902 municipal recycling grant, and \$303,817 more in Federal Lead Hazard Control funds as a new lead program achieved stronger effect in 2016 involving lead abatement inspection, assessment, and technical assistance.
- <sup>(53)</sup> See "Tax Revenues by Source" schedule within this statistical section at pages 138 and 139 for individual detailed explanation specific to the noted increase in this tax revenue.
- <sup>(54)</sup> Increase from the prior year is attributed to intergovernmental revenue classification for the \$4,504,000 received in 2016 as a direct appropriation from the state, plus \$775,043 more in realized parking system ground lease revenue the Harrisburg Parking Authority.
- <sup>(55)</sup> Increase in internal transfers in between governmental and business-type activities includes \$4.2 million reflecting the need to establish liability balances in the new business-type activity for a capital lease, OPEB, workers' compensation, and compensated absences, \$355,613 from the Federal Grants Fund to the Neighborhood Services Fund related to newly awarded disaster assistance grant funding from FEMA, and \$1,749,261 less in interfund support to the governmental activities from the business-type activities compared with that in prior year 2015.
- <sup>(56)</sup> Increase from the prior year is attributed to the year-to-year change effect on mercantile business privilege (mbp) taxes revenue related to the involved year-end receivable adjustment, and also due to an approximate increase of \$150,000 in parking tax revenue resulting from Standard Parking implementing a monthly rate increase on specific parking spaces applicable to the Commonwealth of Pennsylvania. The aforementioned year-to-year change effect from the mbp tax receivable/revenue adjustment amounts to \$1,111,887, wherein such revenue decreased by \$408,595 from 2015 to 2016 but then it increased by \$703,292 from 2016 to 2017; a large part of this revenue increase in 2017 occurred from the City allowing for improved revenue recognition of such current year taxes collected in the subsequent year.
- <sup>(57)</sup> The large change in interfund transfers is mostly related to the prior year \$4.2 million in internal transfers between governmental and business-type activities which reflected the need to establish liability balances in the then new business-type activity, i.e., Neighborhood Services Fund, for a capital lease, OPEB, workers' compensation, and compensated absences. The 2017 year-end amount of \$297,665 mostly represents the supporting subsidy portion the General Fund provides as funding to assist in paying the annual debt service requirements on the Harrisburg Senators Revenue Bonds, Series A-2 of 2005.
- <sup>(58)</sup> Increase in expenses is mostly attributed to an increase of \$353,400 in related pension expense and the occurring release of \$1,695,999 in Harrisburg Strong Plan growth funds for applicable settlement distributions.
- <sup>(59)</sup> Increase in expenses is mostly comprised of an increase of \$570,864 in Community Development grants expense mainly due to expansion of activity for the Lead-Based Paint Hazard Control program, and an increase of \$851,186 in the expense associated with adjusting the City's liability under guarantee applicable to the Revenue Bonds, Series A of 1998 issued by the Harrisburg Redevelopment Authority.
- <sup>(60)</sup> Increase in expenses is mostly related to pension expense within Public Works governmental activities increasing by \$1,416,221 over the prior year.
- <sup>(61)</sup> Change is attributable to several material expense decreases including \$120,438 less in the severance pay line due to a larger occurring effect in 2016 of the involved transfer of accrued leave liability from governmental activities to business-type activities, \$284,098 less in workers' compensation expense as a result of the calculated reserve for incurred losses being significantly reduced due to eliminating applicable reserve amounts for years with no open claims, \$377,565 less in miscellaneous contracted services which relates to the very significant emergency snow removal services provided by various contractors arising out of the extreme winter storm event in January 2016, and \$206,234 less in property taxes on the public works complex facility located on Paxton Street with 2016 including multiple years of such taxes and related interest and 2017 reflecting only a single year's worth of such taxes.

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

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- <sup>(62)</sup> Overall increase is best explained from changes occurring in various grant funding including \$1,088,178 in new Federal pre-disaster mitigation/disaster recovery grants applicable to the South 14th Street sinkhole project, \$500,495 less in Federal disaster assistance from FEMA associated with an extreme 2016 winter storm event, an increase of \$566,422 in revenue applicable to the Lead-Based Paint Hazard Control grant due to expanded program activities, and an increase of \$264,198 in support from the PA Department of Transportation's Multimodal Transportation Fund specific to the City's Third Street infrastructure project.
- <sup>(63)</sup> Increase in revenue over the prior year is mostly related to the occurring increases in the refuse and disposal utility billing revenue lines for the Neighborhood Services Fund; more specifically for 2017, both of these revenue lines each experienced an approximate 8% increase due to the City realizing a full year's benefit from acquiring several new commercial billing accounts from private waste haulers.

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

|                                | Fiscal Year                 |                          |                             |                             |
|--------------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|
|                                | 2008                        | 2009                     | 2010                        | 2011                        |
| General Fund                   |                             |                          |                             |                             |
| Nonspendable                   | \$ 75,791                   | \$ 53,306                | \$ 47,047                   | \$ 474,352                  |
| Restricted                     | 6,499,564                   | 3,262,015 <sup>(2)</sup> | 2,717,083                   | 2,476,338                   |
| Assigned                       | -                           | -                        | -                           | -                           |
| Unassigned                     | 7,018,632                   | 698,496 <sup>(2)</sup>   | (46,604,704) <sup>(3)</sup> | (57,177,439) <sup>(3)</sup> |
| Total General Fund             | <u>\$ 13,593,987</u>        | <u>\$ 4,013,817</u>      | <u>\$ (43,840,574)</u>      | <u>\$ (54,226,749)</u>      |
| Other Governmental Funds       |                             |                          |                             |                             |
| Restricted                     | \$ 2,640,194 <sup>(1)</sup> | \$ 1,718,422             | \$ 2,100,021                | \$ 1,235,793                |
| Assigned                       | -                           | -                        | -                           | -                           |
| Unassigned                     | -                           | (16,496)                 | -                           | (2,581)                     |
| Total Other Governmental Funds | <u>\$ 2,640,194</u>         | <u>\$ 1,701,926</u>      | <u>\$ 2,100,021</u>         | <u>\$ 1,233,212</u>         |
| Total Governmental Funds       | <u>\$ 16,234,181</u>        | <u>\$ 5,715,743</u>      | <u>\$ (41,740,553)</u>      | <u>\$ (52,993,537)</u>      |

(1) Proceeds received in 2007 from the sale of assets were utilized to fund a \$1.9 million principal payment on the Revenue Bonds, Series of 2006 in January, 2008; no such similar significant proceeds materialized in 2008.

(2) Use of the majority of capital lease proceeds of \$8.3 million and \$4.8 million the City paid honoring its guarantee obligations on Capital Region Water Resource Recovery Facility debt.

(3) Accrual of approximately \$44.6 million, \$10.4 million, and \$13.4 million in 2010, 2011, and 2012, respectively, for reimbursements due to Capital Region Water's bond insurer and Dauphin County, pursuant to the City's guarantee obligations under the Capital Region Water Resource Recovery Facility debt. For 2012, an additional \$8.98 million is accrued for City related General Obligation Bonds and Notes, Series D and F, due to the bond insurer for payments the bond insurer made on the City's behalf.

(4) With the proceeds from the parking lease transaction, \$6.7 million is to fund a City Growth fund and \$3.7 million is to fund a yet to be established other post-employment benefit trust fund.

(5) Due to the defeasance and restructuring of debt, and received proceeds from the parking lease transaction occurring in December, 2013.

(6) Increase is attributed in large part to realized increases in collected property taxes due to improved economic stability, in real estate transfer taxes due to some larger properties being sold, and in parking tax collections due to the City no longer remitting 50% of such collections to the Harrisburg Parking Authority.

(7) Increase in assigned fund balance is noted to be attributed to significantly larger encumbrance commitments still in effect at year-end compared with the prior year; such amounts in particular for the general government and public safety functions increased by over a combined \$750,000.

(8) Increase in restricted fund balance from the prior year is mostly attributed to approximately \$2.1 million in remaining proceeds of a \$3 million lease/purchase agreement within the Capital Projects Fund for financing costs associated with the City's streetlight LED conversion/upgrade project.

(9) Increase in assigned fund balance is attributed to a combination of utilizing \$3,842,908 for the funding of subsequent year 2017's operating budget and \$507,479 less occurring in existing encumbrance commitments still in effect at year-end compared to the prior year.

(10) The increase in net change in overall General Fund fund balance amounts to \$9.5 million including the net increase of \$3.3 million noted at (9) above, resulting in approximately \$6 million of this total increase being applicable to unassigned fund balance. For the noted \$9.5 million, it is comprised of the following: \$6,124,750 increase in tax revenue, \$5,265,424 increase in intergovernmental revenue, \$1,373,521 increase in investment income, \$716,594 increase in departmental earnings, \$2,035,613 less in public works expenditures, and \$6,732,993 less in transfers in, an other financing source.

(11) Decrease in restricted fund balance includes a \$405,643 increase in fund balance for the State Liquid Fuels Tax Fund resulting from the impact of a larger funds allocation from Pennsylvania Department of Transportation, and due to a \$1.2 million decrease in fund balance for the Capital Projects Fund resulting from the impact of continued infrastructure outlays for the City's further investment in its streetlight LED conversion/upgrade project.

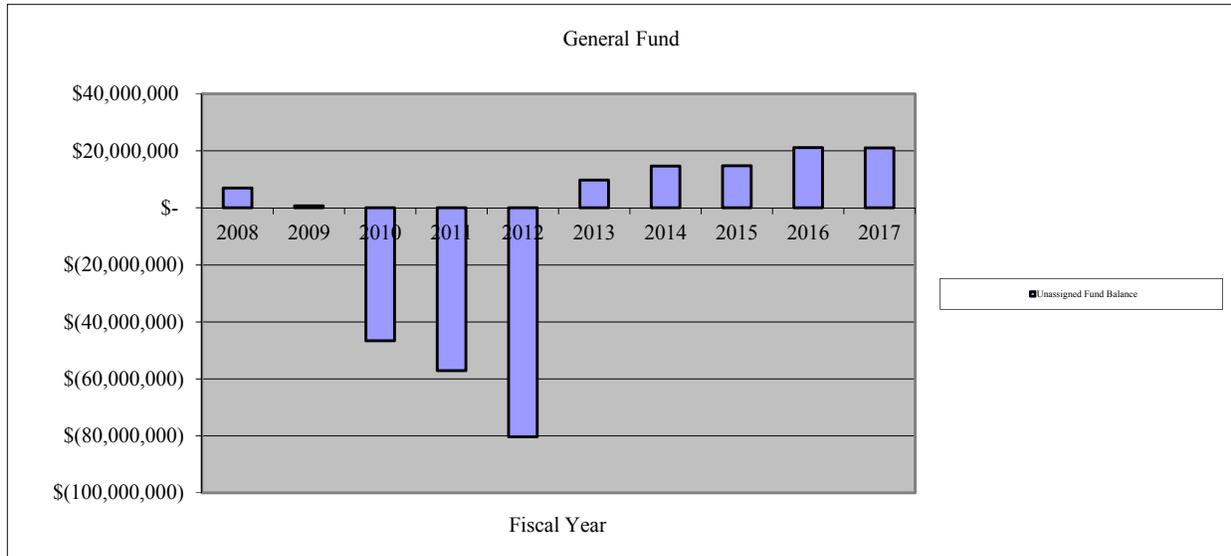
(12) Decrease in restricted portion is comprised of the 2017 release of Harrisburg Strong Plan growth funds for settlement distributions to Assured Guaranty Municipal Corp. (\$1,356,799) and the County of Dauphin (\$339,200).

(13) Increase in assigned fund balance is attributed to a combination of change increases in both the available funding for the subsequent year's operating budget (\$4.9 million increase) and the resulting reclassification effect of previously reported special revenue funds now recognized as being part of the General Fund (\$1.2 million increase).

(14) Increase in assigned portion involves the Capital Projects Fund which received \$500,000 in interfund support from the General Fund enabling the availability of additional financial resources for the City's ongoing street and road improvement projects.

Source: City's audited basic financial statements

| Fiscal Year                 |                           |                           |                             |                              |                            |
|-----------------------------|---------------------------|---------------------------|-----------------------------|------------------------------|----------------------------|
| 2012                        | 2013                      | 2014                      | 2015                        | 2016                         | 2017                       |
| \$ 490,332                  | \$ 594,786                | \$ 329,649                | \$ 119,732                  | \$ 12,854                    | \$ 269,768                 |
| 2,107,755                   | 11,572,226 <sup>(4)</sup> | 11,011,089                | 10,557,940                  | 10,415,991                   | 8,679,872 <sup>(12)</sup>  |
| -                           | 739,319                   | 773,176                   | 1,674,539 <sup>(7)</sup>    | 5,009,968 <sup>(9)</sup>     | 11,229,303 <sup>(13)</sup> |
| (80,393,973) <sup>(3)</sup> | 9,753,859 <sup>(5)</sup>  | 14,648,078 <sup>(6)</sup> | 14,761,238                  | 21,172,840 <sup>(10)</sup>   | 21,082,334                 |
| <u>\$ (77,795,886)</u>      | <u>\$ 22,660,190</u>      | <u>\$ 26,761,992</u>      | <u>\$ 27,113,449</u>        | <u>\$ 36,611,653</u>         | <u>\$ 41,261,277</u>       |
| <br>                        |                           |                           |                             |                              |                            |
| \$ 933,180                  | \$ 2,076,026              | \$ 2,867,253              | \$ 6,247,482 <sup>(8)</sup> | \$ 5,573,138 <sup>(11)</sup> | \$ 6,041,916               |
| -                           | 276,965                   | 108,426                   | 32,398                      | 20,352                       | 500,000 <sup>(14)</sup>    |
| 447,938                     | -                         | -                         | -                           | -                            | (14,274)                   |
| <u>\$ 1,381,118</u>         | <u>\$ 2,352,991</u>       | <u>\$ 2,975,679</u>       | <u>\$ 6,279,880</u>         | <u>\$ 5,593,490</u>          | <u>\$ 6,527,642</u>        |
| <u>\$ (76,414,768)</u>      | <u>\$ 25,013,181</u>      | <u>\$ 29,737,671</u>      | <u>\$ 33,393,329</u>        | <u>\$ 42,205,143</u>         | <u>\$ 47,788,919</u>       |



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

|  | Fiscal Year                 |                          |                           |                           |
|--|-----------------------------|--------------------------|---------------------------|---------------------------|
|  | 2008                        | 2009                     | 2010                      | 2011                      |
| <b>Revenues</b>                              |                             |                          |                           |                           |
| Taxes  | \$ 26,836,116               | \$ 26,230,929            | \$ 25,425,340             | \$ 25,707,066             |
| Licenses and permits                         | 540,748                     | 583,353                  | 575,711                   | 571,412                   |
| Intergovernmental revenues                   | 16,829,300                  | 18,091,064               | 14,820,544                | 13,450,439                |
| Department earnings and program revenue      | 20,187,491                  | 22,323,176               | 20,287,979                | 15,547,452 <sup>(5)</sup> |
| Fines and forfeits                           | 2,109,236                   | 1,743,629                | 1,957,649                 | 1,668,694                 |
| Investment income                            | 507,785                     | 379,309                  | 538,857                   | 8,038,576 <sup>(6)</sup>  |
| Miscellaneous                                | 3,798,167                   | 1,961,084                | 1,321,676                 | 1,650,815                 |
| <b>Total revenues</b>                        | <b>\$ 70,808,843</b>        | <b>\$ 71,312,544</b>     | <b>\$ 64,927,756</b>      | <b>\$ 66,634,454</b>      |
| <b>Expenditures</b>                          |                             |                          |                           |                           |
| Current                                      |                             |                          |                           |                           |
| General government                           | \$ 9,503,511                | \$ 13,768,258            | \$ 11,202,467             | \$ 10,058,300             |
| Community/Economic development               | 5,673,155                   | 4,410,411                | 5,457,781                 | 3,460,977                 |
| Public safety                                | 30,801,966                  | 31,478,085               | 31,875,517                | 35,241,660 <sup>(7)</sup> |
| Public works                                 | 6,287,360                   | 6,016,600                | 4,521,472                 | 7,191,147 <sup>(8)</sup>  |
| Parks and recreation                         | 3,931,704                   | 3,458,682                | 2,590,809                 | 2,371,843                 |
| Incinerator                                  | -                           | 8,006,987 <sup>(4)</sup> | 45,592,518 <sup>(4)</sup> | 8,719,710 <sup>(4)</sup>  |
| Tourism, environment                         | 97,564                      | 139,027                  | 2,555                     | 1,084                     |
| Capital outlay                               |                             |                          |                           |                           |
| Infrastructure                               | 2,245,948 <sup>(1)</sup>    | 232,383                  | -                         | -                         |
| Other  | 4,503,504 <sup>(2)</sup>    | 2,687,884                | -                         | -                         |
| Debt service                                 |                             |                          |                           |                           |
| Principal retirements                        | 11,063,705                  | 10,961,653               | 12,001,986                | 11,808,735                |
| Interest and fiscal charges                  | 1,150,297                   | 1,013,183                | 767,776                   | 672,338                   |
| <b>Total expenditures</b>                    | <b>\$ 75,258,714</b>        | <b>\$ 82,173,153</b>     | <b>\$ 114,012,881</b>     | <b>\$ 79,525,794</b>      |
| Excess of revenues over (under) expenditures | \$ (4,449,871)              | \$ (10,860,609)          | \$ (49,085,125)           | \$ (12,891,340)           |
| Other financing sources (uses)               |                             |                          |                           |                           |
| Debt issuance and capital lease              | \$ 2,400,000                | \$ 151,085               | \$ -                      | \$ -                      |
| Sale of general capital assets               | 573,523                     | -                        | 537,173                   | -                         |
| Transfers in                                 | 15,425,398 <sup>(3)</sup>   | 16,812,279               | 13,841,525                | 14,396,637                |
| Transfers out                                | (15,775,097) <sup>(3)</sup> | (16,621,193)             | (12,749,869)              | (12,758,281)              |
| <b>Total other financing sources (uses)</b>  | <b>\$ 2,623,824</b>         | <b>\$ 342,171</b>        | <b>\$ 1,628,829</b>       | <b>\$ 1,638,356</b>       |
| Special Items                                | \$ -                        | \$ -                     | \$ -                      | \$ -                      |
| <b>Net change in fund balances</b>           | <b>\$ (1,826,047)</b>       | <b>\$ (10,518,438)</b>   | <b>\$ (47,456,296)</b>    | <b>\$ (11,252,984)</b>    |
| Debt service % of noncapital expenditures    | 17.8%                       | 15.1%                    | 11.2%                     | 15.7%                     |

<sup>(1)</sup> Represents Pennsylvania Infrastructure Bank Note issued to re-surface various streets City-wide.

<sup>(2)</sup> Represents proceeds from the issuance on an \$8.3 million capital lease to finance the purchase of City-wide equipment and vehicles.

<sup>(3)</sup> 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.

<sup>(4)</sup> This amount shows the City's portion of Capital Region Water Resource Recovery Facility guarantees that were paid or accrued during the year.

<sup>(5)</sup> Difference is due to a \$4.3 million decrease in administrative charges collected from the Water Fund due to its increased debt service payments.

<sup>(6)</sup> This significant increase is attributed to the City receiving \$7.4 million from the Harrisburg Parking Authority for ground lease extension/prepayment of rent on land parcels under three downtown parking garages.

<sup>(7)</sup> A significant portion of this approximate \$3.5 million difference from the prior year is comprised of overall City medical costs increasing by more than \$1 million during 2011, and the effect of the City contributing 2011 pension system state aid revenue to the Police Pension Plan in excess of the required minimum municipal obligation for this year (note the related accrual of approximately \$1.9 million Due to City Police Pension Plan for current liabilities under Governmental Activities as of December 31, 2011).

<sup>(8)</sup> A significant portion of this approximate \$2.5 million difference from the prior year is comprised of overall City medical costs increasing by more than \$1 million during 2011, over \$400,000 in expenses materializing from the reclassification of Operations and Revenue departmental positions to this Public Works line item, and the occurrences of several sewer main collapses requiring repairs in 2011.

| Fiscal Year                   |                                       |                               |                              |                               |                               |  |
|-------------------------------|---------------------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|--|
| 2012                          | 2013                                  | 2014                          | 2015                         | 2016                          | 2017                          |  |
| \$ 28,175,334 <sup>(9)</sup>  | \$ 33,800,797 <sup>(14)</sup>         | \$ 37,111,849 <sup>(20)</sup> | \$ 36,941,877                | \$ 43,066,627 <sup>(31)</sup> | \$ 44,093,231 <sup>(31)</sup> |  |
| 570,995                       | 576,806                               | 587,194                       | 594,605                      | 617,899                       | 707,027                       |  |
| 18,163,947 <sup>(10)</sup>    | 15,660,815 <sup>(15)</sup>            | 15,710,743                    | 12,855,157 <sup>(26)</sup>   | 14,777,727 <sup>(32)</sup>    | 16,111,749 <sup>(39)</sup>    |  |
| 8,514,496 <sup>(11)</sup>     | 8,962,351                             | 8,268,902                     | 6,960,035 <sup>(27)</sup>    | 6,816,040                     | 6,864,044                     |  |
| 1,642,640                     | 1,389,577                             | 862,340                       | 867,340                      | 816,614                       | 865,222                       |  |
| 650,718                       | 539,569                               | 1,002,329                     | 660,548                      | 2,048,335 <sup>(33)</sup>     | 1,904,929                     |  |
| 917,194                       | 2,216,712                             | 2,617,911                     | 2,385,392                    | 2,474,978                     | 2,695,568                     |  |
| <u>\$ 58,635,324</u>          | <u>\$ 63,146,627</u>                  | <u>\$ 66,161,268</u>          | <u>\$ 61,264,954</u>         | <u>\$ 70,618,220</u>          | <u>\$ 73,241,770</u>          |  |
| <br>                          |                                       |                               |                              |                               |                               |  |
| \$ 12,691,299 <sup>(12)</sup> | \$ 8,667,837                          | \$ 7,763,945                  | \$ 7,870,905                 | \$ 7,287,778                  | \$ 10,080,794 <sup>(40)</sup> |  |
| 3,934,643                     | 4,678,380                             | 5,104,315 <sup>(25)</sup>     | 4,211,729 <sup>(28)</sup>    | 4,129,228                     | 5,357,690 <sup>(41)</sup>     |  |
| 31,512,809                    | 29,252,036                            | 31,182,115                    | 31,336,833                   | 30,531,518                    | 33,238,177 <sup>(42)</sup>    |  |
| 8,289,312 <sup>(13)</sup>     | 8,648,063                             | 7,476,953                     | 7,453,238                    | 5,716,254 <sup>(34)</sup>     | 7,052,214 <sup>(43)</sup>     |  |
| 425,549 <sup>(13)</sup>       | 458,622                               | - <sup>(25)</sup>             | -                            | -                             | -                             |  |
| 13,933,799 <sup>(4)</sup>     | 15,402,608 <sup>(4)</sup>             | - <sup>(21)</sup>             | -                            | -                             | -                             |  |
| 71                            | 3,256                                 | 159,205                       | 243,713                      | 377,323                       | 260,458                       |  |
| 310,876                       | 30,006                                | -                             | 1,113,208 <sup>(29)</sup>    | 2,026,008 <sup>(35)</sup>     | -                             |  |
| -                             | -                                     | -                             | -                            | -                             | 124,950                       |  |
| 11,598,481                    | 22,851,839 <sup>(16)</sup>            | 11,662,174 <sup>(22)</sup>    | 11,096,626                   | 11,819,843                    | 11,368,447                    |  |
| 829,314                       | 658,165                               | 226,012                       | 222,250                      | 307,451                       | 201,461                       |  |
| <u>\$ 83,526,153</u>          | <u>\$ 90,650,812</u>                  | <u>\$ 63,574,719</u>          | <u>\$ 63,548,502</u>         | <u>\$ 62,195,403</u>          | <u>\$ 67,684,191</u>          |  |
| <br>                          |                                       |                               |                              |                               |                               |  |
| <u>\$ (24,890,829)</u>        | <u>\$ (27,504,185)</u>                | <u>\$ 2,586,549</u>           | <u>\$ (2,283,548)</u>        | <u>\$ 8,422,817</u>           | <u>\$ 5,557,579</u>           |  |
| <br>                          |                                       |                               |                              |                               |                               |  |
| \$ -                          | \$ 3,865,000 <sup>(17)</sup>          | \$ 1,000,000 <sup>(23)</sup>  | \$ 4,254,033 <sup>(30)</sup> | \$ 1,000,000 <sup>(36)</sup>  | \$ 296,450 <sup>(44)</sup>    |  |
| -                             | 2,606,115 <sup>(18)</sup>             | 26,104 <sup>(24)</sup>        | 212,935                      | -                             | 27,412                        |  |
| 16,005,057                    | 16,336,704                            | 17,224,004                    | 17,636,919                   | 12,344,626 <sup>(37)</sup>    | 11,581,331                    |  |
| (14,535,459)                  | (15,777,010)                          | (16,112,167)                  | (16,164,681)                 | (12,955,629) <sup>(38)</sup>  | (11,878,996)                  |  |
| <u>\$ 1,469,598</u>           | <u>\$ 7,030,809</u>                   | <u>\$ 2,137,941</u>           | <u>\$ 5,939,206</u>          | <u>\$ 388,997</u>             | <u>\$ 26,197</u>              |  |
| <u>\$ -</u>                   | <u>\$ 121,901,325 <sup>(19)</sup></u> | <u>\$ -</u>                   | <u>\$ -</u>                  | <u>\$ -</u>                   | <u>\$ -</u>                   |  |
| <u>\$ (23,421,231)</u>        | <u>\$ 101,427,949</u>                 | <u>\$ 4,724,490</u>           | <u>\$ 3,655,658</u>          | <u>\$ 8,811,814</u>           | <u>\$ 5,583,776</u>           |  |
| 14.9%                         | 25.9%                                 | 18.7%                         | 18.1%                        | 20.2%                         | 17.1%                         |  |

- <sup>(9)</sup> Increased due to .8 mill real estate tax increase and increased Parking Tax rate from 15% to 20% effective January 1, 2012.
- <sup>(10)</sup> Attributed to increased revenue of about \$4 million for the Federal funded 7th Street Widening project and receipt of a \$2 million PA DCED grant.
- <sup>(11)</sup> Attributed to decreased administrative service charges of \$0.6 million and \$6.0 million from the Water and Sewer Funds in accordance with the Receiver's instruction, which is detailed at length per the Financial Recovery Plan footnote (see Note 20) to the basic financial statements.
- <sup>(12)</sup> This increase is primarily due to higher health benefit costs in 2012 of \$1.5 million over 2011 levels.
- <sup>(13)</sup> In 2012, Parks Maintenance was moved from Parks and Recreation to Public Works. In addition, the entire Park Ranger Corp was eliminated.
- <sup>(14)</sup> Attributed to \$6.7 million increase in Earned Income Tax due to the EIT rate increased 1% effective January 1, 2013.
- <sup>(15)</sup> Attributed to Capital Fire Protection proceeds from Commonwealth of Pennsylvania decreased from \$2.5 million to \$496,000.
- <sup>(16)</sup> Debt service principal retirements occurred of \$4.5 million in suburban municipalities settlement and \$6 million in bond insurer reimbursement.
- <sup>(17)</sup> \$3.865 million was recognized in debt issuance due to applicable amounts advanced by the City's bond insurer relative to the bondholders of the 1997 Series General Obligation Refunding Bonds and Notes.
- <sup>(18)</sup> The City collected \$2.6 million proceeds from the sale of historic artifacts.
- <sup>(19)</sup> Attributed to \$170 million proceeds from the Harrisburg Parking Authority, net of \$50 million paid to Capital Region Water for defeasing the Resource Recovery Facility debt.

Source: City's audited basic financial statements; see pages 136 and 137 for continuation of footnote explanations

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

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- <sup>(20)</sup> Attributed to several factors including the returning confidence in the City's financial stability prompting stronger taxpayer motivation for the remittance of prior years' property tax amounts, occurrence of some significantly larger properties being sold increasing real estate transfer tax revenue, and resulting increase in parking tax revenue related to the City no longer remitting 50% of such collections to the Harrisburg Parking Authority.
- <sup>(21)</sup> Relates to the prior year \$15.4 million representing a finalized receivable write-off for debt guarantee payments associated with Capital Region Water.
- <sup>(22)</sup> Primarily attributable to bond insurer reimbursements and the suburban municipalities settlement payment being less in amount for 2014, (approximately \$6 million less and \$3 million less, respectively).
- <sup>(23)</sup> With some return of financial stability occurring for the City in 2014, less in debt issuance was required for involved amounts advanced by the City's bond insurer relative to the bondholders of the 1997 Series General Obligation Refunding Bonds and Notes (see related Note at page 144).
- <sup>(24)</sup> Relates to the majority of auction proceeds from the sale of the City's historic artifacts collection being received in 2013.
- <sup>(25)</sup> Beginning in 2014 and due to a change in City budget unit classification, the formerly described Building and housing development line item now includes the Parks and recreation line item and has been collectively renamed as Community and economic development; also in 2014, activity associated with the City's Bureau of Codes Enforcement has been reclassified from aforementioned Building and housing development to the Public safety line item.
- <sup>(26)</sup> Noted decrease of approximately \$2.9 million is comprised of various factors related to general revenue and grant programs revenue. For general, parking system ground lease revenue decreased by \$645,500 from the prior year due to an adjustment related to this revenue not being received within sixty days of year-end; for grant programs, noted significant decreases included approximately \$1 million less in needed and combined Community Development Block Grant and HOME Investment Partnership Program entitlement funding due to previously deferred program income being utilized, \$546,766 less in Lead-Based Paint Hazard Control revenue due to this grant program reaching its near conclusion in 2015, and over \$800,000 less in Staffing for Adequate Fire and Emergency Response revenue due to this grant program being substantially completed in 2014.
- <sup>(27)</sup> Overall decrease of \$1.3 million is mainly attributed to \$1,476,772 less in reimbursement for shared services with Capital Region Water due to the reconciliation of involved over-billings.
- <sup>(28)</sup> Overall decrease of \$900,000 is related to contracted home improvement services being less in 2015 by approximately \$400,000 due to smaller available project budget occurring through the HOME Investment Partnership Program, and also to \$546,766 less in Lead-Based Paint Hazard Control expenditures due to this grant program reaching its near conclusion in 2015.
- <sup>(29)</sup> Increase here reflects the City's further investment in its streetlights infrastructure costs via the current ongoing streetlight LED conversion/upgrade project.
- <sup>(30)</sup> Noted increase is attributed to approximately \$3 million in lease/purchase proceeds occurring within the Capital Projects Funds for financing costs associated with the City's streetlight LED conversion/upgrade project.
- <sup>(31)</sup> See "Tax Revenues by Source" schedule within this statistical section at pages 138 and 139 for individual detailed explanations comprising this overall increase in tax revenue.
- <sup>(32)</sup> Increase in intergovernmental revenue would include \$775,043 more in realized parking system ground lease revenue from Harrisburg Parking Authority, \$257,532 more in grant revenue from PA Energy Development Authority in support of the streetlight LED upgrade project, \$500,495 in new Federally awarded disaster assistance grant funding from FEMA associated with an extreme 2016 winter storm event, and \$188,303 in additional state funding from PA Department of Environmental Protection in the form of a Section 902 municipal recycling grant.
- <sup>(33)</sup> Increase in investment income is comprised of \$1,344,197 more in realized parking system priority payment revenue from PA Economic Development Financing Authority.
- <sup>(34)</sup> Decrease of approximately \$2 million here is a combination of \$1.2 million more in engineering and traffic expenditures related to traffic control devices, streetlighting system upgrades, streets and roads resurfacing, and bridge improvements, and \$3.2 million less in City services (public works function) expenditures as a result of creation of the new proprietary Neighborhood Services Fund for accommodating such former General Fund expenditures as well as costs previously segregated in prior years within the former Sanitation and Incinerator Funds.
- <sup>(35)</sup> The \$2,026,008 represents continuation of the City's further investment in its streetlight LED conversion/upgrade project, with these particular costs being accounted for within the Capital Projects Fund.
- <sup>(36)</sup> Decrease from the prior year is attributed to the approximate \$3 million in lease/purchase proceeds referenced above at (30) fully occurring in 2015.
- <sup>(37)</sup> Decrease here relates to General Fund transfers wherein \$4,504,000 less in state grant funding from PA DCED transferred from the State Grants Fund, \$1,749,261 less in interfund support transferred from the proprietary utility fund, and \$858,976 more in debt service funding transferred into the Debt Service Fund. The \$4,504,000 support for public safety expenditures was received in 2016 into the General Fund as intergovernmental revenue directly appropriated from the State's approved budget; the prior year appropriation of \$1,749,261 from the former Sanitation Fund was not similarly budgeted in 2016 for the new Neighborhood Services Fund; and the \$858,976 additional amount of debt service funding for 2016 is applicable to the debt financing associated with the streetlight LED conversion/upgrade project.
- <sup>(38)</sup> Transfers out decreased due to \$4,504,000 less being transferred from the State Grants Fund (see (37) above for comments), \$858,976 more for debt service being transferred from the General Fund (see (37) above for comments), and \$188,303 more in state grant funding from PA DEP being transferred from the State Grants Fund to the General Fund.
- <sup>(39)</sup> Increase is attributed to changes occurring in various grant funding including \$1,088,178 in new Federal pre-disaster mitigation/disaster recovery grants applicable to the South 14th Street sinkhole project, \$500,495 less in Federal disaster assistance from FEMA associated with an extreme 2016 winter storm event, an increase of \$566,422 in revenue applicable to the Lead-Based Paint Hazard Control grant, and an increase of \$264,198 in support from the PA Department of Transportation's Multimodal Transportation Fund specific to the City's Third Street infrastructure project.

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

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- <sup>(40)</sup> Change is attributable to several material expenditure increases including \$426,476 in consulting and capital for advancing capabilities of the Bureau of Information Technology, \$130,390 in staff expansion and capital office equipment for the Office of Tax Enforcement, \$175,400 in awarded "signing" bonus amounts for current City employees of the non-uniformed collective bargaining unit, \$102,617 more occurring in legal liability settlement claims, and the occurring release of \$1,695,999 in Harrisburg Strong Plan growth funds for applicable settlement distributions.
- <sup>(41)</sup> Increase is comprised of \$570,864 more in expenditures within the Federal Grants Fund mostly due to expansion of activity for the Lead-Based Paint Hazard Control program, \$246,547 in new consulting and capital expenditures within the State Grants Fund related to improvements for the City's parks and playgrounds, and \$367,304 more in expenditures within the General Fund's budget unit for Parks and Recreation mostly related to such staff expansion and additional consulting and capital for the City's parks, pools, and playgrounds.
- <sup>(42)</sup> Increase is comprised of \$1,088,178 in new Federal grant expenditures of pre-disaster mitigation/disaster recovery funding applicable to the South 14th Street sinkhole project, \$860,715 more in expenditures within the Bureau of Police due to increases in both new uniformed personnel and the City's related pension minimum municipal obligation for 2017, \$516,156 more in expenditures within the Bureau of Fire due to the hiring of new uniformed personnel for 2017, and \$149,111 more in expenditures within the Bureau of Codes Enforcement mostly attributable to an increase in personnel via the hiring of new codes enforcement officers.
- <sup>(43)</sup> In 2017 the City made significant capital expenditures through its Bureau of Traffic and Engineering related to improvement needs for traffic and lighting infrastructure and for the City Government Center building; the resulting increase in these expenditures is mostly comprised of \$446,139 in traffic control equipment and devices, \$30,436 in State Street promenade lighting, and \$792,512 in combined costs for upgraded HVAC controls/equipment and new roof replacement at the City Government Center.
- <sup>(44)</sup> Decrease is mostly attributed to the City only taking \$250,000 in bond insurance advances related to the deficiency payments for the March 2017 maturities of its General Obligation Refunding Bonds (Series D of 1997) and Notes (Series F of 1997); such bond insurance advances totaled to \$1 million in 2016.

**City of Harrisburg, Pennsylvania**  
**Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

| <b>Fiscal Year</b> | <b>Property (Real Estate) <sup>(1)</sup></b> | <b>Real Estate Transfer <sup>(2)</sup></b> | <b>Local Services/<br/>Occupational Privilege <sup>(3)</sup></b> | <b>Earned Income <sup>(4)</sup></b> | <b>Business Privilege/<br/>Mercantile <sup>(5)</sup></b> | <b>Total</b>  |
|--------------------|--|--|--|-------------------------------------|--|---------------|
| 2008               | \$ 16,346,529                                | \$ 1,044,116                               | \$ 1,950,343 <sup>(6)</sup>                                      | \$ 3,810,890                        | \$ 3,684,238   | \$ 26,836,116 |
| 2009               | 15,263,068                                   | 404,348 <sup>(7)</sup>                     | 2,353,697  | 3,831,531                           | 4,378,285  | 26,230,929    |
| 2010               | 15,484,982                                   | 382,718                                    | 2,596,232  | 3,231,178 <sup>(8)</sup>            | 3,730,230  | 25,425,340    |
| 2011               | 15,638,244                                   | 307,406                                    | 2,209,877  | 3,692,714                           | 3,858,825  | 25,707,066    |
| 2012               | 16,820,831 <sup>(10)</sup>                   | 451,528                                    | 1,768,175  | 3,997,191                           | 5,137,609 <sup>(11)</sup>                                | 28,175,334    |
| 2013               | 16,957,734                                   | 321,959                                    | 2,382,812 <sup>(9)</sup>   | 9,354,884 <sup>(4)</sup>            | 4,783,408  | 33,800,797    |
| 2014               | 17,715,941 <sup>(14)</sup>                   | 842,215 <sup>(12)</sup>                    | 1,995,814  | 10,080,370                          | 6,477,509 <sup>(13)</sup>                                | 37,111,849    |
| 2015               | 16,836,917 <sup>(15)</sup>                   | 821,880                                    | 2,219,720  | 10,455,466                          | 6,607,894  | 36,941,877    |
| 2016               | 17,370,946 <sup>(16)</sup>                   | 506,260 <sup>(17)</sup>                    | 6,376,249 <sup>(18)</sup>  | 11,397,276 <sup>(19)</sup>          | 7,415,896 <sup>(20)</sup>                                | 43,066,627    |
| 2017               | 17,564,616                                   | 636,111                                    | 6,647,473  | 11,556,629                          | 7,688,402 <sup>(21)</sup>                                | 44,093,231    |
| Change             |  |  |  |                                     |  |               |
| 2008-2017          | 7.5%   | -39.1%                                     | 240.8%   | 203.3%                              | 108.7%   | 64.3%         |

<sup>(1)</sup> 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"), one on land and one on buildings.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 enabled 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.

<sup>(4)</sup> Prior to 2013, City residents were subject to an Earned Income Tax (EIT) of 1%, which was shared equally with the School District; effective January 1, 2013, the EIT rate was increased to 2% with the City's portion becoming 1.50% (a resulting increase by a factor of 3) and the School District's portion being maintained at .50%. The beginning effects of the new rate are noted here in the significant increase in this revenue for 2013. 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 Keystone Collections Group (KCG) for which KCG is paid a 2.5% commission on the EIT collected. Because the EIT is withheld by the employer, a high level of compliance exists.

<sup>(5)</sup> 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 rate, increased in 2012 from 15% to 20%, is also levied on the consideration paid by patrons of the City parking garages and lots.

<sup>(6)</sup> The newly named Local Services Tax decreased by approximately \$900,000 due to changes in state collection laws and income exemption limits, effective January 1, 2008.

<sup>(7)</sup> Declined to poor economy and decline in housing market.

<sup>(8)</sup> Attributed to distributions from the City's earned income tax collector changing from estimated payments to actual collections.

<sup>(9)</sup> Noted increase in local service/occupational privilege taxes can be attributed to more stabilized national economic factors occurring in general resulting in 2013 revenue being much more comparable to recent prior years of 2009 through 2011.

<sup>(10)</sup> Includes a .8 mill, or \$1.2 million, real estate tax increase.

<sup>(11)</sup> Includes a \$1.3 million increase in parking tax revenue resulting from two related rate changes: parking tax rate increasing from 15% to 20% and the other being the change in the City's applicable remittance rate from two-thirds to 50% to the Harrisburg Parking Authority.

<sup>(12)</sup> Attributed to the occurrence of some significantly larger properties being sold during 2014.

<sup>(13)</sup> Related to the effect of the new parking management agreement, being fully in effect at the beginning of 2014 and resulting in the City no longer remitting 50% of its parking tax collections to the Harrisburg Parking Authority.

<sup>(14)</sup> Attributed to returning confidence in the City's financial stability prompting stronger taxpayer motivation for the remittance of prior years' tax amounts.

Source: City's audited basic financial statements; see page 139 for continuation of footnote explanations

## City of Harrisburg, Pennsylvania

### Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years (continued)

*(modified accrual basis of accounting)*

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- (15) Decrease in property tax revenue is related to a noted decrease in the change of current year collections of prior years' tax levies; see further related comments at footnote (46) on page 128.
- (16) Increase in property tax revenue is related to noted increase in the change of current year collections of prior years' tax levies; specifically, such collections in 2015 decreased by \$456,900 from prior year 2014 whereas for 2016 these collections increased by \$79,700 over prior year 2015, resulting in an overall comparative year-to-year positive change of \$536,600.
- (17) Transfer taxes for 2016 have decreased to a total more comparable to years recently prior to 2014, whereas for both 2014 and 2015 there were more occurrences of significantly larger properties being sold.
- (18) The noted significant increase in Local Services Tax reflects the City's implementation in 2016 via ordinance of an increase in this tax levy, which triples the annual amount from \$52 to \$156 for all individuals engaged in occupation within the City's corporate limits.
- (19) From the inception of the Earned Income Tax increase effective in 2013 (see footnote (4) here), this revenue has been steadily increasing over the recent years which reflects ongoing productive efforts by Keystone Collections Group in coordinating collections from employers and remittances to the City. Further, a recent stabilization in fluctuation is noted here as the \$11.4 million total for 2016 compares reasonably well with City collections amounting to \$11.5 million for the twelve months ended June 30, 2017.
- (20) Increase in mercantile business privilege taxes for 2016 is attributed to over \$600,000 more from local businesses reflecting an economic market upturn occurring from 2015 to 2016, as compared with an occurring downturn from 2014 to 2015, and to over \$400,000 more in parking taxes revenue resulting from Standard Parking increasing parking garage rates at the beginning of 2016.
- (21) A significant portion of the 2017 increase in mercantile business privilege taxes is attributed to additional parking tax revenue occurring from a monthly rate increase charged by Standard Parking (SP) to the Commonwealth of Pennsylvania, on applicable parking spaces specific to the State and its master lease agreement with SP.

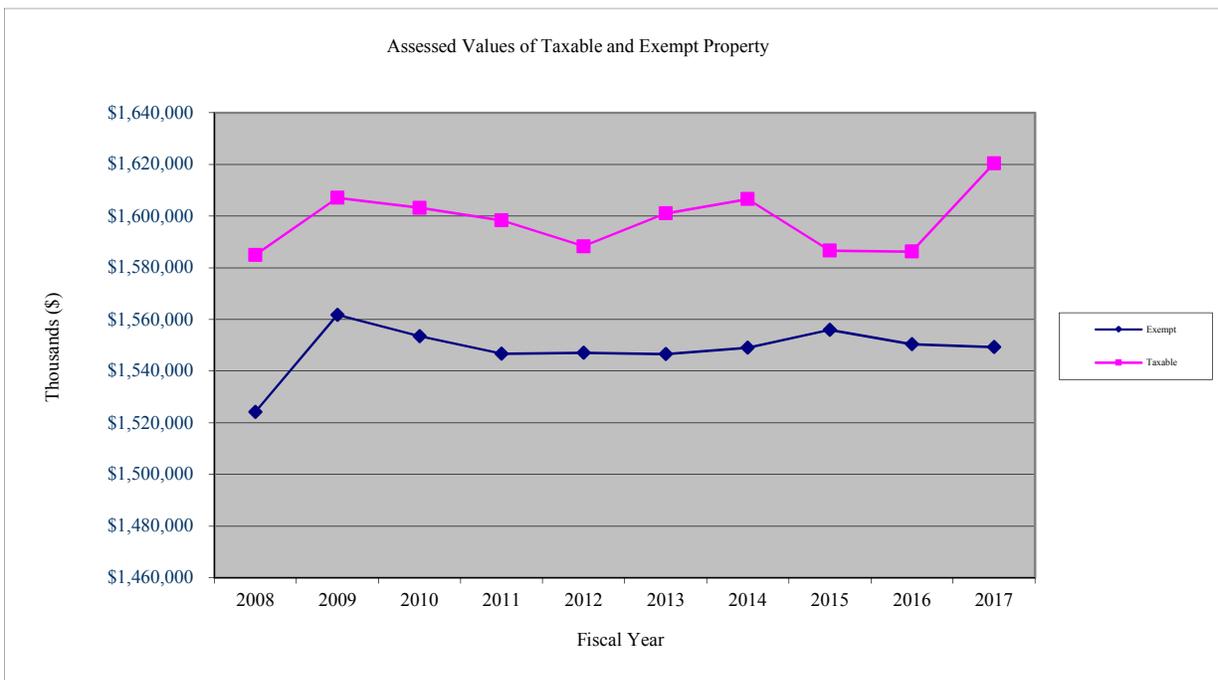
# City of Harrisburg, Pennsylvania

## 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 | Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value |
|-------------|----------------------|---------------------|---------------------|-----------------------|---------------------|------------------------------|-----------------------|--------------------------------|
| 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           | 1,603,177                    | 10.01                 | 1,884,423                      |
| 2011        | 648,670              | 840,292             | 100,948             | 8,401                 | 1,546,742           | 1,598,311                    | 10.07                 | 1,878,944                      |
| 2012        | 648,788              | 836,013             | 95,839              | 7,657                 | 1,547,066           | 1,588,297                    | 10.90 <sup>(1)</sup>  | 2,000,942                      |
| 2013        | 741,200              | 754,166             | 91,175              | 14,481                | 1,546,591           | 1,601,022                    | 10.98                 | 1,996,897                      |
| 2014        | 747,412              | 764,682             | 86,690              | 7,811                 | 1,549,077           | 1,606,595                    | 10.96                 | 2,022,608                      |
| 2015        | 763,086              | 728,719             | 87,076              | 7,739                 | 1,555,990           | 1,586,620                    | 10.96                 | 1,993,566                      |
| 2016        | 764,404              | 727,292             | 86,912              | 7,620                 | 1,550,386           | 1,586,229                    | 10.85                 | 2,017,424                      |
| 2017        | 745,388              | 780,559             | 86,805              | 7,616                 | 1,549,281           | 1,620,368                    | 10.90                 | 2,062,026                      |

<sup>(1)</sup> Includes a .8 mill real estate tax increase.

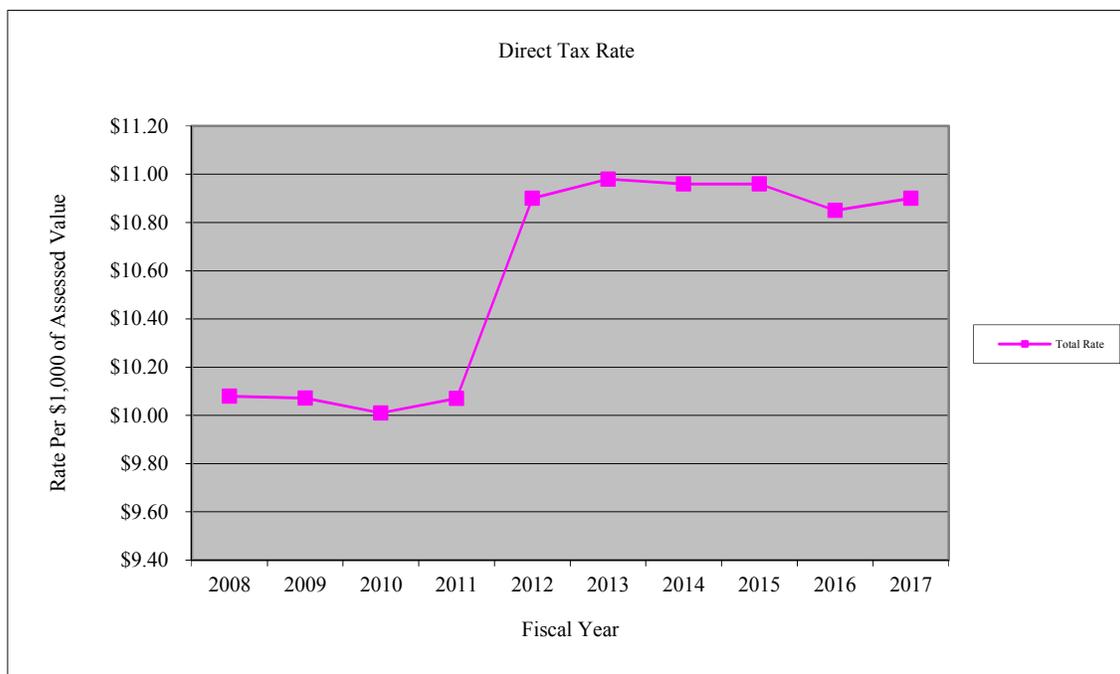


Source: Commonwealth of Pennsylvania's State Tax Equalization Board data

**City of Harrisburg, Pennsylvania**  
**Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years**  
*(rate per \$1,000 of assessed value)*

| Fiscal Year | City Direct Rates <sup>(1)</sup> |                                 |                        |                     |                                     | Overlapping Rates <sup>(1)</sup> |                |
|-------------|----------------------------------|---------------------------------|------------------------|---------------------|-------------------------------------|----------------------------------|----------------|
|             | Basic Rate                       | General Obligation Debt Service | Dauphin County Library | Recreation Purposes | Total Direct Rate <sup>(2)(3)</sup> | Harrisburg School District       | Dauphin County |
| 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           |
| 2011        | 0.76                             | 7.44                            | 0.03                   | 1.84                | 10.07                               | 26.31                            | 7.23           |
| 2012        | 3.69                             | 6.85                            | -                      | 0.36                | 10.90 <sup>(4)</sup>                | 26.96                            | 7.23           |
| 2013        | 3.85                             | 6.87                            | -                      | 0.26                | 10.98                               | 26.96                            | 7.23           |
| 2014        | 5.11                             | 5.59                            | -                      | 0.26                | 10.96                               | 27.92                            | 7.23           |
| 2015        | 5.11                             | 5.59                            | -                      | 0.26                | 10.96                               | 27.92                            | 7.23           |
| 2016        | 4.93                             | 5.45                            | -                      | 0.47                | 10.85                               | 27.92                            | 7.23           |
| 2017        | 5.30                             | 5.02                            | -                      | 0.58                | 10.90                               | 27.80                            | 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) Includes a .8 mill real estate tax increase.



Source: City Council's approved ordinance documentation for the 2017 property tax levies and distribution

**City of Harrisburg, Pennsylvania**  
**Principal Property Taxpayers, Current Year and Prior Nine Years**

(in thousands of dollars)

| <u>Taxpayer</u>                        | <u>2017</u>                                 |             |  | <u>2008</u>                                 |             |  |
|--|---|-------------|--|---|-------------|--|
|  | <u>Taxable Assessed Value<sup>(1)</sup></u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value<sup>(1)</sup></u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Harrisburg Redevelopment Authority     | \$ 98,115                                   | 1           | 6.05   | \$ 98,121                                   | 1           | 6.19   |
| ESL, Inc./Penn National Realty Trust   | 29,685                                      | 2           | 1.83   | 29,685                                      | 2           | 1.87   |
| Sage Market Square Plaza, LP           | 19,525                                      | 3           | 1.20   | -   | -           | -  |
| M&T Bank (formerly Allfirst Bank)      | 18,912                                      | 4           | 1.17   | 21,163                                      | 3           | 1.34   |
| 2012 Harrisburg Investment, LLC        | 16,066                                      | 5           | 0.99   | -   | -           | -  |
| KTR Harrisburg, LLC                    | 13,737                                      | 6           | 0.85   | -   | -           | -  |
| Norfolk Southern Corp.                 | 13,377                                      | 7           | 0.83   | -   | -           | -  |
| Pinnacle Health System                 | 12,427                                      | 8           | 0.77   | 8,071                                       | 10          | 0.51   |
| Icon Owner Pool 4 Northwest/MI         | 12,247                                      | 9           | 0.76   | -   | -           | -  |
| Walnut & Third, Inc.                   | 11,334                                      | 10          | 0.70   | 19,000                                      | 5           | 1.20   |
| Selco Service Corp.                    | -   | -           | -  | 19,900                                      | 4           | 1.26   |
| Harrisburg Hotel Assoc. (Hilton Hotel) | -   | -           | -  | 18,523                                      | 6           | 1.17   |
| Keystone Central Storage               | -   | -           | -  | 14,336                                      | 7           | 0.90   |
| Strawberry Square Associates           | -   | -           | -  | 11,917                                      | 8           | 0.75   |
| 365-369 Ocean Avenue, LLC              | -   | -           | -  | 8,984                                       | 9           | 0.57   |
| Total                                  | <u>\$ 245,425</u>                           |             | <u>15.14</u>   | <u>\$ 249,700</u>                           |             | <u>15.75</u>   |

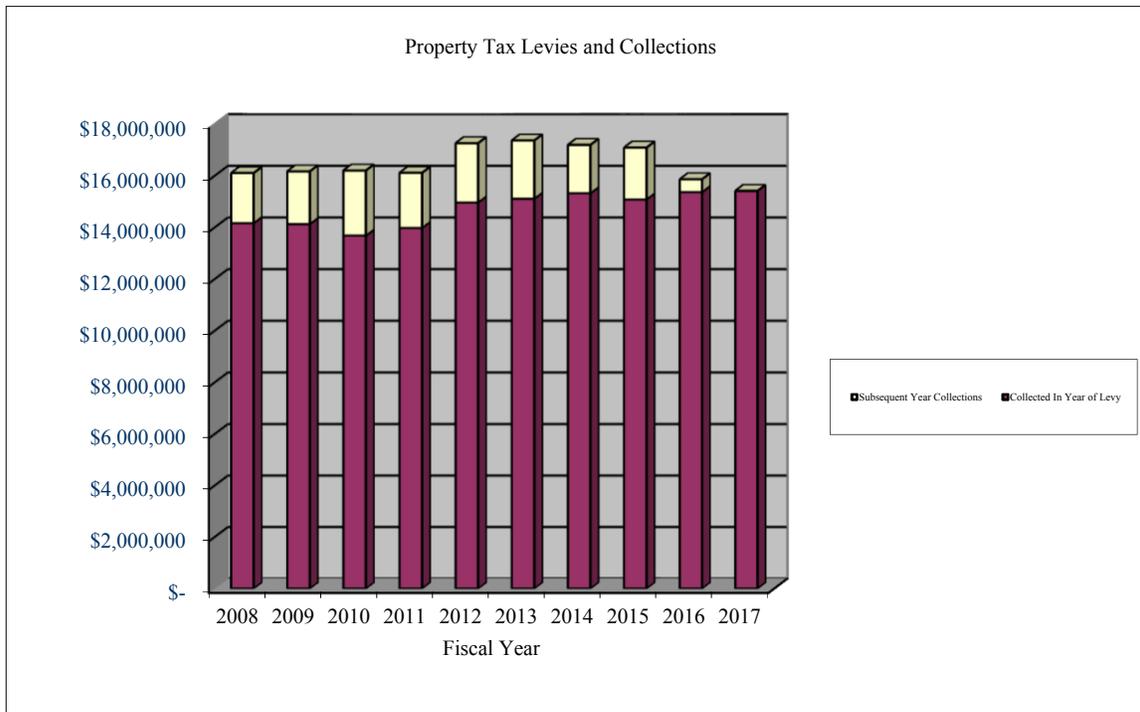
(1) This table reflects the City's top principal taxpayers based on the highest appraisal value amounts. This presentation may not positively correlate to the assessed value because the City utilizes a split-rate, or two-rate, tax system whereby land is currently taxed at a rate six times greater than the tax rate on buildings and improvements.

Source: City's Bureau of Information Technology

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

| Year | Adjusted Levy             | Collected within the Fiscal Year of the Levy |           | Collections in Years Subsequent to Levy Year | Total Collections to Date |           |
|------|---------------------------|--|-----------|--|---------------------------|-----------|
|      |                           | Amount                                       | % of Levy |  | Amount                    | % of Levy |
| 2008 | \$ 16,246,021             | \$ 14,172,465                                | 87.24%    | \$ 1,939,548                                 | \$ 16,112,013             | 99.18%    |
| 2009 | 16,357,583                | 14,135,034                                   | 86.41%    | 2,041,231                                    | 16,176,265                | 98.89%    |
| 2010 | 16,403,464                | 13,690,437                                   | 83.46%    | 2,519,721                                    | 16,210,158                | 98.82%    |
| 2011 | 16,336,288                | 13,987,495                                   | 85.62%    | 2,132,625                                    | 16,120,120                | 98.68%    |
| 2012 | 17,530,589 <sup>(1)</sup> | 14,972,310 <sup>(1)</sup>                    | 85.41%    | 2,297,341                                    | 17,269,651                | 98.51%    |
| 2013 | 17,654,979                | 15,117,935                                   | 85.63%    | 2,254,527                                    | 17,372,462                | 98.40%    |
| 2014 | 17,556,354                | 15,330,754                                   | 87.32%    | 1,872,160                                    | 17,202,914                | 97.99%    |
| 2015 | 17,558,378                | 15,089,913                                   | 85.94%    | 2,007,583                                    | 17,097,496                | 97.38%    |
| 2016 | 17,515,445                | 15,375,462                                   | 87.78%    | 493,989                                      | 15,869,451                | 90.60%    |
| 2017 | 17,695,459                | 15,420,839                                   | 87.15%    | -  | 15,420,839                | 87.15%    |

<sup>(1)</sup> Real Estate Tax billing increased \$1.2 million due to a .8 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**

| Fiscal Year | Governmental Activities  |                       |                                   |                              |                          |                            |
|-------------|--------------------------|-----------------------|-----------------------------------|------------------------------|--------------------------|----------------------------|
|             | General Obligation Bonds | Lease Revenue Bonds   | Other (Reimbursement Settlements) | General Obligation Notes     | Capital Leases           | Liability under Guarantee  |
| 2008        | \$ 42,050,335            | \$ 5,281,310          | \$ -                              | \$ 50,013,240 <sup>(3)</sup> | \$ 9,043,850             | \$ -                       |
| 2009        | 38,632,381               | 4,621,147             | -                                 | 49,892,925                   | 6,896,367                | -                          |
| 2010        | 34,327,832               | 3,946,148             | -                                 | 49,172,908                   | 4,876,773                | -                          |
| 2011        | 31,642,633               | 3,216,148             | -                                 | 46,485,095                   | 3,179,449                | -                          |
| 2012        | 28,810,787               | 2,431,148             | -                                 | 43,752,312                   | 2,430,303                | -                          |
| 2013        | 25,828,776               | 92,449 <sup>(4)</sup> | 18,460,000 <sup>(6)</sup>         | 41,120,600                   | 2,308,342                | -                          |
| 2014        | 22,691,899               | - <sup>(4)</sup>      | 17,949,370 <sup>(6)</sup>         | 37,740,413                   | 331,891 <sup>(7)</sup>   | 14,316,584 <sup>(10)</sup> |
| 2015        | 19,384,564               | -                     | 17,421,609 <sup>(6)</sup>         | 34,580,572                   | 3,420,351 <sup>(8)</sup> | 15,311,538 <sup>(10)</sup> |
| 2016        | 15,895,938               | -                     | 16,903,747 <sup>(6)</sup>         | 31,262,954                   | 2,391,882                | 15,726,811 <sup>(10)</sup> |
| 2017        | 12,226,042               | -                     | 16,137,139 <sup>(6)</sup>         | 27,793,667                   | 2,036,439                | 16,493,270 <sup>(10)</sup> |

<sup>(1)</sup> Personal income information is estimated based on the Harrisburg-Carlisle, Pennsylvania Metropolitan Statistical Area (see page 152).

<sup>(2)</sup> Population information is based on various on-line research information for population history and per capita personal income (see page 147).

<sup>(3)</sup> Includes \$2.4 million Pennsylvania Infrastructure Bank Note to resurface various streets City-wide.

<sup>(4)</sup> This revenue bond debt was fully satisfied in 2014 via the completion of received proceeds from the sale of historic artifacts.

<sup>(5)</sup> Elimination of lease rental debt relates to the transitioning of Sewer Fund ownership and operation to Capital Region Water.

<sup>(6)</sup> Amount is comprised of remaining settlement payments due to several suburban municipalities in accordance with a negotiated compromise of the involved claim, and reimbursement due to the City's bond insurer for advances made on the City's behalf involving the 1997 Series General Obligation Refunding Bonds and Notes (see below Note).

<sup>(7)</sup> As a result of the effects from the culmination of the Harrisburg Strong Plan in late 2013, the City was financially enabled in 2014 to significantly pay-down much of its debt obligations associated with various assets under capital lease.

<sup>(8)</sup> Increase is due to securing \$3,069,144 in lease/purchase proceeds for financing costs associated with the City's streetlight LED conversion/upgrade project.

<sup>(9)</sup> Increase is mostly attributed to securing \$1,647,151 in lease/purchase proceeds for financing the acquisition of 7 new rear-loading refuse trucks.

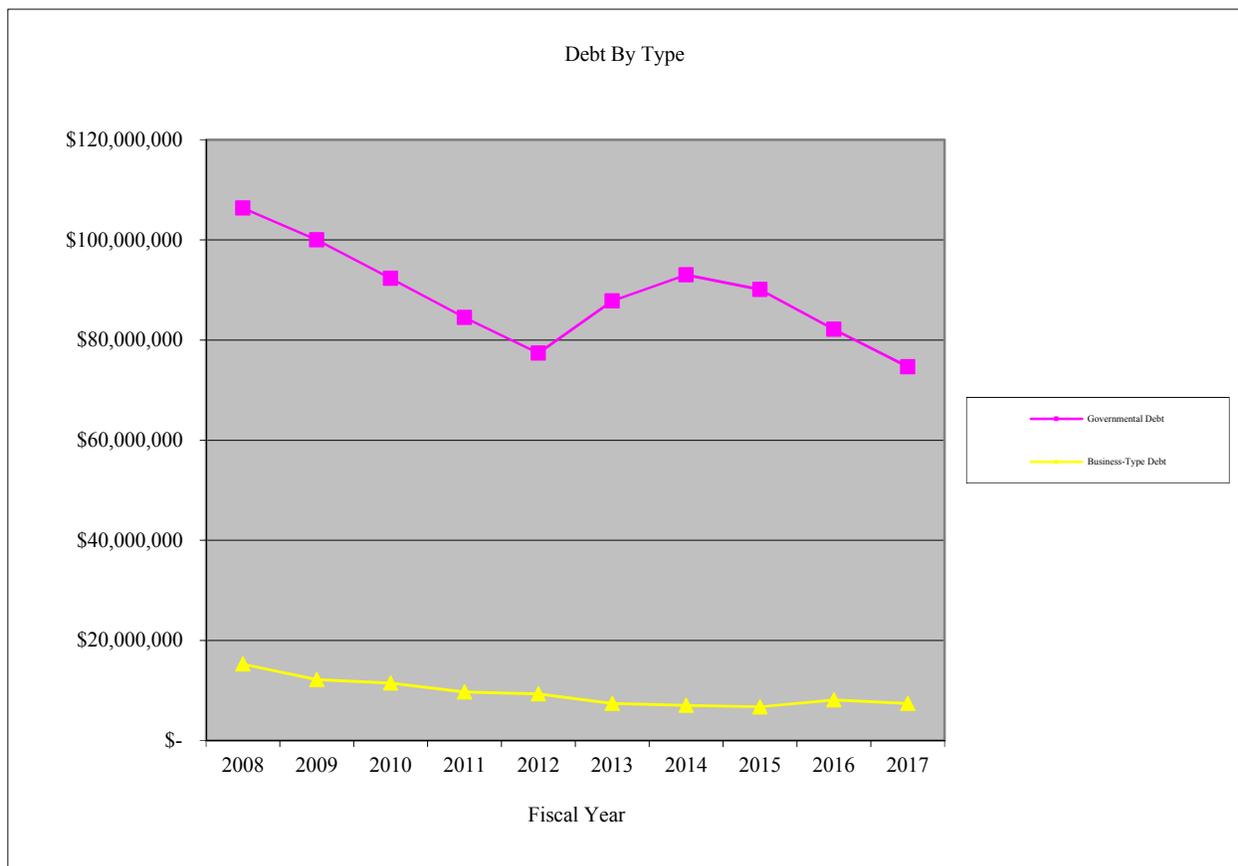
<sup>(10)</sup> In the event of insufficient supporting lease revenues occurring, the City is to guarantee the related debt service on the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998 issued by the Harrisburg Redevelopment Authority. This liability reflects the present value of future anticipated payments under this guarantee.

Note: For both years ended December 31, 2012 and 2013, the City was unable to make the required debt service payments for its General Obligation Refunding Bonds - Series D of 1997, \$4,500,000 in 2012 and \$4,500,000 in 2013, and for its General Obligation Refunding Notes - Series F of 1997, \$4,165,000 in 2012 and \$4,170,000 in 2013. Similarly in years 2014 through 2017, the City was unable to pay certain portions of the required total debt service payments for this General Obligation debt, specifically \$518,445 in 2014, \$518,328 in 2015, \$518,417 in 2016, and \$129,705 in 2017 on the Series D Bonds and \$481,555 in 2014, \$481,672 in 2015, \$481,583 in 2016, and \$120,295 in 2017 on the Series F Notes. Accordingly, the City's bond insurer was required to make these payments on behalf of the City under an insurance policy agreement.

Source: Details for the City's outstanding debt can be found in the notes to the basic financial statements.

**Business-type Activities**

| <b>General<br/>Obligation<br/>Bonds</b> | <b>Lease<br/>Rental</b> | <b>Revenue<br/>Bonds</b> | <b>Unamortized<br/>Discount</b> | <b>Capital<br/>Leases</b> | <b>Total<br/>Primary<br/>Government</b> | <b>% of<br/>Personal<br/>Income<sup>(1)</sup></b> | <b>Per<br/>Capita<sup>(2)</sup></b> |
|---|-------------------------|--------------------------|---------------------------------|---------------------------|---|---|-------------------------------------|
| \$ 1,272,038                            | \$ 4,830,416            | \$ 8,570,000             | \$ (58,490)                     | \$ 666,900                | \$ 121,669,599                          | 6.35%   | \$ 2,563                            |
| 47,559                                  | 3,335,910               | 8,345,000                | (54,135)                        | 504,316                   | 112,221,470                             | 5.96%   | \$ 2,367                            |
| -                                       | 3,045,269               | 8,110,000                | (49,879)                        | 356,516                   | 103,785,567                             | 5.16%   | \$ 2,095                            |
| -                                       | 1,681,127               | 7,865,000                | (45,733)                        | 222,391                   | 94,246,110                              | 4.48%   | \$ 1,910                            |
| -                                       | 1,597,167               | 7,605,000                | (41,704)                        | 150,447                   | 86,735,460                              | 3.98%   | \$ 1,760                            |
| -                                       | - <sup>(5)</sup>        | 7,335,000                | (37,800)                        | 89,476                    | 95,196,843                              | 4.32%   | \$ 1,927                            |
| -                                       | -                       | 7,055,000                | (34,028)                        | 23,288 <sup>(7)</sup>     | 100,074,417                             | 4.41%   | \$ 2,039                            |
| -                                       | -                       | 6,760,000                | (30,396)                        | 11,209                    | 96,859,447                              | 4.05%   | \$ 1,940                            |
| -                                       | -                       | 6,450,000                | (26,913)                        | 1,691,710 <sup>(9)</sup>  | 90,296,129                              | 3.78%   | \$ 1,846                            |
| -                                       | -                       | 6,125,000                | (23,589)                        | 1,336,974                 | 82,124,942                              | 3.39%   | \$ 1,669                            |



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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 <sup>(1)</sup> | Taxable Assessed Value | General Bonded Debt <sup>(2)</sup> | Less Debt Service Funds | Net General Bonded Debt | Ratio of Net General Bonded Debt to Assessed Value | Net General Bonded Debt Per Capita |
|------|---------------------------|------------------------|------------------------------------|-------------------------|-------------------------|--|------------------------------------|
| 2008 | 47,464                    | \$ 1,584,939           | \$ 94,965                          | \$ 154                  | \$ 94,811               | 5.98   | \$ 1,997.53                        |
| 2009 | 47,418                    | 1,607,057              | 351,129                            | (3)                     | 351,145                 | 21.85  | 7,405.31                           |
| 2010 | 49,528                    | 1,603,178              | 314,604                            | 433                     | 314,171                 | 19.60  | 6,343.30                           |
| 2011 | 49,333                    | 1,598,312              | 306,402                            | (3)                     | 306,405                 | 19.17  | 6,210.95                           |
| 2012 | 49,279                    | 1,588,297              | 297,789                            | 1                       | 297,788                 | 18.75  | 6,042.90                           |
| 2013 | 49,401                    | 1,601,022              | 80,904                             | (4)                     | 80,627                  | 5.04   | 1,632.09                           |
| 2014 | 49,082                    | 1,606,595              | 88,658                             | 108                     | 88,550                  | 5.51   | 1,804.12                           |
| 2015 | 49,919                    | 1,586,620              | 83,138                             | 32                      | 83,106                  | 5.24   | 1,664.82                           |
| 2016 | 48,904                    | 1,586,229              | 76,724                             | 20                      | 76,704                  | 4.84   | 1,568.46                           |
| 2017 | 49,192                    | 1,620,368              | 70,095                             | (14)                    | 70,109                  | 4.33   | 1,425.21                           |

<sup>(1)</sup> Source: per various on-line research information for Harrisburg, PA population history

<sup>(2)</sup> 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.

<sup>(3)</sup> City's obligation for Resource Recovery Facility debt has been added due to the City having to honor its guarantees.

<sup>(4)</sup> Significant reduction in bonded debt from the prior year is attributed to the culmination of the Harrisburg Strong Plan near the end of 2013, with resulting effects from the elimination of various component unit debt previously guaranteed by the City for Capital Region Water and the Harrisburg Parking Authority.

Source: City's audited basic financial statements, and Commonwealth of Pennsylvania's State Tax Equalization Board data

**City of Harrisburg, Pennsylvania**  
**Direct and Overlapping Bonded Debt**  
**As of December 31, 2017**

| <u>Direct Bonded Debt</u>                                   | <u>Gross<br/>Bonded Debt<br/>Outstanding <sup>(1)</sup></u> | <u>Credits/<br/>Exclusions <sup>(2)</sup></u> | <u>Net<br/>Bonded Debt<br/>Outstanding</u> |
|---|---|---|--|
| <u>Primary Government:</u>                                  |   |   |  |
| General Obligation Refunding Bonds, Series D of 1997        | \$ 12,226,042   | \$ -  | \$ 12,226,042                              |
| General Obligation Refunding Notes, Series F of 1997        | 24,952,720  | -   | 24,952,720                                 |
| Settlement Amounts due to Suburban Municipalities           | 1,225,000   | -   | 1,225,000                                  |
| Reimbursement Amounts due to Bond Insurer                   | 14,912,139  | -   | 14,912,139                                 |
| Pennsylvania Infrastructure Bank Note of 2008               | 285,947   | -   | 285,947                                    |
| Senators Revenue Bonds, Series A-2 of 2005                  | 6,125,000   | 6,125,000                                     | -  |
| Less: Unamortized Discount                                  | (23,589)  | (23,589)                                      | -  |
| Total Primary Government                                    | <u>\$ 59,703,259</u>  | <u>\$ 6,101,411</u>                           | <u>\$ 53,601,848</u>                       |
| <br><u>Component Units:</u>                                 |   |   |  |
| Harrisburg Redevelopment Authority:                         |   |   |  |
| Guaranteed Revenue Bonds, Series A of 1998                  | \$ 38,870,000   | \$ 38,870,000                                 | \$ -                                       |
| Less: Unamortized Discount                                  | (17,063,571)  | (17,063,571)                                  | -  |
| Liability under Guarantee (Revenue Bonds, Series A of 1998) | -   | (16,493,270)                                  | 16,493,270                                 |
| 2000 Infrastructure Bank Loan                               | 271,427   | 271,427                                       | -  |
| 2008 Loan: Susquehanna Harbor Safe Haven                    | 435,448   | 435,448                                       | -  |
| Total Harrisburg Redevelopment Authority                    | <u>\$ 22,513,304</u>  | <u>\$ 6,020,034</u>                           | <u>\$ 16,493,270</u>                       |
| Total Component Units                                       | <u>\$ 22,513,304</u>  | <u>\$ 6,020,034</u>                           | <u>\$ 16,493,270</u>                       |
| <br>Total Direct Bonded Debt                                | <br><u>\$ 82,216,563</u>                                    | <br><u>\$ 12,121,445</u>                      | <br><u>\$ 70,095,118</u>                   |

(Continued)

**City of Harrisburg, Pennsylvania**  
**Direct and Overlapping Bonded Debt (Continued)**  
**As of December 31, 2017**

| <u>Overlapping Bonded Debt</u>   | <u>Gross<br/>Bonded Debt<br/>Outstanding <sup>(1)</sup></u> | <u>Credits/<br/>Exclusions <sup>(2)</sup></u> | <u>Net<br/>Bonded Debt<br/>Outstanding</u> |
|--|---|---|--|
| Dauphin County Bonds and Notes <sup>(3)</sup>                                | \$ 33,626,623   | \$ 17,533,465                                 | \$ 16,093,158                              |
| Harrisburg School District General Obligation Bonds and Notes <sup>(4)</sup> | 230,920,000   | 33,391,032                                    | 197,528,968                                |
|  | <u>\$ 264,546,623</u>                                       | <u>\$ 50,924,497</u>                          | <u>\$ 213,622,126</u>                      |
| Total Direct and Overlapping Bonded Debt                                     | <u>\$ 346,763,186</u>                                       | <u>\$ 63,045,942</u>                          | <u>\$ 283,717,244</u>                      |

Source Calculations for the above:

|                                   | <u>Gross<br/>Bonded<br/>Debt</u> | <u>Exclusion</u>     | <u>Net<br/>Bonded<br/>Debt</u> |
|-----------------------------------|----------------------------------|----------------------|--------------------------------|
|                                   | \$ 315,123,535 *                 | \$ 164,310,503 *     | \$ 150,813,032                 |
|                                   | <u>10.67%</u>                    | <u>10.67%</u>        | <u>10.67%</u>                  |
|                                   | <u>\$ 33,626,623</u>             | <u>\$ 17,533,465</u> | <u>\$ 16,093,158</u>           |
| Assessed Value City of Harrisburg | <u>\$ 1,620,368,200</u>          |                      |                                |
| Assessed Value Dauphin County     | <u>\$ 15,184,877,650</u>         |                      |                                |
| Pro-Rata Share Harrisburg/County  | <u>10.67%</u>                    |                      |                                |

(1) Gross Bonded Debt Outstanding does not include \$2,555,000 in 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.

(3) Pro Rata 10.67% based on assessed value of share of: Nonelectoral Debt in the amount of \$97,773,144; Lease Rental Debt in the amount of \$217,350,391; and exclusions from Lease Rental Debt in the amount of \$164,310,503.

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

\* Obtained information from Debt Statement included in the Official Statement dated November 29, 2017.

Sources: City's audited basic financial statements and applicable debt statement documentation for Dauphin County and Harrisburg School District

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

|   | Fiscal Year |                                |              |              |
|---|-------------|--------------------------------|--------------|--------------|
|   | 2008        | 2009                           | 2010         | 2011         |
| Total Revenues-Past Three Years <sup>(1)</sup>                              | \$ 196,980  | \$ 196,313                     | \$ 182,527   | \$ 182,023   |
| Exclusions-Past Three Years <sup>(2)</sup>                                  | (15,287)    | (13,899)                       | (5,077)      | (12,896)     |
| Net Revenue-Past Three Years  | 181,692     | 182,415                        | 177,450      | 169,127      |
| Annual Arithmetic Average<br>(Borrowing Base)                               | 60,564      | 60,805                         | 59,150       | 56,376       |
| Net Nonelectoral Debt Limit<br>(250% of Borrowing Base)                     | 151,410     | 152,012                        | 147,875      | 140,939      |
| Net Nonelectoral and Lease Rental<br>Debt Limit<br>(350% of Borrowing Base) | 211,975     | 212,817                        | 207,025      | 197,315      |
| Net Bonded Debt Outstanding-Nonelectoral <sup>(3)</sup>                     | 79,345      | 78,545                         | 77,676       | 72,733       |
| Net Bonded Debt Outstanding-Nonelectoral<br>and Lease Rental <sup>(3)</sup> | 94,965      | 351,129<br><sup>(6)</sup>      | 314,604      | 306,402      |
| Remaining Borrowing Capacity (Debt Margin):                                 |             |                                |              |              |
| Nonelectoral <sup>(4)</sup>   | \$ 72,065   | \$ 73,467                      | \$ 70,199    | \$ 68,206    |
| As A Percentage of Debt Limit   | 47.6%       | 48.3%                          | 47.5%        | 48.4%        |
| Nonelectoral & Lease Rental <sup>(5)</sup>                                  | \$ 117,010  | \$ (138,312)<br><sup>(6)</sup> | \$ (107,579) | \$ (109,087) |
| As A Percentage of Debt Limit   | 55.2%       | -65.0%                         | -52.0%       | -55.3%       |

Note: The statutory borrowing limit of the City under the Commonwealth's Local Government 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 pages 148 and 149 for applicable net bonded debt particulars relative to 2017.

(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.

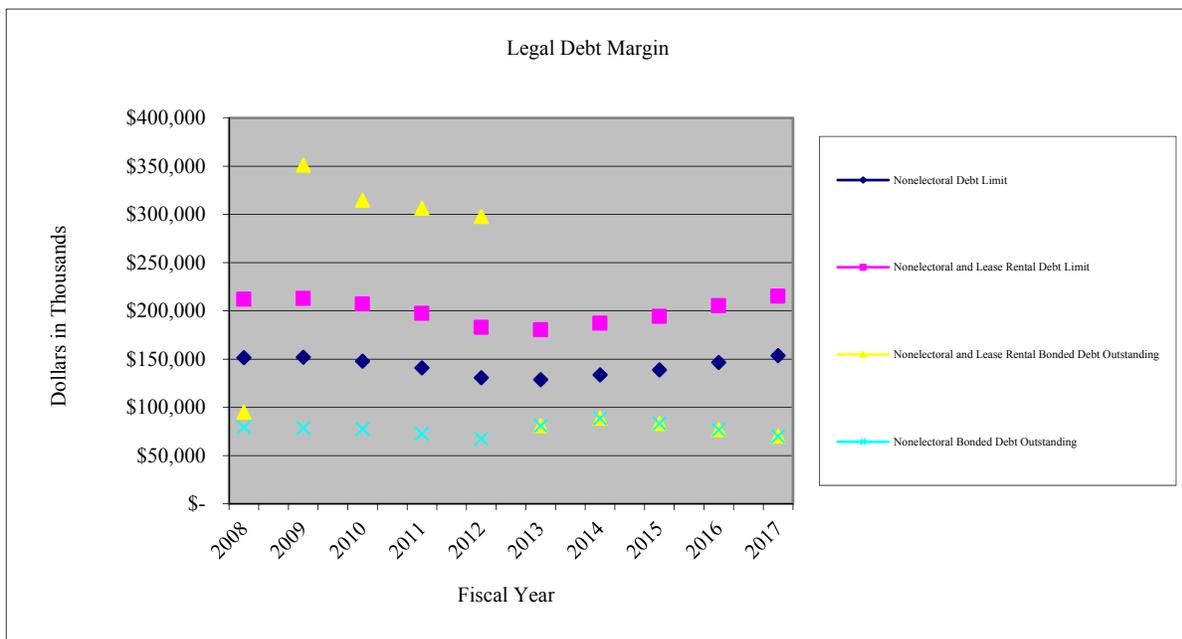
(5) Under the Debt Act, new lease rental debt or new nonelectoral debt may not be incurred if the net amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 350 % of the Borrowing Base.

(6) City's obligation for the Resource Recovery Facility debt has been added due to the City having to honor its related guarantee; therefore, this debt is no longer self-liquidating.

(7) Decrease here is attributed to the defeasance of previously existing Resource Recovery Facility debt.

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  |                       |            |            |            |            |  |
|--------------|-----------------------|------------|------------|------------|------------|--|
| 2012         | 2013                  | 2014       | 2015       | 2016       | 2017       |  |
| \$ 169,554   | \$ 167,331            | \$ 165,854 | \$ 172,772 | \$ 181,040 | \$ 187,780 |  |
| (12,778)     | (12,777)              | (5,468)    | (6,264)    | (5,098)    | (3,323)    |  |
| 156,776      | 154,554               | 160,386    | 166,508    | 175,942    | 184,457    |  |
| 52,259       | 51,518                | 53,462     | 55,503     | 58,647     | 61,486     |  |
| 130,647      | 128,795               | 133,655    | 138,757    | 146,618    | 153,714    |  |
| 182,905      | 180,313               | 187,117    | 194,259    | 205,266    | 215,200    |  |
| 67,608       | 80,904                | 88,658     | 83,138     | 76,724     | 70,095     |  |
| 297,789      | 80,904 <sup>(7)</sup> | 88,658     | 83,138     | 76,724     | 70,095     |  |
| \$ 63,039    | \$ 47,891             | \$ 44,997  | \$ 55,619  | \$ 69,894  | \$ 83,619  |  |
| 48.3%        | 37.2%                 | 33.7%      | 40.1%      | 47.7%      | 54.4%      |  |
| \$ (114,884) | \$ 99,409             | \$ 98,459  | \$ 111,121 | \$ 128,542 | \$ 145,105 |  |
| -62.8%       | 55.1%                 | 52.6%      | 57.2%      | 62.6%      | 67.4%      |  |

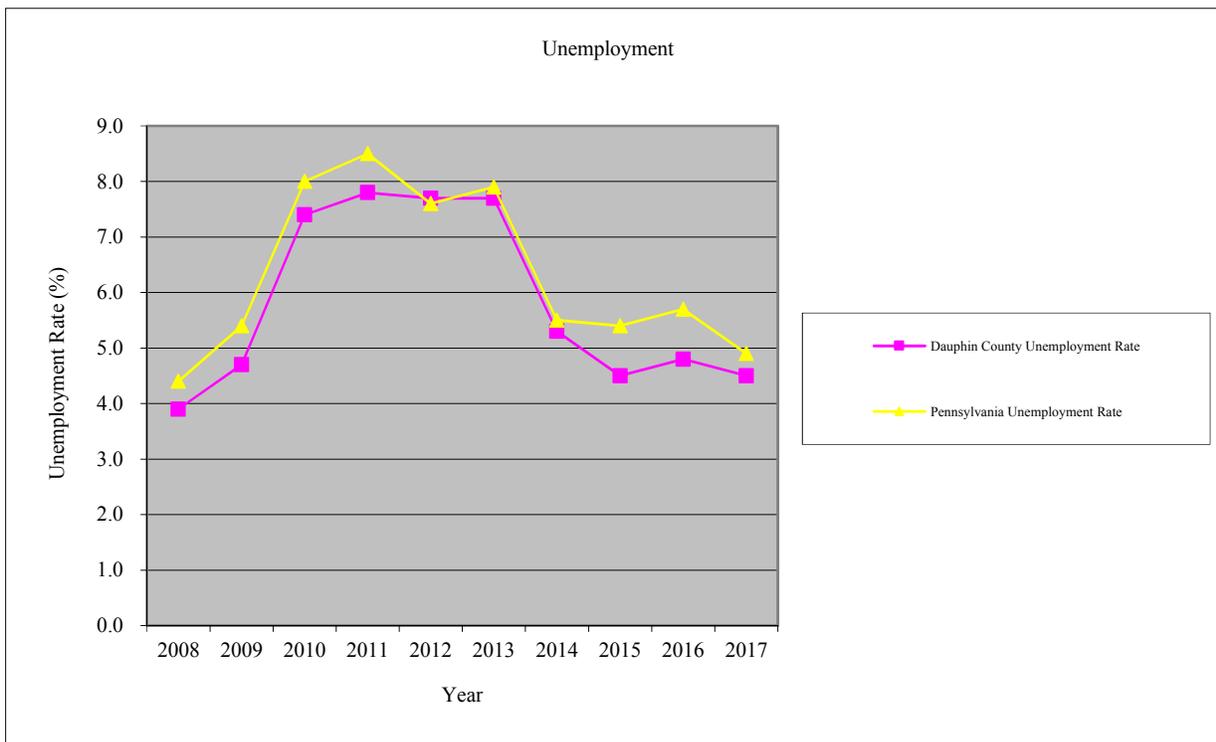


**City of Harrisburg**  
**Demographic and Economic Statistics, Last Ten Calendar Years**

*(all figures in thousands except population and per capita personal income)*

| <b>Fiscal Year</b> | <b>Population</b> | <b>Personal Income<sup>(1)</sup></b> | <b>Per Capita Personal Income</b> | <b>Dauphin County Civilian Labor Force</b> | <b>Dauphin County Unemployment Rate %</b> | <b>Pennsylvania Civilian Labor Force</b> | <b>Pennsylvania Unemployment Rate %</b> |
|--------------------|-------------------|--------------------------------------|-----------------------------------|--|---|--|---|
| 2008               | 47,464            | \$ 1,914,698                         | \$ 40,340                         | 136.8                                      | 3.9                                       | 6,287.0                                  | 4.4                                     |
| 2009               | 47,418            | 1,881,688                            | 39,683                            | 137.2                                      | 4.7                                       | 6,395.0                                  | 5.4                                     |
| 2010               | 49,528            | 2,010,837                            | 40,600                            | 133.3                                      | 7.4                                       | 6,404.0                                  | 8.0                                     |
| 2011               | 49,333            | 2,103,806                            | 42,645                            | 136.0                                      | 7.8                                       | 6,358.0                                  | 8.5                                     |
| 2012               | 49,279            | 2,178,083                            | 44,199                            | 139.7                                      | 7.7                                       | 6,351.0                                  | 7.6                                     |
| 2013               | 49,401            | 2,203,779                            | 44,610                            | 141.3                                      | 7.7                                       | 6,478.0                                  | 7.9                                     |
| 2014               | 49,082            | 2,268,079                            | 46,210                            | 139.1                                      | 5.3                                       | 6,363.0                                  | 5.5                                     |
| 2015               | 49,919            | 2,393,466                            | 47,947                            | 141.0                                      | 4.5                                       | 6,415.0                                  | 5.4                                     |
| 2016               | 48,904            | 2,387,298                            | 48,816                            | 142.5                                      | 4.8                                       | 6,515.0                                  | 5.7                                     |
| 2017               | 49,192            | 2,426,100                            | 49,319                            | 141.7                                      | 4.5                                       | 6,429.0                                  | 4.9                                     |

<sup>(1)</sup> 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: various internet research utilized in the obtaining of data for population, civilian labor forces, and unemployment rates

**City of Harrisburg, Pennsylvania**  
**Principal Employers, Current Year and Prior Nine Years**

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| <u>Employer</u>                            | <u>2017</u>      |             |  | <u>2008</u>      |             |  |
|--|------------------|-------------|--|------------------|-------------|--|
|  | <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Harrisburg-Carlisle<br/>MSA Labor Force</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Harrisburg-Carlisle<br/>MSA Labor Force</u> |
| Commonwealth of Pennsylvania               | 20,770           | 1           | 6.99   | 24,000           | 1           | 8.28   |
| U.S. Federal Government                    | 19,263           | 2           | 6.48   | 18,000           | 2           | 6.21   |
| Wellspan Health                            | 14,141           | 3           | 4.76   | 7,322            | 5           | 2.53   |
| Hershey Medical Center/College of Medicine | 10,536           | 4           | 3.54   | 7,291            | 6           | 2.52   |
| Lancaster General Health                   | 7,906            | 5           | 2.66   | 6,647            | 8           | 2.29   |
| Pinnacle Health System                     | 6,174            | 6           | 2.08   | -                | -           | -  |
| JFC Staffing Companies                     | 5,875            | 7           | 1.98   | 11,193           | 3           | 3.86   |
| Highmark Health (BlueShield)               | 3,800            | 8           | 1.28   | 5,200            | 10          | 1.79   |
| Summit Health                              | 3,258            | 9           | 1.10   | -                | -           | -  |
| Harrisburg Area Community College          | 2,651            | 10          | 0.89   | -                | -           | -  |
| Hershey Entertainment/Resorts Company      | -                | -           | -  | 8,200            | 4           | 2.83   |
| Giant Food Stores                          | -                | -           | -  | 7,000            | 7           | 2.41   |
| The Hershey Company                        | -                | -           | -  | 6,500            | 9           | 2.24   |
| Total                                      | <u>94,374</u>    |             | <u>31.74</u>   | <u>101,353</u>   |             | <u>34.97</u>   |

Note: The Harrisburg-Carlisle, Pennsylvania Metropolitan Statistical Area (MSA) is comprised of Cumberland, Dauphin, and Perry Counties.

Source: Central Pennsylvania Business Journal (employee totals for 2017 are estimates) and review of Harrisburg-Carlisle, Pennsylvania MSA data

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**City of Harrisburg, Pennsylvania**  
**Full-time Equivalent City Government Employees by Department - Office/Bureau, Last Ten Fiscal Years**

| <u>Department - Office/Bureau</u>                       | <u>Full-time-Equivalent Employees as of December 31,</u> |             |             |             |             |                  |                  |             |                   |             |
|---|--|-------------|-------------|-------------|-------------|------------------|------------------|-------------|-------------------|-------------|
|   | <u>2008</u>  | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u>      | <u>2014</u>      | <u>2015</u> | <u>2016</u>       | <u>2017</u> |
| General government                                      |  |             |             |             |             |                  |                  |             |                   |             |
| City Council  | 9  | 10          | 9           | 8           | 8           | 8                | 9                | 9           | 9                 | 9           |
| Office of Mayor   | 5  | 3           | 4           | 3           | 3           | 3                | 4                | 4           | 3                 | 4           |
| Office of City Controller                               | 4  | 2           | 3           | 3           | 3           | 3                | 2                | 3           | 3                 | 3           |
| Office of City Treasurer                                | 8  | 9           | 7           | 6           | 7           | 6                | 5                | 5           | 5                 | 7           |
| Office of City Solicitor                                | 5  | 6           | 4           | 3           | 4           | 4                | 5                | 4           | 7                 | 5           |
| Human Relations Commission                              | 3  | 3           | 3           | -           | -           | -                | -                | -           | -                 | -           |
| Office of City Engineer                                 | 4  | 3           | 3           | -           | -           | -                | -                | -           | -                 | -           |
| Mayor's Office of Economic<br>Development/Sepcial Proj. | 5  | 6           | -           | -           | -           | -                | -                | -           | -                 | -           |
| Administration:   |  |             |             |             |             |                  |                  |             |                   |             |
| Office of the Director                                  | 3  | 2           | 2           | 1           | 2           | 2                | 1                | 1           | 1                 | 1           |
| Insurance and Risk Mgmt.                                | -  | -           | -           | -           | -           | -                | -                | 1           | 1                 | 1           |
| Financial Management                                    | 7  | 6           | 5           | 6           | 7           | 4                | 5                | 6           | 6                 | 7           |
| Information Technology                                  | 11   | 11          | 9           | 8           | 9           | 5                | 4                | 7           | 6                 | 5           |
| Human Resources   | 7  | 5           | 5           | 6           | 6           | 5                | 4                | 4           | 4                 | 4           |
| Communications  | -  | -           | -           | -           | -           | -                | -                | 2           | 6                 | 6           |
| Operations & Revenue                                    | 14   | 13          | 17          | 9           | 8           | 4                | 3                | 4           | 5                 | 5           |
| Community and Economic Development                      |  |             |             |             |             |                  |                  |             |                   |             |
| Office of Director                                      | 1  | 1           | 1           | 1           | 1           | 1                | 2                | 4           | 7                 | 9           |
| Planning  | 4  | 4           | 3           | 1           | 1           | 1                | 2                | 2           | 2                 | 1           |
| Codes Enforcement                                       | 13   | 13          | 12          | 11          | 12          | 12               | -                | -           | -                 | -           |
| Economic Development                                    | -  | -           | 4           | 1           | 1           | 1                | 1                | -           | -                 | -           |
| Neighborhood Development                                | 11   | 11          | 9           | 12          | 11          | 10               | 10               | 12          | 12                | 11          |
| Public Safety   |  |             |             |             |             |                  |                  |             |                   |             |
| Parking Enforcement Unit                                | 11   | 14          | 12          | -           | -           | -                | -                | -           | -                 | -           |
| Office of Police Chief                                  | 4  | 4           | 5           | 3           | 163         | 145              | 150              | 147         | 142               | 143         |
| Police Operations Division                              | 112  | 115         | 123         | 121         | -           | -                | -                | -           | -                 | -           |
| Police Service Division                                 | 38   | 40          | 25          | 21          | -           | -                | -                | -           | -                 | -           |
| Criminal Investigation Div.                             | 37   | 39          | 35          | 31          | -           | -                | -                | -           | -                 | -           |
| Codes Enforcement                                       | -  | -           | -           | -           | -           | -                | 12               | 12          | 12                | 14          |
| Fire  | 93   | 89          | 84          | 71          | 71          | 65               | 76               | 76          | 73                | 80          |
| Public Works  |  |             |             |             |             |                  |                  |             |                   |             |
| Office of Director                                      | 1  | 2           | -           | 10          | 8           | 10               | 9                | 11          | - <sup>(3)</sup>  | -           |
| Office of Traffic & Engineering                         | -  | -           | -           | -           | -           | -                | -                | -           | 14 <sup>(3)</sup> | 16          |
| Neighborhood (City) Services                            | 21   | 24          | 23          | 22          | 31          | 31               | 28               | 31          | 63 <sup>(3)</sup> | 68          |
| Sanitation  | 25   | 25          | 23          | 20          | 20          | 19               | 20               | 23          | - <sup>(3)</sup>  | -           |
| Vehicle Management                                      | 12   | 11          | 11          | 10          | 10          | 9                | 9                | 9           | 11                | 9           |
| Building Maintenance                                    | 8  | 7           | -           | -           | -           | -                | -                | -           | -                 | -           |
| Water   | 31   | 31          | 29          | 28          | 27          | - <sup>(1)</sup> | -                | -           | -                 | -           |
| Sewer   | 34   | 34          | 34          | 31          | 32          | - <sup>(1)</sup> | -                | -           | -                 | -           |
| Parks and Recreation                                    |  |             |             |             |             |                  |                  |             |                   |             |
| Office of Director                                      | 11   | 9           | 7           | 2           | 4           | 4                | - <sup>(2)</sup> | -           | -                 | -           |
| Recreation  | 5  | 3           | 3           | 2           | -           | -                | - <sup>(2)</sup> | -           | -                 | -           |
| Parks Maintenance                                       | 15   | 14          | 12          | 10          | -           | -                | - <sup>(2)</sup> | -           | -                 | -           |
| <b>Total Employees</b>                                  | <b>572</b>   | <b>569</b>  | <b>526</b>  | <b>461</b>  | <b>449</b>  | <b>352</b>       | <b>361</b>       | <b>377</b>  | <b>392</b>        | <b>408</b>  |

(1) Water and Sewer Fund employees were transferred to Capital Region Water effective November 4, 2013.

(2) Beginning in 2014 and due to changes in City budget unit classification, Parks and Recreation activity became classified under the expanded Community and Economic Development function.

(3) Resulting from creation in 2016 of the Neighborhood Services Fund, which now includes the former Sanitation Fund, Incinerator Fund, and Bureau of City Services, several Public Works departments have been reclassified including a new Bureau of Traffic and Engineering within the General Fund.

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

| <u>Department/Function</u>                    | <u>Fiscal Year</u> |               |                 |               |
|---|--------------------|---------------|-----------------|---------------|
|   | <u>2008</u>        | <u>2009</u>   | <u>2010 (1)</u> | <u>2011</u>   |
| Community and Economic Development            |                    |               |                 |               |
| Vacant Structure Rehabilitation Program (HOP) | 11                 | 27            | 3               | 4             |
| HOP Units Sold                                | 7                  | 7             | -               | -             |
| Home Improvement Program                      | 18                 | 16            | 14              | 6             |
| Lead Based Paint Clearances                   | 33                 | 48            | 48              | 11            |
| New Construction-Single Family Residential    | 4                  | 52            | 5               | 2             |
| Rental Rehabilitation Program                 | 4                  | 25            | 92              | -             |
| Acquisition (Includes HOP Units Sold)         | 11                 | 27            | 9               | -             |
| Disposition (Excludes Rehabbed Units Sold)    | 32                 | 17            | 7               | -             |
| Neighborhood Facility/Community Center        |                    |               |                 |               |
| Improvements                                  | Not Available      | 2             | 6               | 5             |
| Adopt-A-Block and Adopt-A-Lot                 | 245                | 245           | Not Available   | Not Available |
| Housing Rehabilitation Program                | -                  | -             | -               | -             |
| Parks and Recreation:                         |                    |               |                 |               |
| People Attending Special Events               | 1,930,550          | 2,317,750     | 2,042,750       | 151,300       |
| Parks Permits Issued                          | 980                | 747           | 233             | 859           |
| Sponsor Dollars Raised                        | \$ 437,725         | \$ 364,250    | \$ 364,760      | \$ 352,938    |
| Recreational Attendance - Parks (Year-Round)  | 554,770            | 2,800,515     | 15,468          | 8,142         |
| Calls For Tree Work                           | 202                | 138           | 20              | 50            |
| Tree Removal Notices Sent                     | 40                 | 39            | 59              | -             |
| Public Safety                                 |                    |               |                 |               |
| Police:                                       |                    |               |                 |               |
| Homicide                                      | 9                  | 19            | 15              | 8             |
| Rape  | 46                 | 48            | 56              | 61            |
| Robbery                                       | 483                | 495           | 431             | 375           |
| Assault                                       | 242                | 1,529         | 1,491           | 1,394         |
| Burglary                                      | 743                | 476           | 659             | 660           |
| Theft   | 1,637              | 1,532         | 1,372           | 1,616         |
| Motor Vehicle Theft                           | 235                | 169           | 184             | 249           |
| Non-Traffic Citations Issued                  | Not Available      | Not Available | Not Available   | Not Available |
| Parking Tickets Issued                        | Not Available      | Not Available | Not Available   | Not Available |
| Arson   | 31                 | 20            | 25              | 11            |
| Police Calls For Service                      | 49,863             | 53,134        | 52,048          | 105,113       |
| Fire:   |                    |               |                 |               |
| Fire, Explosion                               | 493                | 434           | 464             | 354           |
| Over Pressure Rupture                         | 166                | 150           | 140             | 87            |
| Rescue Call                                   | 708                | 737           | 796             | 759           |
| Hazardous Condition, Standby                  | 306                | 262           | 302             | 314           |
| Service Calls                                 | 243                | 254           | 212             | 223           |
| Good Intent Calls                             | 253                | 282           | 275             | 254           |
| False Calls                                   | 758                | 752           | 699             | 706           |
| Other   | 5                  | 8             | 3               | 47            |
| Codes (permits issued):                       |                    |               |                 |               |
| Construction-Residential                      | 5                  | 9             | 64              | 21            |
| Construction-Commercial                       | 5                  | 5             | 1               | 8             |
| Construction-Industrial                       | -                  | -             | -               | -             |
| Repairs/Alterations/Additions-Residential     | 1,320              | 1,220         | 1,084           | 952           |
| Repairs/Alterations/Additions-Commercial      | 245                | 213           | 252             | 241           |
| Repairs/Alterations/Additions-Industrial      | -                  | -             | -               | -             |
| Demolition Permits                            | 38                 | 26            | 40              | 33            |

| Fiscal Year   |                     |               |               |               |               |  |
|---------------|---------------------|---------------|---------------|---------------|---------------|--|
| 2012          | 2013 <sup>(1)</sup> | 2014          | 2015          | 2016          | 2017          |  |
| -             | -                   | -             | Not Available | -             | -             |  |
| -             | -                   | 12            | -             | -             | -             |  |
| 16            | 20                  | 14            | 21            | 4             | 7             |  |
| 9             | 71                  | 53            | Not Available | 14            | 66            |  |
| -             | -                   | -             | -             | -             | -             |  |
| -             | -                   | -             | Not Available | -             | -             |  |
| -             | -                   | 12            | -             | -             | -             |  |
| -             | -                   | -             | -             | -             | -             |  |
| 6             | 1                   | 2             | 3             | -             | Not Available |  |
| 23            | 22                  | 4             | 7             | 7             | 10            |  |
| -             | -                   | -             | 36            | 15            | 8             |  |
| 160,248       | Not Available       | Not Available | Not Available | Not Available | Not Available |  |
| 194           | 153                 | 65            | 121           | 181           | 225           |  |
| \$ 317,405    | Not Available       | Not Available | Not Available | \$ 350,000    | \$ 218,735    |  |
| 13,176        | Not Available       | Not Available | 500,000       | 500,000       | 500,000       |  |
| 63            | 100                 | Not Available | 85            | 200           | 150           |  |
| -             | 51                  | -             | 25            | 8             | 18            |  |
| 7             | 17                  | 17            | 17            | 16            | 13            |  |
| 50            | 46                  | 38            | 21            | 72            | 52            |  |
| 360           | 340                 | 270           | 199           | 177           | 178           |  |
| 1,350         | 225                 | 215           | 229           | 1,176         | 765           |  |
| 645           | 644                 | 489           | 418           | 428           | 349           |  |
| 1,640         | 1,287               | 1,236         | 839           | 854           | 963           |  |
| 210           | 136                 | 141           | 109           | 143           | 183           |  |
| Not Available | Not Available       | 2,508         | 2,170         | 2,000         | 1,143         |  |
| Not Available | Not Available       | 29,964        | 21,226        | 20,043        | 20,156        |  |
| 12            | 17                  | 24            | 19            | 30            | 15            |  |
| 105,500       | Not Available       | 84,186        | 83,689        | 80,480        | 77,445        |  |
| 374           | 312                 | 387           | 377           | 361           | 386           |  |
| 113           | 94                  | 103           | 134           | 143           | 148           |  |
| 625           | 668                 | 650           | 724           | 774           | 767           |  |
| 198           | 195                 | 220           | 231           | 246           | 243           |  |
| 197           | 216                 | 254           | 254           | 211           | 171           |  |
| 243           | 248                 | 370           | 320           | 361           | 324           |  |
| 647           | 665                 | 775           | 694           | 590           | 651           |  |
| 5             | 5                   | 3             | 2             | 8             | 2             |  |
| 20            | -                   | 11            | 9             | -             | 29            |  |
| 16            | 6                   | 8             | 6             | 8             | 11            |  |
| -             | -                   | -             | -             | -             | 1             |  |
| 822           | 784                 | 756           | 620           | 659           | 738           |  |
| 218           | 252                 | 176           | 168           | 188           | 217           |  |
| -             | -                   | -             | -             | -             | 10            |  |
| 35            | 37                  | 34            | 14            | 25            | 23            |  |

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

| <u>Department/Function</u>                  | <u>Fiscal Year</u> |             |                            |             |
|---|--------------------|-------------|----------------------------|-------------|
|   | <u>2008</u>        | <u>2009</u> | <u>2010 <sup>(1)</sup></u> | <u>2011</u> |
| (Continued)                                 |                    |             |                            |             |
| Public Works                                |                    |             |                            |             |
| Vehicle Management:                         |                    |             |                            |             |
| Trucks Repaired                             | 623                | 834         | 723                        | 641         |
| Passenger Vehicles Repaired                 | 766                | 816         | 889                        | 830         |
| Heavy Equipment Repaired                    | 154                | 206         | 152                        | 85          |
| Miscellaneous Equipment Repaired            | 50                 | 72          | 43                         | 36          |
| Preventive Maintenance Performed            | 675                | 848         | 818                        | 727         |
| Gasoline Dispensed (Gallons)                | 190,000            | 190,670     | 210,220                    | 188,988     |
| Diesel Dispensed (Gallons)                  | 225,000            | 236,785     | 220,762                    | 214,120     |
| Sewerage:                                   |                    |             |                            |             |
| Kilowatt Hours Produced                     | 2,400,000          | 2,950,000   | 1,660,000                  | 1,940,000   |
| Process & Septic Waste Gallons Received     | 13,985,450         | 18,864,150  | 19,544,150                 | 17,724,900  |
| Tons of Sludge Disposed                     | 16,240             | 14,990      | 15,796                     | 13,300      |
| Incident Reports Requiring Parts & Labor    | 445                | 458         | 389                        | 342         |
| Volume in Millions of Gallons Received      | 279                | 8,395       | 8,100                      | 11,400      |
| Regulating Chambers Cleaned                 | 58                 | 58          | 58                         | 58          |
| Flood Chambers Cleaned                      | 46                 | 46          | 46                         | 46          |
| Sanitation:                                 |                    |             |                            |             |
| Number of Trash Collection/Recycling Routes | 12                 | 12          | 12                         | 12          |
| Tons of Refuse Collected                    | 30,200             | 26,186      | 26,189                     | 28,925      |
| Tons of Recyclables Collected               | 1,700              | 1,436       | 1,257                      | 1,225       |

Note: No operating indicators are available for general government.

- <sup>(1)</sup> Most of this information was gathered by new members of departments, and so the manner in which this information was obtained could have an impact on the figures.
- <sup>(2)</sup> Represents information through November 3, 2013 due to the transfer of sewer operations to Capital Region Water.
- <sup>(3)</sup> Due to the transfer of the sewer segment to Capital Region Water in November, 2013.

| Fiscal Year |                          |                  |        |        |         |
|-------------|--------------------------|------------------|--------|--------|---------|
| 2012        | 2013 <sup>(1)</sup>      | 2014             | 2015   | 2016   | 2017    |
| 654         | 683                      | 627              | 636    | 694    | 927     |
| 515         | 522                      | 439              | 481    | 345    | 485     |
| 88          | 100                      | 70               | 72     | 76     | 145     |
| 24          | 29                       | 35               | 33     | 63     | 233     |
| 609         | 602                      | 345              | 455    | 406    | 499     |
| 175,910     | 151,869                  | 137,343          | 97,724 | 97,804 | 102,003 |
| 176,979     | 90,610                   | 87,839           | 66,813 | 86,557 | 86,904  |
| 2,220,000   | 1,511,100 <sup>(2)</sup> | - <sup>(3)</sup> | -      | -      | -       |
| 19,712,000  | 9,343,950 <sup>(2)</sup> | - <sup>(3)</sup> | -      | -      | -       |
| 13,118      | 10,247 <sup>(2)</sup>    | - <sup>(3)</sup> | -      | -      | -       |
| 261         | 370 <sup>(2)</sup>       | - <sup>(3)</sup> | -      | -      | -       |
| 8,200       | 6,566 <sup>(2)</sup>     | - <sup>(3)</sup> | -      | -      | -       |
| 58          | 58 <sup>(2)</sup>        | - <sup>(3)</sup> | -      | -      | -       |
| 46          | 44 <sup>(2)</sup>        | - <sup>(3)</sup> | -      | -      | -       |
| 12          | 11                       | 11               | 12     | 13     | 13      |
| 27,607      | 26,559                   | 26,151           | 26,439 | 29,451 | 29,170  |
| 1,300       | 1,382                    | 1,977            | 1,276  | 2,120  | 2,446   |

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

|  | Source: various City Departments |         |         |         |         |         |                  |                   |       |                      |
|--|----------------------------------|---------|---------|---------|---------|---------|------------------|-------------------|-------|----------------------|
|  | 2008                             | 2009    | 2010    | 2011    | 2012    | 2013    | 2014             | 2015              | 2016  | 2017                 |
| Community and Economic Development         |                                  |         |         |         |         |         |                  |                   |       |                      |
| Parks and Recreation:                      |                                  |         |         |         |         |         |                  |                   |       |                      |
| Vehicles                                   | 26                               | 29      | 26      | 28      | 30      | 22      | 26               | 6 <sup>(3)</sup>  | 6     | 6                    |
| 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               | 19                | 19    | 19                   |
| Swimming Pools                             | 2                                | 2       | 2       | 2       | 2       | 2       | 2                | 2                 | 2     | 2                    |
| Ball Fields, with City Island soccer field | 2                                | 2       | 2       | 2       | 2       | 2       | 2                | 3                 | 3     | 3                    |
| Public Safety                              |                                  |         |         |         |         |         |                  |                   |       |                      |
| Police:                                    |                                  |         |         |         |         |         |                  |                   |       |                      |
| Vehicles                                   | 75                               | 114     | 124     | 119     | 119     | 115     | 122              | 132               | 108   | 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       | 3                | 3                 | 3     |                      |
| Fire Engines                               | 6                                | 5       | 5       | 5       | 4       | 4       | 4                | 4                 | 4     | 7                    |
| Ladder Trucks                              | 4                                | 4       | 4       | 4       | 7       | 7       | 7                | 5                 | 5     | 3                    |
| Vehicles                                   | 9                                | 4       | 6       | 7       | 21      | 10      | 7                | 7                 | 5     | 6                    |
| Trailers                                   | -                                | -       | -       | -       | -       | -       | -                | -                 | -     | 10 <sup>(3)</sup>    |
| PA Task Force One:                         |                                  |         |         |         |         |         |                  |                   |       |                      |
| Tractor Trailers                           | 3                                | 4       | 4       | 1       | 3       | 1       | 1                | 1                 | 1     | 1                    |
| Box Trucks                                 | 5                                | 5       | 5       | 1       | -       | -       | -                | -                 | -     | -                    |
| Vehicles                                   | 11                               | 12      | 12      | 3       | 5       | 2       | 2                | 2                 | 2     | 2                    |
| Public Works                               |                                  |         |         |         |         |         |                  |                   |       |                      |
| Highway:                                   |                                  |         |         |         |         |         |                  |                   |       |                      |
| Vehicles                                   | -                                | -       | -       | -       | -       | -       | -                | 27 <sup>(3)</sup> | 25    | 27                   |
| Heavy Equipment                            | -                                | -       | -       | -       | -       | -       | -                | 17 <sup>(3)</sup> | 20    | 20                   |
| Street Sweepers                            | -                                | -       | -       | -       | -       | -       | -                | 4 <sup>(3)</sup>  | 4     | 5                    |
| Trailers                                   | -                                | -       | -       | -       | -       | -       | -                | 2 <sup>(3)</sup>  | 2     | 10                   |
| Vehicle Maintenance Center:                |                                  |         |         |         |         |         |                  |                   |       |                      |
| Vehicles                                   | -                                | -       | -       | -       | -       | -       | -                | 7 <sup>(3)</sup>  | 4     | 5                    |
| Parks Maintenance:                         |                                  |         |         |         |         |         |                  |                   |       |                      |
| Vehicles                                   | -                                | -       | -       | -       | -       | -       | -                | 20 <sup>(3)</sup> | 20    | 21                   |
| Heavy Equipment                            | -                                | -       | -       | -       | -       | -       | -                | 16 <sup>(3)</sup> | 13    | 13                   |
| Trash Packers                              | -                                | -       | -       | -       | -       | -       | -                | 2 <sup>(3)</sup>  | 2     | 1                    |
| Trailers                                   | -                                | -       | -       | -       | -       | -       | -                | 14 <sup>(3)</sup> | 12    | 16                   |
| Traffic Engineering:                       |                                  |         |         |         |         |         |                  |                   |       |                      |
| Vehicles                                   | -                                | -       | -       | -       | -       | -       | -                | 8 <sup>(3)</sup>  | 8     | 9                    |
| Heavy Equipment                            | -                                | -       | -       | -       | -       | -       | -                | 3 <sup>(3)</sup>  | 6     | 2                    |
| Trailers                                   | -                                | -       | -       | -       | -       | -       | -                | 4 <sup>(3)</sup>  | 1     | 9                    |
| Municipal Streets (miles)                  | 203.6                            | 203.6   | 203.6   | 203.6   | 203.6   | 203.6   | 165.0            | 165.0             | 165.0 | 158.0 <sup>(4)</sup> |
| 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               | 100               | 100   | 100                  |
| Streetlights                               | 5,098                            | 5,098   | 5,098   | 5,098   | 5,098   | 5,098   | 6,154            | 6,154             | 6,154 | 6,154                |
| <sup>(1)</sup> Bridges                     | 19                               | 19      | 19      | 19      | 19      | 19      | 19               | 18                | 18    | 18                   |
| Dams and Flood Control                     | 5                                | 5       | 5       | 5       | 5       | 5       | 1                | 1                 | 1     | 1                    |
| Sanitation:                                |                                  |         |         |         |         |         |                  |                   |       |                      |
| Sanitation Packers/Vehicles                | 12                               | 12      | 14      | 15      | 14      | 14      | 14               | 17                | 20    | 31                   |
| Sewer:                                     |                                  |         |         |         |         |         |                  |                   |       |                      |
| Sanitary Sewers (feet)                     | 250,756                          | 250,756 | 250,756 | 250,756 | 250,756 | 250,756 | - <sup>(2)</sup> | -                 | -     | -                    |
| Stormwater Sewers (feet)                   | 151,808                          | 151,808 | 151,808 | 151,808 | 151,808 | 151,808 | - <sup>(2)</sup> | -                 | -     | -                    |
| Sanitary and Stormwater (feet)             | 457,320                          | 457,320 | 457,320 | 457,320 | 457,320 | 457,320 | - <sup>(2)</sup> | -                 | -     | -                    |

Notes: No capital asset indicators are available for general government.

From 2009, all "vehicle" figures were provided by the City's Vehicle Maintenance Center (unlike in prior years).

<sup>(1)</sup> Includes three partially owned bridges which, due to shared ownership, the City is only responsible for maintenance of sidewalks, parapet walls, and lighting.

<sup>(2)</sup> Attributed to the transfer of sewer operations to Capital Region Water in November, 2013.

<sup>(3)</sup> New categorizations added as provided by the City's Vehicle Maintenance Center for various vehicles and related equipment.

<sup>(4)</sup> The City's Engineering Dept. obtained a recent and more accurate measurement of City streets/roadways, reflected here for 2017 as compared with prior years.