

*County
of Lancaster* PENNSYLVANIA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
For the year ended December 31, 2014

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended December 31, 2014

PREPARED BY THE CONTROLLER'S OFFICE

Brian K. Hurter, CPA, Controller
Kathryn B. Kunkel, Deputy Controller
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INDEPENDENT AUDITORS
Mitchell & Titus, LLP
(a member firm of Ernst & Young Global Limited)

CONTROLLER'S SOLICITOR
George D. Alspach

COVER PHOTOGRAPH
Chickies Creek Pedestrian Bridge
Photo by: Paul Weiss

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COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2014

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Brian K. Hurter, CPA

Controller

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Controller
Brian K. Hurter, CPA

June 26, 2015

To the Citizens of the County of Lancaster, Pennsylvania:

The comprehensive annual financial report of the County of Lancaster, Pennsylvania, for the year ended December 31, 2014, is hereby submitted.

The County's management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management of the County of Lancaster has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County of Lancaster's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County of Lancaster's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is accurate and complete in all material respects. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities are included.

State statutes require that an annual audit be performed by independent certified public accountants. The Lancaster County Commissioners selected Mitchell & Titus, LLP. The independent auditors report on the basic financial statements and give an "in relation to" opinion on the combining and individual fund statements and schedules included in the financial section of this report. The independent auditors disclaim an opinion on the introductory and statistical sections of the report.

In addition to meeting the requirements set forth in state statutes, this audit was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The single audit for 2014 will be completed during September 2015. Information related to this single audit, including the supplementary schedule of expenditures of federal awards, findings and recommendations, and independent auditors' reports on internal control and compliance with applicable laws and regulations, and major program requirements, will be included in a separately issued single audit report.



This report includes all funds and activities of the County and reflects the extensive range of countywide services including, but not limited to, emergency services; health care and social services; construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. The report includes the Lancaster County Convention Center Authority as a component unit.

Profile of the Government

Lancaster County is located in South Central Pennsylvania approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. The County consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships and occupies a land area of 946 square miles. Carved from neighboring Chester County, it was founded on May 10, 1729 making it the fourth county in Pennsylvania. Lancaster County has been a third class county since 1962. Today it is the sixth most populous county in the state trailing only Philadelphia, Allegheny, Montgomery, Bucks and Delaware counties with approximately 533,320 people making it their home.

The County of Lancaster acts as an agent of the Commonwealth for those functions which are specified by State law. To carry out those functions, three county commissioners are elected every four years and may be re-elected. The County Code stipulates that each party may put up no more than two candidates and that each voter may cast a ballot for only two commissioner candidates. The three receiving the highest number of votes are elected. This ensures that the commissioners are not all from the same political party. In addition to having limited legislative powers, the commissioners serve as the managers and administrators of county government, name residents to boards, commissions, and authorities, and award contracts. Assisting them is a number of officials elected for four-year terms, who fill the so-called row offices, and numerous appointed deputies and directors. To assist the commissioners with their administrative duties, they appoint a chief clerk who keeps the books and accounts of the Board of County Commissioners, records and files their proceedings and papers, attests all orders and voucher checks issued by them, and performs all other duties pertaining to the office of chief clerk. Additionally, the chief clerk is responsible for the preparation and monitoring of the annual county budget, contract negotiations, and monitoring the departments under the scope of the county commissioners.

The annual budget serves as the foundation for the County of Lancaster's financial planning and control. The County Commissioners must adopt an annual budget for the County by December 31 of each year for the subsequent year. The annual budget estimates revenues and expenditures for all governmental funds except the Community Development Block Grant, the Human Services Block Grant, and the Agricultural Land Preservation special revenue funds, and the capital projects fund. The debt service fund is controlled through a general obligation bond indenture provision. Project-length financial plans are adopted for all capital projects. The legal level of budgetary control is established by fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Supplemental appropriations, which alter the total expenditures of any fund, require resolution by the County Commissioners. Appropriations lapse at the end of each year and must be reappropriated.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of Lancaster operates.

Local Economy. The base of Lancaster's economy and the sector that provides the largest share of earnings and jobs is manufacturing. The County has experienced a dramatic decrease in this sector over the past years and has seen an increase in its service sector with the largest gain occurring in health care. In spite of the decrease in manufacturing, Lancaster County is still home to many firms that have existed here for more than 50 years and produce hundreds of distinct products. Trailing only the metropolitan areas of Philadelphia and Pittsburgh, the County is the third-largest industrial area in Pennsylvania. With easy access to rail, road, international air and ports, Lancaster County is centrally located in the New York-Washington, D.C. distribution corridor and has a thriving transportation infrastructure which is imperative to its ability to move products to market. Located within a 500-mile radius of more than half the buying power of the nation, the County has access to growing markets which offer expanding possibilities. The County's unemployment rate of 3.6% remains consistently lower than both the state and national averages of 5.0% and 5.6%, respectively. From its original roots in agriculture and food, to the modern technology of pharmaceuticals, to the creative and highly innovative field of live event production, the County is home to a diverse and skilled set of companies and employees who are impacting the globe.

The earliest settlers were attracted to the rich soil and temperate climate that have made this area the most productive, non-irrigated farmland in the United States. Agriculture is now a multi-billion dollar industry, which is a major contributor to the economic well-being of the County and its enviable quality of life. With products like dairy, poultry, beef, corn, bedding plants, vegetables and fruit distributed to millions of people worldwide, Lancaster County is one of the nation's top food producers. The economy is boosted by \$6.00 for every dollar of agriculture-related products that leave Lancaster County's farms; a value of \$6 billion per year. Supplying everything from feed and seed to equipment, the County has a sound infrastructure of agribusinesses that agricultural producers rely on to help them succeed. The County has a strong agricultural preservation effort in place to keep the rich and valuable farmland in active agriculture for generations to come. Thanks to the efforts of the Lancaster County Agricultural Preservation Board and the Lancaster Farmland Trust, 102,090 acres of farmland on 1,293 farms have been preserved from future development. The County's top notch food processors move products from producer to consumer, feeding a hungry region and beyond. Household names like Tyson, Pepperidge Farm, Kellogg's and Turkey Hill all create products in Lancaster County.

Tourism has long played an important role in the economy and continues to do so as the County offers an abundance of attractions and fun things to see and do for all ages. From the thriving city life in historic downtown to the charming small towns scattered throughout the countryside to the unique culture and lifestyle of our Amish neighbors, the County attracts an estimated 8 million visitors each year, generating a direct economic impact of \$2 billion. Located within a short drive of Philadelphia, Baltimore,

New York and Washington, D.C., it is an ideal destination for day trips, a weekend getaway or an extended vacation. Whether it's the trains, historic districts, diverse shopping opportunities, beautiful scenery, state of the art entertainment, covered bridges, food, farmland, Amish or just to get away, Lancaster County continues to be a first rate tourist destination that attracts repeat visitors year after year.

Major Initiatives

For the Year

- ❖ Construction of the new pedestrian bridge over Chiques Creek was completed and it was officially dedicated on July 16 by the County Commissioners. The bridge provides easy public access to the area of Chickies Rock County Park below Chickies Rock, an area that had been hard to reach. It also allows for easier access for emergency responders who previously had to perform cliff rescues or travel along a Norfolk Southern right-of-way. Most importantly, it provides a critical link in the still developing 14-mile Northwest River Trail from Columbia to Conoy which is open to walkers, hikers and bicyclers. The new bridge was designed by Harrisburg based HRG Engineers and built by Lobar Site Development Corp. of Dillsburg. It sits on piers of a former railroad bridge built in the early 20th century. That bridge was washed away in 1972 by Hurricane Agnes. The concrete on the new pedestrian bridge was stamped and painted to match the piers.

- ❖ After nearly 16 years and numerous setbacks and delays, a new emergency radio system that allows police, fire and ambulance crews to communicate effectively became operational in October. The County has been working since the 1990's to replace its old system which operated on 1950's technology and was plagued with many problems including the inability to communicate among different types of responders and between departments, the inability to keep communications private when necessary and the difficulty of reaching or locating personnel inside of buildings. The new system provides 95% coverage, 95% of the time. County departments and public works departments were the first users to be put on the new system followed by some of the police departments. The remainder of the police departments and fire and EMS agencies will be moved over in the spring of 2015 making the entire County operational on the new system.

- ❖ The Youth Intervention Center began a new weekend alternative program, Providing Uplifting Learning Skills to Excel (P.U.L.S.E.). The mission of the program is to provide short-term, research/evidence-based treatment heavily reliant on Cognitive Behavioral Therapy and Motivational Interviewing to male adjudicated youth in Lancaster County. Youth who are court ordered to the program are identified as low to moderate risk based on the Youth Level of Service/Case Management Inventory (YLS/CMI). The inventory identifies risk, need and responsivity factors as well as strengths and protective factors. The program coordinator works with Juvenile Probation, the client, and the family to incorporate the data from the YLS/CMI into a holistic plan that builds upon strengths and addresses areas related to recidivism thereby enhancing success

and prevention of future delinquent/criminal behavior. P.U.L.S.E. participants receive treatment on a week-end long basis for 5 consecutive weekends that fosters repairing harm to victims, restoring health and welfare of communities and enabling juveniles to become productive law-abiding members of their communities.

For the Future

- ❖ Lancaster County Commissioners voted to restore the historic statue and dome that sits on top of the County Courthouse. The copper statue, known alternately as the Goddess of Justice and Lady Justice, replaced an original wooden one sometime in the early 1920's. The original wooden statue was placed on the courthouse dome April 13, 1854 as the final step in its construction. Leaks have developed in the copper that covers the dome and the statue is showing signs of water damage. The statue will be removed and sent to Philadelphia to be refurbished. Lovers of local history will get a chance to view the statue as the County plans to put the statue on public display for a few days both before and after it is repaired.
- ❖ When the county sold Conestoga View Nursing Facility back in September of 2005, it also conveyed the building which was used in conjunction with the County's provision of Children & Youth Services. In exchange for the conveyance of the building, the County retained the right to use the building for a period of 10 years subsequent to the date of sale. The Children & Youth Agency is working with Facilities Maintenance and Information Technology to design and develop a plan to relocate the Children & Youth staff and operations to the 150 N. Queen Street Government Center before the September 2015 deadline. Renovations will take place on both the 1st and 6th floors of the Government Center to accommodate the relocation of the Children & Youth Agency.
- ❖ The Lancaster County Department of Parks and Recreation will continue negotiations for acquisition of the 107-acre parcel adjacent to Speedwell Forge County Park. Also, construction of 1.5 miles of the Northwest County River Trail through Chickies Rock County Park will be completed in 2015. This will connect the pedestrian bridge which was constructed in 2014 to the portion of the trail currently being built by the Borough of Columbia from Columbia Riverfront Park to Route 30. Completion of this project will fill a major "gap" in the 14-mile trail that extends from Columbia to Conoy.

Financial Policies

The County Commissioners and the Retirement Board have both formally adopted investment policies governing County and Pension Trust Fund investments, respectively.

The County Commissioners have formally adopted purchasing policies encompassing legal compliance and encouraging competitive and economical procurement of goods and services.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lancaster for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2013. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR, which conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the CAFR on a timely basis was made possible by the dedicated services of the Controller's office staff, the cooperation of all County departments, various elected and appointed officials, and the assistance of our independent auditors, Mitchell & Titus, LLP. We appreciate the contributions made in the preparation of this report.

A handwritten signature in blue ink that reads "BKS, CPA". The signature is stylized and written in a cursive-like font.

Brian K. Hurter, CPA
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

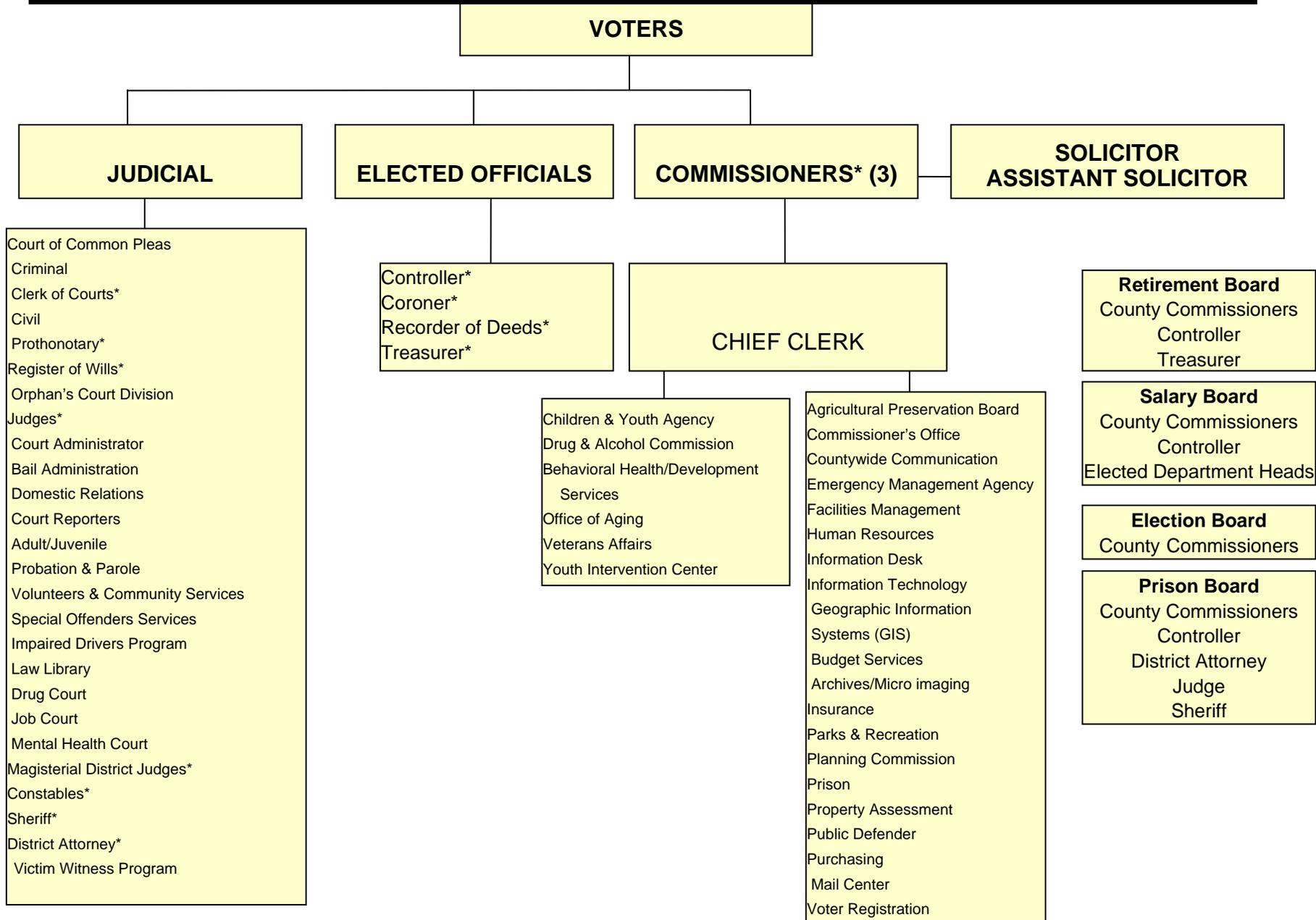
**County of Lancaster
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

LANCASTER COUNTY ORGANIZATIONAL CHART – 3rd CLASS COUNTY



* Denotes elected official(s)

**2014
County of Lancaster
Elected Officials**

COMMISSIONERS

Scott Martin, Chairman
Dennis Stuckey, Vice Chairman
Craig Lehman

CONTROLLER

Brian K. Hurter, CPA

TREASURER

Craig Ebersole

PROTHONOTARY

Katherine Wood-Jacobs

REGISTER OF WILLS

Mary Ann Gerber

RECORDER OF DEEDS

Bonnie Bowman

CLERK OF COURTS OF COMMON PLEAS

Joshua G. Parsons, Esq.

DISTRICT ATTORNEY

Craig W. Stedman

JUDGES OF COURT OF COMMON PLEAS

Joseph C. Madenspacher, President Judge
David L. Ashworth
Leonard G. Brown, III
James P. Cullen
Leslie Gorbey
Christopher A. Hackman
Jay J. Hoberg
Howard F. Knisely
Margaret C. Miller
Jeffrey J. Reich
Dennis E. Reinaker
Merrill Spahn, Jr.
Donald R. Totaro
David R. Workman
Jeffery D. Wright

SHERIFF

Mark S. Reese

CORONER

Stephen G. Diamantoni, MD

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REPORT OF INDEPENDENT AUDITORS

Management and County Commissioners
County of Lancaster

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County'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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Lancaster County Convention Center Authority, which represent 100% of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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 report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of January 1, 2014 the County adopted Governmental Accounting Standards Board Statement No. 67, “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.” Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that management’s discussion and analysis, the required supplementary schedules of employer contributions and funding progress, schedule of changes in the County’s net pension liability and related ratios, schedule of County contributions and schedule of investment returns for the County of Lancaster, Pennsylvania, Employee Retirement Plan, the schedule of funding progress for other postemployment healthcare benefits, and the required supplementary schedules of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis for the General Fund, Children and Youth Services Fund, Behavioral Health & Developmental Services Fund and Domestic Relation Fund listed in the Table of Contents on pages 15 - 29 and 105 - 114 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 which 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, 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.

Supplementary and Other Information

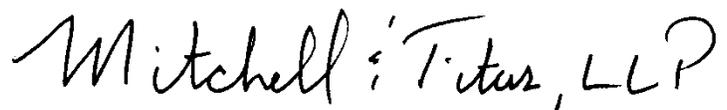
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the Table of Contents 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. In our opinion, the combining and individual fund financial statements and schedules listed in the Table of Contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on those sections.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated June 26, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell & Titus, LLP".

June 26, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the County of Lancaster's (County) comprehensive annual financial report presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2014. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2014.

FINANCIAL HIGHLIGHTS

- ✓ The County's 2014 real estate property tax rate remained unchanged at 3.735 mills.
- ✓ The County's net position increased \$12.6 million in 2014, or 663%.
- ✓ The County's unrestricted deficit was \$(85.0) million at December 31, 2014 compared to \$(104.5) million at December 31, 2013.
- ✓ The County's bond rating is A1 (negative outlook).
- ✓ At December 31, 2014, the County had \$251 million of general obligation debt outstanding. This represents a decrease of \$13.5 million, or 5.1%, from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts: management's discussion and analysis, the basic financial statements (including notes to the financial statements), other required supplementary information and a section that presents combining and individual fund statements and schedules. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. The diagram on the following page shows how the required components of the financial section of this comprehensive annual financial report are arranged and relate to one another.

The first two basic financial statements are *government-wide financial statements* that provide information about the County's overall financial status, as well as, the financial status of the County's component unit. The remaining basic financial statements are *fund financial statements* that focus on major funds of County government, reporting the County's operations in more detail than the government-wide statements. The *fund financial statements* include:

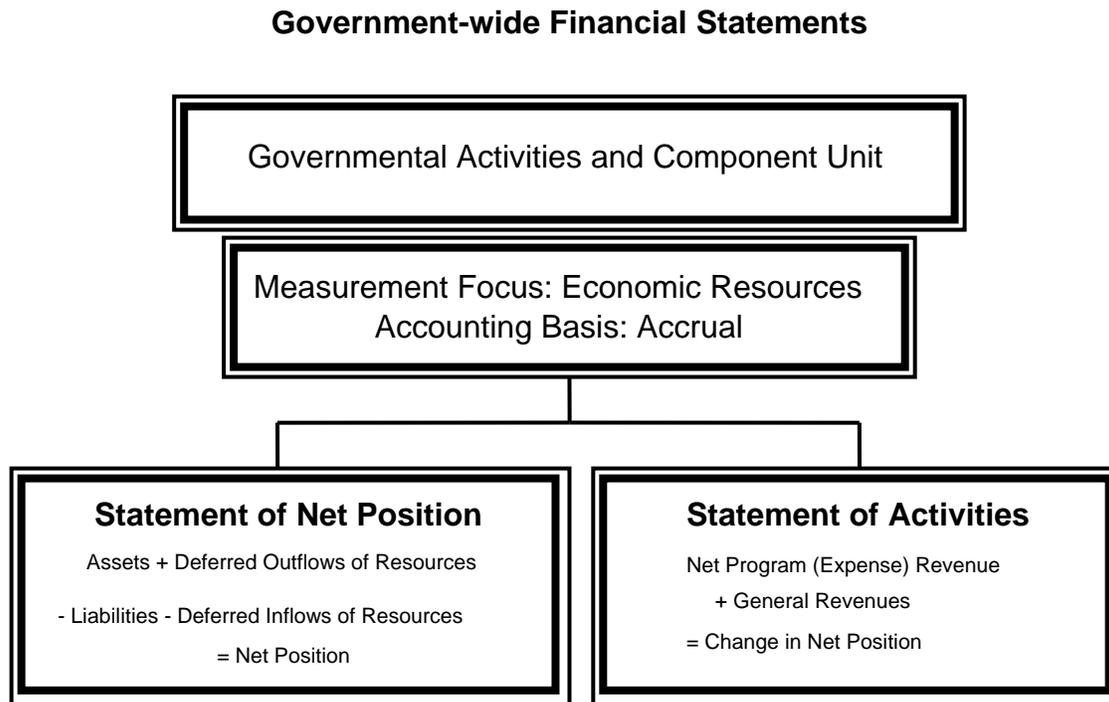
- ◆ *Governmental funds financial statements* which explain how services such as public safety were financed in the short term, as well as, what remains for future spending.
- ◆ *Fiduciary funds financial statements* that reflect activities involving resources that are held by the County as a trustee or agent for parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements, as well as, required supplementary information regarding employee pension contributions and funding progress, schedule of changes in the County's net pension liability and related ratios, schedule of County contributions, schedule of investment returns, other postemployment benefit funding progress and the County's budget for the General Fund and each major budgeted special revenue fund. In addition to these required elements, a section is included with combining and individual fund statements that provide particulars about non-major governmental funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the County as a whole and its component unit using accounting methods similar to those used by private-sector companies. The primary features are reflected in the following diagram.



The statement of net position includes all of the County's assets, liabilities and deferred outflows and inflows of resources, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. The statement of activities focuses on how the County's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid. Net position is one way to measure the County's financial health, or position. Over time, increases or decreases in the County's net position are one indicator of whether the County financial position is improving or deteriorating. However, other non-financial factors such as changes in the County's real property tax base and general economic conditions must be considered to assess the overall position of the County.

The government-wide financial statements of the County are divided into two categories:

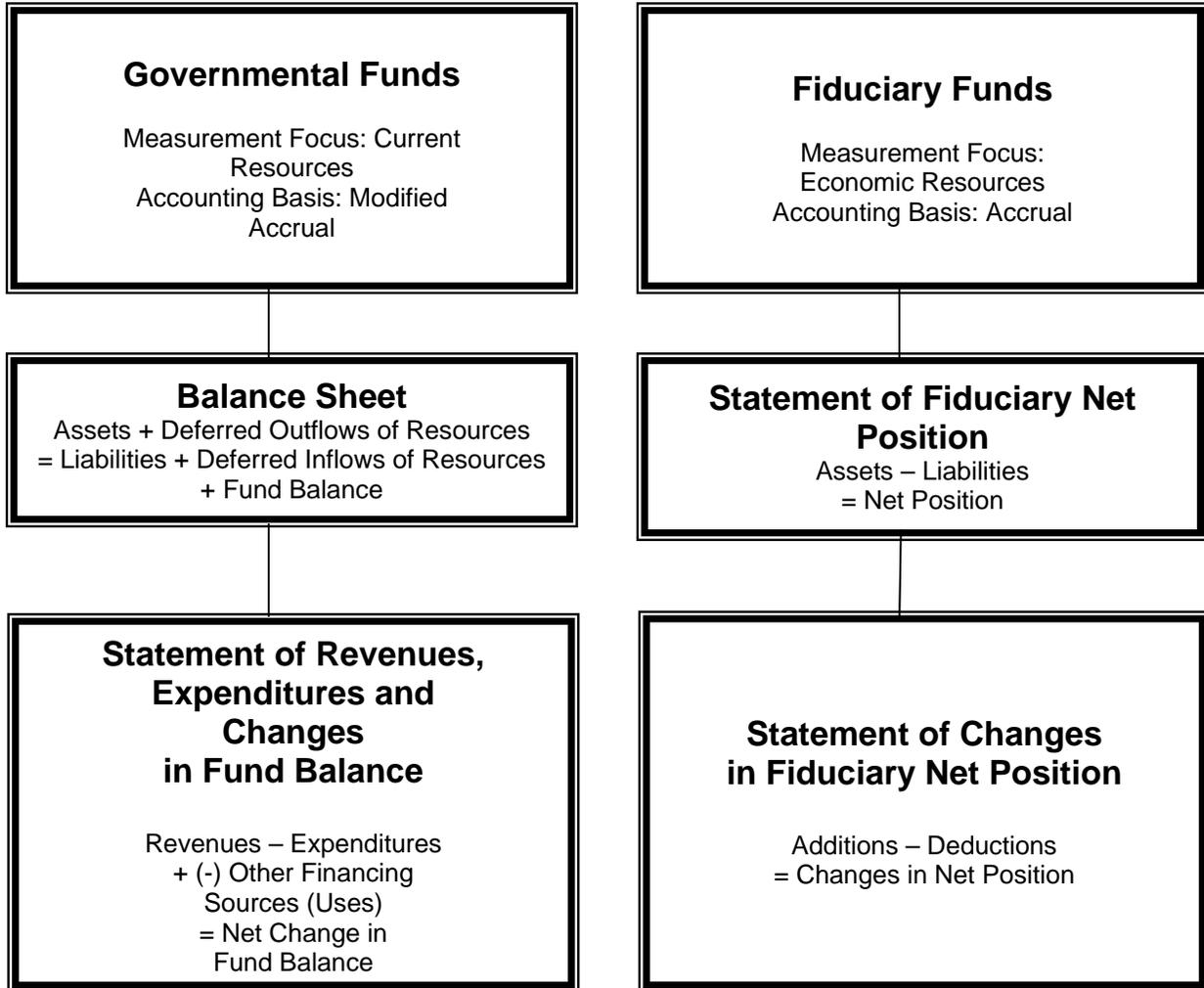
- ◆ *Governmental activities* – All of the County’s basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Component unit* – The County includes one other entity – the Lancaster County Convention Center Authority.*

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the County’s funds with an emphasis on major funds, not the County as a whole. Funds are accounting groups that the County uses to keep track of specific sources of funding and spending for particular purposes. State law requires some funds while other funds are established to control and manage resources designated for specific purposes. The following diagram presents the major features of the fund financial statements, including the types of information contained therein.

*See separate report as mentioned in the notes to the financial statements.

Fund Financial Statements



The County has two types of funds:

- *Governmental funds* – Most of the County’s basic services are included in governmental funds, which focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the County’s programs. The County maintains the following major governmental funds: the General Fund, Behavioral Health and Developmental Services special revenue fund, Children and Youth Services special revenue fund, Domestic Relations special revenue fund and the Capital Projects Fund. The County also maintains six non-major special revenue funds that are combined into a single aggregated presentation. Because this information does not encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between the fund and government-wide financial statements.
- *Fiduciary funds* – The County is the trustee, or fiduciary, for its employees’ pension plan. In addition, the County is also responsible for an agency fund, which represents clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in the fund are used for their intended purpose. All of the County’s fiduciary asset and liability balances are reported in the statement of fiduciary net position. A statement of changes in fiduciary net position is also presented. All fiduciary activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County is presenting its financial statements as required by Governmental Accounting Standards Board Statement No. 34 (GASB Statement No. 34), “Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments.” The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities to measure the results of the year’s activities.

NET POSITION:

The County's net position as of December 31, 2014 and 2013 are presented below:

Table A-1
County Net Position for the year ended December 31, 2014
(amounts in millions)

	<u>2014</u>	<u>2013</u>
Capital assets, net	\$ 291.0	\$ 278.5
Other assets	69.5	85.2
Total assets	360.5	363.7
Deferred outflows of resources	8.3	7.1
Total deferred outflows of resources	8.3	7.1
Other liabilities	15.4	18.9
Long-term liabilities	338.9	350.0
Total liabilities	354.3	368.9
Net position (deficit):		
Net investment in capital assets	57.8	49.2
Restricted	41.7	57.2
Unrestricted (deficit)	(85.0)	(104.5)
Total net position	\$ 14.5	\$ 1.9

Net position of the County's governmental activities increased by 663% to \$14.5 million. The County's net position increased \$12.6 million in 2014 due to unrestricted investment earnings increasing by almost \$4 million as a result of a favorable change in fair value at December 31, 2014 on its 2013 swaption. In addition, there was an overall reduction in expenses, most notably because in 2013 the County paid almost \$5 million in retro pay as a result of a court ruling which did not exist in 2014. Of this amount, \$57.8 million represents the balance of net investments in capital assets, while \$41.7 million is restricted for various purposes. The County has an unrestricted deficit balance of \$(85.0) million as of the end of the year.

Lancaster County's total assets stand at \$360.5 million and deferred outflows of resources stand at \$8.3 million as of December 31, 2014. Of the total assets, \$291 million is accounted for by capital assets, which includes some infrastructure.

The following table presents the County's changes in net position for the fiscal year ended December 31, 2014 and 2013:

<p>Table A-2 County's Changes in Net Position for the year ended December 31, 2014 (amounts in millions)</p>

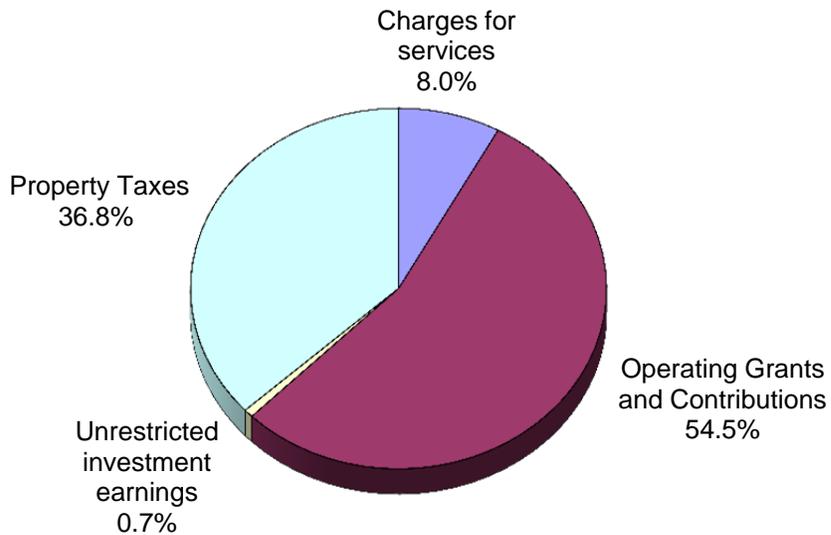
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 25.3	\$ 35.6
Operating grants and contributions	173.6	172.3
General revenues:		
Property taxes	117.2	116.5
Gain on sale of capital assets	-	0.1
Unrestricted investment earnings	2.3	(1.3)
Total revenues	318.4	323.2
Expenses:		
General government	47.7	53.5
Public safety	15.0	21.9
Roads and bridges	0.7	0.4
Health, education, and welfare	156.2	154.0
Judicial	42.4	44.5
Corrections	26.4	26.7
Cultural and recreation	2.4	2.7
Community development	4.3	3.5
Bond issuance costs	0.1	0.3
Interest on long-term debt	10.6	10.6
Total expenses	305.8	318.1
Change in net position	12.6	5.1
Net position – beginning	1.9	(3.2)
Net position – ending	\$ 14.5	\$ 1.9

The County's net position increased \$12.6 million in 2014 due to unrestricted investment earnings increasing by almost \$4 million as a result of a favorable change in fair value at December 31, 2014 on its 2013 swaption. In addition, there was an overall reduction in expenses, most notably because in 2013 the County paid almost \$5 million in retro pay as a result of a court ruling which did not exist in 2014.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the sources of revenues for the year ended December 31, 2014:

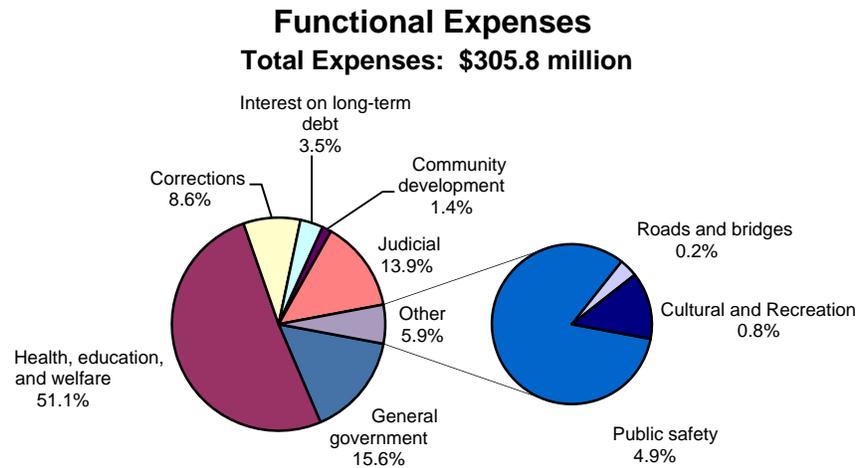
Sources of Revenues
Total revenues: \$318.4 million



Total government-wide revenues of \$318.4 million were derived primarily from operating grants and contributions, representing 54.5% of the total. Property taxes made up the second largest source of revenue at 36.8%, followed by charges for services at 8.0%, and unrestricted investment earnings at 0.7%.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the year ended December 31, 2014:



Total expenses for all programs in 2014 were \$305.8 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 51.1%. The second largest program area was general government at 15.6%, followed by judicial at 13.9%, corrections at 8.6%, other (cultural and recreation, public safety and roads and bridges) at 5.9%, interest on long-term debt at 3.5%, and community development at 1.4%.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS:

The General Fund, the Children and Youth Services special revenue fund, the Behavioral Health and Developmental Services special revenue fund, the Domestic Relations special revenue fund and the Capital Projects Fund make up the County's major governmental funds. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, spendable (both restricted and unrestricted) fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

At December 31, 2014, the General Fund reported a fund balance of \$22.0 million, which was a \$4.3 million or 16.3% decrease over the previous year's balance of \$26.3 million. This decrease resulted from monies spent on equipment for the P25 radio project as well as the qualified energy projects. Revenues decreased from \$156.9 million to \$145.8 million, an \$11.1 million or 7.1% decrease. Expenditures decreased from \$153.1 million to \$138.8 million, which was a \$14.3 million or 9.3% decrease. The decreases relate to activity associated with the 911 radio account, which is recorded as capital outlay in year ended December 31, 2014.

The fund balance in the Children and Youth Services special revenue fund increased to \$0.7 million at December 31, 2014, from \$0.4 million, a \$0.3 million or 75.0% increase. Revenues increased from \$31.2 million to \$32.3 million, a \$1.1 million or 3.5% increase. The increase was the result of a timing issue with invoicing due to Children and Youth Agency operating on a fiscal year and the County on a calendar year. Expenditures increased from \$39.2 million to \$40.1 million, an increase of \$0.9 million or 2.3%. The increase was the result of a timing issue with invoicing due to Children and Youth Agency operating on a fiscal year and the County on a calendar year.

The Behavioral Health and Developmental Services special revenue fund has no fund balance to report. Revenues in this fund increased to \$113.0 million from \$112.3 million, an increase of \$0.7 million or 0.6%. This increase resulted from mental health receiving HealthChoice administration revenues. Expenditures increased from \$112.9 million to \$113.8 million, a \$0.9 million or 0.8% increase. The increase was the result of spending more on hardware and software associated with the LUIS project.

As of December 31, 2014 the Domestic Relations special revenue fund balance was \$9.9 million as compared to \$9.1 million last year, an increase of \$0.8 million or 8.8%. The increase in the fund balance was primarily due to transfers. The revenues decreased from \$5.0 million to \$4.9 million, a decrease of \$0.1 million or 2.0%. The expenditures remained unchanged from last year at \$6.3 million.

The fund balance in the Capital Projects Fund at December 31, 2014, was \$10.4 million, down from \$19.6 million the previous year. This represents a decrease of \$9.2 million or 47.0%. Revenues remained unchanged from last year at \$0.02 million. Expenditures increased to \$9.2 million, an increase of \$2.7 million or 41.5% from the amount spent in the previous year of \$6.5 million. The increase was due to the proceeds from GOB Series A and B qualified energy bonds being spent for various energy projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County Board of Commissioners revised the County budget several times. These budget amendments fall into two categories:

- Amendments to appropriations approved shortly after the beginning of the year to reflect budget carryovers from the prior year.
- Increases in appropriations based on supplemental funding sources.

The County's original revenue budget increased from \$167.0 million to \$168.0 million, an increase of \$1.0 million or 0.6%. Actual revenues received totaled \$149.7 million or 89.1% of the final budget. Departmental revenues were \$17.1 million less than the final budgeted amount as a result of activity associated with the 911 radio account, which is recorded as capital outlay during year ended December 31, 2014.

The County's original operating expenditure budget, excluding transfers, increased from \$156.0 million to \$157.0 million, an increase of \$1.0 million or 0.6%. Actual expenditures were \$142.3 million or 90.6% of the final budget due to activity associated with the 911 radio account and cost saving measures implemented in 2014.

Differences between the original General Fund budget and the final amended budget were primarily the result of increasing the budget due to an increase in appropriations based on supplemental funding sources.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS:

The County's investment in capital assets at December 31, 2014, net of accumulated depreciation, amounted to \$291.0 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, infrastructure and easements. The following is a summary of capital assets at December 31, 2014 and 2013:

Summary of Capital Assets		
	2014	2013
Land	\$ 5,275,585	\$ 5,275,585
Buildings and improvements	205,448,341	198,479,656
Improvements other than buildings	1,969,330	1,791,516
Furniture and equipment	54,072,040	44,674,952
Infrastructure	19,424,232	17,241,214
Easements	101,055,372	99,220,632
Less accumulated depreciation/amortization	(96,233,922)	(88,208,841)
Total	<u>\$ 291,010,978</u>	<u>\$ 278,474,714</u>

Total capital assets increased from \$278.5 million to \$291.0 million, an overall increase of \$12.5 million or 4.5%. Significant elements of this increase include a \$7.0 million increase in building and improvements due to the qualified energy projects, as well as, a \$9.4 million increase in furniture and equipment which includes equipment for the new radio system.

As of December 31, 2014, the County had \$10,205,399 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

More detailed information about the County's capital assets can be found in Note 7 of the notes to the financial statements.

LONG-TERM DEBT

At December 31, 2014, the County had \$251 million of general obligation bonds and notes outstanding. This was a decrease of \$13.5 million, or 5.1%, from the previous year. The following details activity related to general obligation bonds and notes during 2014:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2014	\$ 264,203,700
Debt issued	8,185,000
Less principal refunded	(8,070,000)
Less principal payments	<u>(13,651,000)</u>
Ending balance at 12/31/2014	<u>\$ 250,667,700</u>

BOND RATING

The County's general obligation bond series of 2014 has been assigned an A1 rating with a negative outlook by Moody's Investors Service.

More detailed information about the County's long-term debt can be found in Note 9 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key economic factors affecting the County include the following:

- The County's population has grown consistently over the past decade and the vast majority of the County's residents succeed in finding employment.
- The County's unemployment rate stands at 3.6%, which is a 26.5% decrease over the previous year's rate of 4.9%. This rate compares favorably with the State's rate of 5.0% and the national rate of 5.6%.

These factors were considered in preparing the County's 2015 budget. Amounts available for appropriation in the General Fund budget are \$164.0 million, a decrease of 1.8% over the final 2014 budget of \$167.0. Fees and fines were budgeted to decrease by \$1.0 million as a result of a decrease in wireless income, as well as, lower than expected fees collected for 2014 in the Recorder of Deeds office. Also, \$12.6 million was budgeted for the radio project which is a \$2.2 million decrease over last year.

Budgeted operating expenditures, excluding transfers, have decreased 2.0% to \$153.0 million. This is due to a decrease in the radio project expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Lancaster County Controller's Office
County of Lancaster, Pennsylvania
150 North Queen Street, Suite 710
Lancaster, PA 17603

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Basic Financial Statements

County of Lancaster, Pennsylvania

Statement of Net Position

December 31, 2014

	Primary Government	Component Unit Lancaster County Convention Center Authority
	Governmental Activities	
ASSETS		
Cash and temporary investments:		
Operating	\$ 46,756,377	\$ 1,658,438
Other	393,671	-
Investments	1,034,005	-
Receivables:		
Room rental tax	-	782,762
Taxes, net of allowance for uncollectibles of \$87,723	2,836,384	-
Fines and costs, net of allowance for uncollectibles of \$34,904,502	5,660,082	-
Accounts	2,609,803	-
Due from other governments	10,038,265	-
Other	186,016	81,117
Unamortized charges:		
Prepaid items	-	61,787
Restricted cash and investments	-	6,091,031
Capital assets not being depreciated/amortized:		
Land	5,275,585	1,579,621
Easements	101,055,372	-
Capital assets being depreciated/amortized:		
Buildings and improvements	205,448,341	75,078,380
Improvements other than buildings	1,969,330	-
Furniture and equipment	54,072,040	4,492,282
Infrastructure	19,424,232	-
Less accumulated depreciation/amortization	(96,233,922)	(13,525,721)
Total assets	<u>360,525,581</u>	<u>76,299,697</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in the fair value of hedging derivatives	5,600,879	-
Deferred charge on refunding	2,695,832	-
Total deferred outflows of resources	<u>8,296,711</u>	<u>-</u>
LIABILITIES		
Accounts payable	6,464,308	321,964
Contracts payable	213,139	-
Retainage payable	37,694	-
Accrued interest payable	1,513,319	234,566
Line of credit payable	-	-
Unearned revenue	3,033,690	65,590
Payroll related accruals	4,123,774	6,804
Long-term liabilities:		
Due within one year	18,599,294	370,000
Due in more than one year	312,008,756	62,875,000
Derivative instruments – interest rate swap/swaption liability	4,659,459	2,584,554
Borrowing payable	3,598,576	19,652,736
Total liabilities	<u>354,252,009</u>	<u>86,111,214</u>
NET POSITION		
Net investment in capital assets	57,793,520	8,771,592
Restricted for:		
Federal and state grant programs	19,216,375	-
Capital projects	10,977,876	-
Public Safety	9,817,893	-
Community Development	1,725,871	-
Other	-	1,649,001
Unrestricted (deficit)	(84,961,252)	(20,232,110)
Total net position	<u>\$ 14,570,283</u>	<u>\$ (9,811,517)</u>

The notes to the financial statements are an integral part of this statement.

County of Lancaster, Pennsylvania

Statement of Activities

For the Year Ended December 31, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Lancaster County Convention Center Authority
Functions/Programs					
Primary Government:					
Governmental activities:					
General government	\$ 47,688,115	\$ 5,898,650	\$ 4,789,553	\$ (36,999,912)	\$ -
Public safety	14,921,490	5,108,919	251,141	(9,561,430)	-
Roads and bridges	675,825	10,509	1,541,697	876,381	-
Health, education, and welfare:					
Drug and alcohol	4,493,917	180,228	4,467,729	154,040	-
Behavioral Health/Developmental Services	111,798,262	2,946,768	110,035,145	1,183,651	-
Office of aging	8,405,095	28,318	9,322,233	945,456	-
Children and Youth	31,071,944	1,391,407	31,057,490	1,376,953	-
Other	421,845	-	165,656	(256,189)	-
Judicial	42,421,056	8,267,853	7,874,568	(26,278,635)	-
Corrections	26,397,549	1,176,571	58,301	(25,162,677)	-
Cultural and recreation	2,441,711	293,848	122,600	(2,025,263)	-
Community development	4,305,998	-	3,901,912	(404,086)	-
Bond issuance costs	127,854	-	-	(127,854)	-
Interest on long-term debt	10,605,535	-	-	(10,605,535)	-
Total governmental activities	<u>305,776,196</u>	<u>25,303,071</u>	<u>173,588,025</u>	<u>(106,885,100)</u>	<u>-</u>
Total primary government	<u>\$ 305,776,196</u>	<u>\$ 25,303,071</u>	<u>\$ 173,588,025</u>	<u>\$ (106,885,100)</u>	<u>\$ -</u>
Component unit:					
Convention Center	\$ 8,134,126	\$ 1,957,970	-	-	(6,176,156)
Total component unit	<u>\$ 8,134,126</u>	<u>\$ 1,957,970</u>	<u>\$ -</u>	<u>-</u>	<u>(6,176,156)</u>
General Revenues:					
Property taxes				117,215,756	-
Unrestricted investment earnings (loss)				2,340,725	(10,169,114)
Room rental tax				-	5,563,285
Loss on sale of capital asset				-	(963)
Total general revenues				<u>119,556,481</u>	<u>(4,606,792)</u>
Special Item:					
Gain on investment contract termination				-	818,000
Change in net position				12,671,381	(9,964,948)
Net position – beginning				1,898,902	153,431
Net position – ending				<u>\$ 14,570,283</u>	<u>\$ (9,811,517)</u>

The notes to the financial statements are an integral part of this statement.

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2014

	General	Children and Youth Services	Behavioral Health & Developmental Services	Domestic Relations	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and temporary investments:							
Operating	\$ 18,941,706	\$ 524,799	\$ -	\$ 9,045,818	\$ 10,666,862	\$ 7,577,192	\$ 46,756,377
Other	-	81,060	182,681	-	-	129,930	393,671
Investments	327,870	-	-	-	-	706,135	1,034,005
Receivables:							
Taxes	2,924,107	-	-	-	-	-	2,924,107
Less allowance for uncollectible taxes	(87,723)	-	-	-	-	-	(87,723)
Fines and costs	40,564,584	-	-	-	-	-	40,564,584
Less allowance for uncollectible fines and costs	(34,904,502)	-	-	-	-	-	(34,904,502)
Accounts	2,609,803	-	-	-	-	-	2,609,803
Due from other funds	1,025,134	-	-	-	-	-	1,025,134
Due from other governments	1,678,518	4,124,893	2,556,027	1,065,447	-	613,380	10,038,265
Other	-	-	169,999	-	1,233	14,784	186,016
Total assets	\$ 33,079,497	\$ 4,730,752	\$ 2,908,707	\$ 10,111,265	\$ 10,668,095	\$ 9,041,421	\$ 70,539,737
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,239,674	\$ 2,175,248	\$ 1,489,446	\$ 13,456	\$ -	\$ 1,546,484	\$ 6,464,308
Contracts payable	-	-	-	-	213,139	-	213,139
Retainage payable	-	-	-	-	37,694	-	37,694
Due to other funds	-	-	1,025,134	-	-	-	1,025,134
Unearned revenue - intergovernmental	115,316	393,259	-	-	-	2,525,115	3,033,690
Payroll related accruals	2,834,968	476,302	394,127	211,214	-	207,163	4,123,774
Total liabilities	4,189,958	3,044,809	2,908,707	224,670	250,833	4,278,762	14,897,739
Deferred inflows of resources:							
Unavailable revenue-property taxes, fines & costs	6,924,936	-	-	-	-	-	6,924,936
Unavailable revenue-intergovernmental	-	1,031,396	-	-	-	-	1,031,396
Total deferred inflows of resources	6,924,936	1,031,396	-	-	-	-	7,956,332
Fund balances:							
Health, education, and welfare	-	654,547	-	-	-	311,494	966,041
Capital projects	-	-	-	-	10,417,262	-	10,417,262
Roads and bridges	2,207,871	-	-	-	-	2,716,233	4,924,104
General government	1,689,808	-	-	-	-	-	1,689,808
Public safety	9,817,893	-	-	-	-	-	9,817,893
Judicial	1,749,827	-	-	9,886,595	-	-	11,636,422
Community development	-	-	-	-	-	1,734,932	1,734,932
Committed -							
Capital projects	560,614	-	-	-	-	-	560,614
Assigned -							
Future benefits	3,000,000	-	-	-	-	-	3,000,000
Healthcare benefits	1,725,871	-	-	-	-	-	1,725,871
Postemployment benefits	1,212,719	-	-	-	-	-	1,212,719
Total fund balances	21,964,603	654,547	-	9,886,595	10,417,262	4,762,659	47,685,666
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,079,497	\$ 4,730,752	\$ 2,908,707	\$ 10,111,265	\$ 10,668,095	\$ 9,041,421	

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

Capital assets used in governmental activities are not current financial resources and, therefore are not reported as assets in the governmental funds. (Note 7)

291,010,978

Certain receivables are not available to pay for current-period expenditures and, therefore, are not recognized or unearned in the funds.

7,956,332

Long-term liabilities, including general obligation bonds, notes payable, capital leases, etc. are not due and payable in the current period and, therefore, are not

reported as liabilities in the funds. (Note 3)

(332,082,693)

Total net position of governmental activities

\$ 14,570,283

The notes to the financial statements are an integral part of this statement.

County of Lancaster, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2014

	General	Children and Youth Services	Health & Developmental Services	Domestic Relations	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Real estate taxes	\$ 117,319,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,319,438
Intergovernmental	5,217,660	30,938,897	110,035,145	4,819,999	-	19,399,227	170,410,928
Departmental	19,048,999	1,391,407	143,555	82,358	-	14,825	20,681,144
Fines and costs	3,274,350	-	-	-	-	-	3,274,350
Investment earnings	61,249	-	2,088	10,618	15,883	9,293	99,131
Other	833,500	-	-	-	-	204,230	1,037,730
Health Choices revenues	-	-	2,803,213	-	-	-	2,803,213
Total revenues	145,755,196	32,330,304	112,984,001	4,912,975	15,883	19,627,575	315,625,934
EXPENDITURES							
Current:							
General government	26,457,098	-	-	-	173,187	-	26,630,285
Public safety	12,912,527	-	-	-	-	-	12,912,527
Roads and bridges	4,514	-	-	-	-	224,121	228,635
Health, education, and welfare:							
Drug and alcohol	-	-	-	-	-	4,736,456	4,736,456
Behavioral Health/Developmental Services	-	-	113,041,290	-	-	-	113,041,290
Office of aging	-	-	-	-	-	9,806,234	9,806,234
Children and youth	-	40,090,492	-	-	-	-	40,090,492
Other	-	-	-	-	-	269,598	269,598
Judicial	38,447,481	-	-	6,254,899	-	-	44,702,380
Corrections	24,952,042	-	-	-	-	-	24,952,042
Cultural and recreation	2,185,938	-	-	-	-	-	2,185,938
Community development	-	-	-	-	-	4,406,566	4,406,566
Capital outlay	9,473,147	31,098	719,429	-	8,986,252	1,557,039	20,766,965
Debt Service:							
Principal retirement	13,651,000	-	-	-	-	-	13,651,000
Interest and fiscal charges	10,601,370	-	-	-	-	-	10,601,370
Bond issuance costs	127,854	-	-	-	-	-	127,854
Total expenditures	138,812,971	40,121,590	113,760,719	6,254,899	9,159,439	21,000,014	329,109,632
Excess (deficiency) of revenues over expenditures	6,942,225	(7,791,286)	(776,718)	(1,341,924)	(9,143,556)	(1,372,439)	(13,483,698)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	8,057,647	776,718	2,122,667	-	1,408,573	12,365,605
Transfers out	(11,930,786)	-	-	-	-	(434,819)	(12,365,605)
Premium on refunding bonds issued	8,487	-	-	-	-	-	8,487
Face amount of refunding bonds issued	8,185,000	-	-	-	-	-	8,185,000
Payment to refunded bond escrow agent	(8,065,633)	-	-	-	-	-	(8,065,633)
Sale of capital assets	560,614	-	-	-	-	-	560,614
Total other financing sources (uses)	(11,242,318)	8,057,647	776,718	2,122,667	-	973,754	688,468
Net change in fund balances	(4,300,093)	266,361	-	780,743	(9,143,556)	(398,685)	(12,795,230)
Fund balances, January 1	26,264,696	388,186	-	9,105,852	19,560,818	5,161,344	60,480,896
Fund balances, December 31	\$ 21,964,603	\$ 654,547	\$ -	\$ 9,886,595	\$ 10,417,262	\$ 4,762,659	\$ 47,685,666

The notes to the financial statements are an integral part of this statement.

County of Lancaster, Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2014

Net change in fund balances – total governmental funds	\$ (12,795,230)
The change in net position reported for <i>governmental activities</i> in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over its estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period. (Note 3)	12,536,264
Unearned revenues that do not provide current financial resources and activities which are not recognized as available in the governmental funds, but are earned in the statement of activities.	580,049
The issuance of long-term debt (e.g., bonds, notes, capital leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (Note 3)	17,145,274
Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. (Note 3)	25,059
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. (Note 3)	<u>(4,820,035)</u>
Change in net position of governmental activities	<u>\$ 12,671,381</u>

The notes to the financial statements are an integral part of this statement.

County of Lancaster, Pennsylvania

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2014

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments-operating	\$ 10,789,073	\$ 12,207,266
Investments, at fair value:		
U.S. Government securities	9,523,461	-
U.S. Government agency-mortgage backed securities	12,967,697	-
Municipal bonds	95,513	-
Domestic corporate bonds	31,793,465	-
International corporate bonds	1,764,113	-
Collateralized mortgage obligations	2,038,312	-
Domestic common stock	98,861,865	-
Equity Mutual funds	43,297,783	-
International equity mutual funds	31,163,915	-
Fixed income mutual funds	1,833,126	-
Exchange traded index funds	615,848	-
Brokered CDs	4,810,671	-
Total investments	<u>238,765,769</u>	<u>-</u>
Total assets	<u>249,554,842</u>	<u>12,207,266</u>
LIABILITIES		
Deposits and advances	-	2,385,300
Escrow liability	-	3,063,502
Due to broker for investments purchased	632,411	-
Other liabilities	-	1,918,573
Due to other governments	-	4,839,891
Total liabilities	<u>632,411</u>	<u>12,207,266</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 248,922,431</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

County of Lancaster, Pennsylvania

Statement of Changes in Fiduciary Net Position – Pension Trust Fund

For the Year Ended December 31, 2014

ADDITIONS

Contributions:

Employer	\$ 5,962,997
Plan members	5,034,095
Total contributions	<u>10,997,092</u>

Investment income:

Net appreciation in fair value of investments	6,971,191
Interest and dividends	7,676,338
Less investment expenses	<u>(674,888)</u>
Net investment income	13,972,641
Other	<u>4,345</u>
Total additions	<u>24,974,078</u>

DEDUCTIONS

Benefit payments, including refunds of member contributions	12,955,244
Administrative expenses	42,755
Other	<u>21,558</u>
Total deductions	<u>13,019,557</u>
Net increase in net position	11,954,521

NET POSITION RESTRICTED FOR PENSIONS

Beginning of year	<u>236,967,910</u>
End of year	<u>\$ 248,922,431</u>

The notes to the financial statements are an integral part of this statement.

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County of Lancaster, Pennsylvania

Notes to Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies

The financial statements of the County of Lancaster (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the County of Lancaster for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61. GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. The primary government may also be financially accountable if a potential component unit is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Conditions that would indicate the ability to impose will by the primary government include, but are not limited to, the primary government's ability to remove appointed members of the organization's governing board at will, the ability to modify or approve the budget of the organization, the ability to modify or approve rate or fee changes affecting revenues, the ability to veto, overrule, or modify the decisions of the organization's governing body, and the ability to appoint, hire, reassign, or dismiss management of the organization. Conditions that would indicate the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government include, but are not limited to, the legal entitlement or access by the primary government to the organization's resources, legal obligation by the primary government to finance the deficits of or provide financial support to the organization, and the obligation

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

by the primary government for the debt of the organization. Based upon the application of these criteria, one entity met the requirements to be included in the County's reporting entity.

Component Unit

The Lancaster County Convention Center Authority (the Convention Center Authority) was formed on September 15, 1999 under the Municipal Authority Act of 1945 and the Third Class County Convention Center Authority Act. The purpose of the Convention Center Authority is to provide financing and arrange for the development, construction, and operation of the convention center facility for the public purpose of promoting, attracting, stimulating, developing, and expanding business, industry, commerce, and tourism in the Commonwealth. The Convention Center Authority is a legally separate organization administered by a seven-member Board, of which three Board Members are appointed by the County Commissioners, three Board Members are appointed by the City of Lancaster, and the remaining Board Member is appointed on an alternating basis between the aforementioned appointing entities.

The County is financially accountable for the Convention Center Authority because the Convention Center Authority is fiscally dependent on the County, based upon the criteria of GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61. The County has established a hotel room rental tax, applied to all hotel room rentals throughout the County; the Convention Center Authority relies on the County to levy these taxes or set rates or charges, as it does not have the power to do so on its own. The revenues derived from this hotel room rental tax provide a substantial amount of all operating revenues of the Convention Center Authority. The Convention Center Authority imposes an additional financial burden on the County by virtue of the County's guarantee to replenish the required reserve amounts associated with the Convention Center Authority's Hotel Room Tax Revenue Bonds.

As a result of the above criteria, the Convention Center Authority is considered to be a discretely presented component unit of the County. Complete financial statements of this component unit can be requested from the County Controller's Office of Lancaster County, 150 North Queen Street, Suite 710, Lancaster, Pennsylvania 17603.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Related Organizations

The County's Board of Commissioners is responsible for appointing some of the members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. These organizations include:

- Lancaster County Housing & Redevelopment Authority (the Redevelopment Authority)
- Lancaster Airport Authority
- Lancaster County Hospital Authority
- Lancaster County Housing Authority
- Lancaster County Solid Waste Management Authority
- Lancaster County Solid Waste Management Authority Citizen Advisory
- Library System of Lancaster County
- Lancaster County Planning Commission
- Red Rose Transit Authority
- Lancaster County Conservation District
- Lancaster County Transportation Authority
- Lancaster County Vacant Property Reinvestment Board
- Lancaster County Workforce Investment Board
- Youth Council of the Lancaster County Workforce Investment Board
- Lancaster County Agricultural Preserve Board
- Lancaster County Board of Assessment
- Speedwell Forge Advisory Council
- Lancaster County Behavioral Health/Developmental Services Advisory Board
- Lancaster County Children and Youth Advisory Board
- Lancaster County Drug and Alcohol Advisory Board
- Lancaster County Office of Aging Advisory Council
- Lancaster County Public Safety Training Center Authority

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Other Organization

Capital Area Behavioral Health Collaborative, Inc. is a private, not-for-profit company formed out of the collaboration among Cumberland, Dauphin, Lancaster, Lebanon and Perry Counties' programs of Mental Health and Drug and Alcohol. The County participates in Pennsylvania's innovative mandatory managed care program for Medical Assistance consumers, the HealthChoices Behavioral Health Program. The program is designed to improve access and quality of care for Medical Assistance consumers throughout Pennsylvania.

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

The basic financial statements include both government-wide financial statements, which are based on the County as a whole, and fund financial statements. Prior to GASB Statement No. 34, the model emphasized fund types (the total of all funds of a particular type), the current reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements).

Government-wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The focus of the government-wide financial statements is more on sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the fiscal period. As a general rule, the effect of interfund activity has been eliminated from these statements. The County's policy is to eliminate internal activity by distinguishing overhead costs through its cost allocation plan, which are eliminated during consolidation, from interfund services provided and used between functions, which are not eliminated. The County does not allocate indirect costs on the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Also, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Government-wide Financial Statements (continued)

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets as well as long-term debt and obligations. Interfund balances between governmental funds are not included in the government-wide statement of net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given functional category (public safety, general government, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. Expenses reported for functional activities do not include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category. Taxes and other items that are not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the County are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The fund financial statements are very similar to the financial statements presented in the reporting model used prior to the issuance of GASB Statement No. 34. Emphasis under the GASB Statement No. 34 reporting model is on major funds in the governmental categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds in each category are combined in a column in the fund financial statements and detailed in the combining and individual fund statements and schedules section.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

The governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual: both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes as available if collected within 60 days after year-end.

Property taxes, fines, and costs due but not collected within 60 days after year-end are reflected as a deferred inflow of resources. Licenses and permits are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure, or the amounts are deferred and recognized as an inflow of resources in the period that amounts become available. Interest earnings are recorded when earned. Real estate tax, intergovernmental, departmental, fines and costs, interest, Health Choices, and telephone subscriber revenues are all considered susceptible to accrual and, as a result, have been recognized as revenue in the current year.

Expenditures are generally recognized under the modified accrual basis of accounting when they are paid from current expendable financial resources. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized as fund liabilities when due and payable. As the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements.

Net position is restricted when constraints placed on it is either externally imposed or is imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

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

The County's fiduciary funds are presented in the fund financial statements by type (Pension Trust Fund and Agency Fund). Since by definition, the assets of these funds are held for the benefit of a third-party (third-parties, pension participants, etc.) and cannot be used to satisfy obligations of the County, these funds are not incorporated into the government-wide financial statements. The County's fiduciary funds are presented on the accrual basis of accounting and economic resources measurement focus, except for the Agency Fund, which does not measure operations and does not have a measurement focus.

The following major funds are used by the County:

Governmental Funds

The focus of governmental fund measurement in the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the County:

- General Fund – The General Fund accounts for numerous County primary services (Public Safety, Judicial, Corrections, General Government, Cultural and Recreation, Debt Service, etc.) and is the primary operating unit of the County. It accounts for all financial resources of the general government, except those required to be accounted for by another fund.
- Children and Youth Services Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. Local sources include dependent support and revenues received from other counties for detention services. These funds are restricted to provide support services to underprivileged juveniles.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

- Behavioral Health and Developmental Services Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. Local sources include payments from third parties which include payments for rent. These funds are restricted to provide assistance and medical care to those individuals with mental health and developmental disability problems.
- Domestic Relations Fund – This special revenue fund is used to account for amounts received from various Federal and local sources. Local sources include blood test fees and EFT support fees. These funds are restricted to enforce the support obligations owed by absent parents, locate absent parents, and establish paternity to obtain child and spousal support.
- Capital Projects Fund – The Capital Projects Fund is used to account for the resources and expenditures related to construction within the County.

Other Funds:

In addition to the major funds discussed above, the County reports the following fiduciary fund types:

- Pension Trust Fund – This fund is used to account for the accumulation of resources for pension payments to qualified County employees under a single-employer contributory defined benefit pension plan covering substantially all County employees.
- Agency Fund – This fund is used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units. The following County agencies collect fees, fines, and taxes for distribution to other governmental units and citizens for whom it was collected, and are collectively reported as an agency fund:
 - Prothonotary
 - Recorder of Deeds
 - Treasurer
 - Register of Wills
 - Domestic Relations Office (Support Account)
 - Sheriff
 - Clerk of Courts
 - Magisterial District Judges

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

C. Summary of Significant Accounting Policies – Component Unit

Basis of Accounting

The Convention Center Authority utilizes the accrual basis of accounting.

Cash and Cash Equivalents

The Convention Center Authority considers all highly liquid debt instruments and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

Hotel Room Rental Tax

The County receives a 3.9% hotel room rental tax and a 1.1% excise tax from the operators of each hotel within the County. Of the 3.9% tax, 20% is allocated to the Pennsylvania Dutch Convention and Visitors Bureau (PDCVB) to be used to promote tourism in Lancaster County and 80% is received by the Convention Center Authority (Authority) to be used for the construction and operation of the convention center facility. Should the Authority encounter an event of default on the Hotel Room Rental Tax Revenue bonds, Series of 2003 or the Hotel Room Rental Tax Revenue Bonds, Series of 2007, (collectively, the Bonds) the 20% allocated to the PDCVB would be diverted to the trustee of the Authority's Bonds. Revenue is recognized in the period to which the County attributes collection.

During the year ended December 31, 2014, the Authority failed to meet certain financial covenants of the Bonds. As a result, the 20% of hotel room rental tax allocated to the PDCVB was diverted to the Trustee Bank of the Authority's Bonds and recognized as additional revenue for the months of January 2014 through June 2014.

On July 31, 2014, the Convention Center Authority entered into a collaboration agreement with the County, The Lancaster County Redevelopment Authority, The Lancaster City Revitalization and Improvement Zone Authority (CRIZ), and The Pennsylvania Dutch Convention and Visitors Bureau (PDCVB). Under the collaboration agreement, PDCVB agreed to direct 100% of the hotel room rental tax revenue to the Convention Center Authority. As of December 31, 2016, and each December 31 thereafter, if the funds on deposit with the Trustee under the terms of the indenture exceed \$5,750,000 after all obligations have been paid,

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

C. Summary of Significant Accounting Policies – Component Unit (continued)

Hotel Room Rental Tax (continued)

the Convention Center Authority shall remit the lesser of any funds in excess of \$5,750,000 or 20% of the hotel room rental tax revenue by January 15 of the following year to PDCVB. As of July 2019, the terms of the Lancaster County Ordinance No. 45 shall again govern the distribution of the hotel room rental tax revenue.

D. New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.” Statement No. 67 improves financial reporting by state and local governmental pension plans. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB Statement No. 67 is effective for periods beginning after June 15, 2013. The County adopted this standard effective January 1, 2014, which resulted in the notes to the financial statements having to include more descriptive information on the County’s defined benefit pension plan such as the types of benefits provided, the classes of plan members covered, and the composition of the pension plan’s board. The required supplementary information was also expanded to include information about the components of the net pension liability and related ratios and investment returns.

In June 2012, the GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.” Statement No. 68 improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflow of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 68 is effective for periods beginning after June 15, 2014.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. New Accounting Pronouncements (continued)

The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 68 will have on the County's financial statements.

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. GASB Statement No. 69 is effective for periods beginning after December 15, 2013 and should be applied on a prospective basis. The County adopted this standard effective January 1, 2014; however, it did not have a significant impact on the County's financial statements.

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB Statement No. 70 is effective for periods beginning after June 15, 2013. The County adopted this standard effective January 1, 2014; however it did not have a significant impact on the County's financial statements.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. Accordingly, GASB Statement No. 71 is effective for periods beginning after June 15, 2014. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 71 will have on the County's financial statements.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. New Accounting Pronouncements (continued)

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 72 will have on the County's financial statements.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. Accordingly, GASB Statement No. 73 is effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. This statement will not have an effect on the County's financial statements.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement No. 74 replaces GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement No. 74 addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. New Accounting Pronouncements (continued)

disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. Accordingly, GASB Statement No. 74 is effective for financial statements for periods beginning after June 15, 2016. This statement will not have an effect on the County's financial statements.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Accordingly, GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 75 will have on the County's financial statements.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Pooled Cash and Temporary Investments

The majority of cash balances and temporary investments of most governmental funds and the Agency Fund are pooled by the County. Balances are segregated by fund but accounted for centrally for receipt and disbursement purposes. Interest income is reported in the General Fund, except for amounts allocated to those funds where there is a statutory requirement to do so, as dictated in program and/or grant requirements. Individual fund pooled cash and temporary investment deficits are subsidized through transfers by the General Fund at year end.

Temporary investments are defined as short term with original maturities of three months or less that are readily convertible to known amounts of cash, which include money market investments.

Investments

Investments are reported at fair value in accordance with GASB Statement No. 31. Unrealized appreciation or depreciation on investments due to changes in fair value is recognized in individual fund operations each year.

Fair values are based on published market prices, quotations from national securities exchanges and securities pricing services, or by the respective fund managers for securities which are not actively traded.

In accordance with authorized investment laws, the County invests in various fixed income securities, mutual funds, money market funds, brokered CDs, and equity securities. These securities are reported at fair value on the balance sheet.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The receivables and payables resulting from these transactions are classified as "due from other funds" or "due to other funds" on the fund balance sheet.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (continued)

Restricted Assets

Discretely Presented Component Unit

Certain proceeds of revenue bonds, as well as, certain resources set aside for their repayment, are classified as restricted cash and investments, in the amount of \$6,091,031 on the statement of net position because their use is limited by applicable trust indentures or other agreements.

Capital Assets

The cost of capital assets acquired for general government purposes is recorded as an expenditure in the governmental funds and as an asset in the government-wide financial statements to the extent the County's capitalization threshold has been met. The County capitalizes assets valued over \$5,000 with a useful life longer than one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at fair value as of the date of donation.

Maintenance, repairs, and minor renovations are charged to operations when incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement, the cost and related accumulated depreciation is eliminated from the respective accounts, and any resulting gain or loss is included in the determination of net income for the period.

In accordance with GASB Statement No. 34, the County's infrastructure has been capitalized retroactively to 1980.

Capital assets of the County are depreciated using the straight-line method over the estimated useful lives of purchased and donated assets as follows:

Infrastructure	40 Years
Buildings and Improvements	40 Years
Furniture and Equipment	5-20 Years
Improvements other than buildings	20-30 Years

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (continued)

The County has an art collection that is not capitalized because the collection meets the criteria for non-capitalization in accordance with GASB Statement No. 34. Specifically the collection is held for reasons other than financial gain. The collection is protected, kept unencumbered, cared for, and preserved; it is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

In order to preserve farmland and open space, the County purchases agricultural easements. An agricultural easement restricts the use of land from commercial development in perpetuity and encourages the continued agricultural use of land. An easement is thus considered an intangible asset of the County.

Unearned Revenue

Unearned revenue arises 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 revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and revenue is recognized.

Deferred Outflows/Inflows of Resources

The County reports a deferred outflow of resources in the statement of net position resulting from the accumulated increase in the fair value of hedging derivatives, in accordance with GASB Statement No. 63, and the deferred charge on debt refunding resulting from the difference between the carrying value of the refunded debt and its reacquisition price, and amortized over the shorter of the life of the refunded or refunding debt, as a result of adopting GASB Statement No. 65.

The County reports a deferred inflow of resources in its governmental funds. A deferred inflow of resources arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period, such as property taxes, fines, and costs due but not collected within 60 days after year-end, or intergovernmental revenue not meeting the available criteria to be recognized as revenue in the funds.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (continued)

Accrued Vacation and Sick Pay

In governmental fund types, the cost of vacation and sick pay benefits (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund-type vested accrued vacation and sick pay benefits is recorded as a liability in the government-wide statement of net position.

Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters, as well as from the self-insured employees' workers compensation program. The General Fund is used to account for the risks for all other risk financing activities.

The County purchases commercial insurance for risks of loss related to torts, theft of, damage to, and destruction of assets, and errors and omissions. There have been no significant changes in insurance coverage in the past three years, and settled claims have not exceeded the commercial coverage in those years.

The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workman's Compensation Act of 1915 as Reenacted and Amended. The exposure of risk is financed mostly through retention of all liability exposure, with limited purchase of commercial excess insurance.

The liability is recorded as estimated by the County's actuary. Claims are paid from the General Fund. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR).

Fund Balance

The County applies GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for governmental funds.

The County's governmental fund financial statements reflect GASB Statement No. 54 fund balance classifications that comprise a hierarchy based primarily on the extent of constraints imposed upon the use of net resources reported in governmental funds.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position
(continued)**

Fund Balance (continued)

The County is limited to spending restricted fund balance on the activities allowed by the terms of a grant contract, bond covenants, or by applicable legislation.

With the exception of self-imposed constraints, consisting of (1) formal action taken by the County Commissioners to enact fund balance commitments, in the form of an approved Resolution or a motion voted upon and approved at a public meeting to establish, modify, or rescind a fund balance commitment, or (2) fund balance assignments by the Commissioners, unrestricted fund balance may be spent on a wide variety of governmental activities.

The County considers the most restrictive governmental resources, including any committed or assigned fund balances, to have been spent first, unless applicable legislation, grant or a formal action by the Commissioners mandates an exception.

Nonspendable Fund Balance

Nonspendable fund balance is the component of fund balance that is not available for expenditure and typically represents prepaid items; however, no such amounts existed as of December 31, 2014.

Restricted Fund Balance

Restricted fund balance represents amounts that can be spent only for the specific purposes allowed by the resource providers, i.e. grantors, bond proceeds or applicable legislation. The County's restrictions are as follows:

Health, education and welfare – Amounts used for the provision of human services and education activities for County residents.

Capital projects – Amounts used to pay for future capital-related projects.

Roads and bridges – Amounts used for the restricted purpose of maintaining and replacing County owned bridges and roads which includes Act 13 funds.

General government - Act 8 – Amounts collected, per statute, are restricted for records management and record improvements for certain row offices (e.g., recorder of deeds, clerk of courts, prothonotary, register of wills).

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position
(continued)**

Fund Balance (continued)

Public safety – Amounts used to coordinate essential public safety activity among federal, state, regional, county, municipal agencies, and volunteer organizations to provide quick, reasoned responses to the needs of County citizens in times of emergency.

Judicial services – Amounts used for the provision of County judicial services which includes *Act 122* funds – collected, per statute, which are restricted to be used for training and equipment for the Coroner’s Office.

Community development – Amounts paid as easements to farmers within the County in efforts to preserve agricultural land.

Unrestricted Fund Balance

Unrestricted fund balance consists of the committed, assigned and unassigned fund balance categories, as applicable.

Committed Fund Balance

Committed fund balance represents amounts that can be spent only for the specific purposes allowed by the formal action taken by the County Commissioners in the form of a Resolution or a motion voted upon and approved at a public meeting. The County’s commitments are for capital-related projects.

Fund Balance Assignments

Assigned fund balance represents the County’s plans for future use of the County’s net financial resources which are not otherwise restricted or committed. The County Commissioners have not authorized management to assign fund balances.

Assignments have been established in the general fund as follows:

Future Benefits – this assignment is established to pay future payroll costs.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (continued)

Fund Balance (continued)

Healthcare Benefits – this assignment is established to pay future healthcare benefits.

Other Postemployment Benefits – this assignment is established to pay future medical benefits for County retirees.

Leases

For capital leases in the governmental fund types, acquisition costs are recorded as expenditures with an offsetting entry to other financing sources.

Intergovernmental Revenues

Intergovernmental revenues represent revenues received from the Commonwealth and Federal agencies generally to fund specific programs. Awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs and the revenues are measurable and available. Reimbursement type grants are recorded as revenues in governmental funds when the related expenditures or expenses are incurred and the related revenues are available. The amounts reported as due from other governments consist primarily of amounts due from the Commonwealth.

Departmental Revenues

Departmental revenues shown in the governmental funds represent revenues that are considered payment for services and are collected by departments that charge for services. Departmental revenues include licenses, fees and other charges.

Investment Earnings

Investment earnings include interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year.

Derivatives – Interest Rate Swap/Swaptions

In accordance with GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, derivatives are stated at fair value on the Statement of Net Position. The change in fair value of the derivative is recorded as deferred inflows or deferred outflows or as adjustments to investment earnings.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (continued)

Derivatives – Interest Rate Swap/Swaptions (continued)

Also, in accordance with GASB Statement No. 53, up-front premiums received by the County related to swap or swaption agreements are considered borrowings for financial reporting purposes and are reported as a liability in the government-wide financial statements. The borrowing related to the swap, or hedging derivative instrument, is amortized over the life of the swap agreement. The interest related to the borrowing for the swaptions, or investment derivatives, is accreted to the balance of the liability from inception through the swaptions’ exercise date (if applicable) or maturity.

3. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences between the Total Fund Balance – Governmental Fund Balance Sheet and the Total Net Position – Governmental Activities, Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *total fund balance – total governmental funds* and *total net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.” The detail of this \$332,082,693 difference is as follows:

General obligation bonds and notes payable	\$ 250,667,700
Plus: Issuance premium (amortized as income)	6,823,323
Accrued vacation and sick pay	5,771,117
Net pension obligation	1,116,330
Net OPEB obligation	41,342,074
Accrued interest payable	1,513,319
Deferred outflow from refundings	(2,695,832)
Deferred outflow from interest rate swap	(5,600,879)
Derivative instrument – interest rate swap/swaption liability	4,659,459
Borrowing payable	3,598,576
Capital leases	23,592,400
Contracts payable	255,805
Workers’ compensation	1,039,301
Net adjustment to <i>total fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$ 332,082,693

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

3. Reconciliation of Government-wide and Fund Financial Statements (continued)

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, Changes in Fund Balances, and the Change in Net Position – Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over its estimated useful lives and reported as depreciation/amortization expense.” The detail of this \$12,536,264 difference is as follows:

Capital outlay	\$ 20,561,345
Depreciation/amortization expense	<u>(8,025,081)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 12,536,264</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, notes, capital leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The detail of this \$17,145,274 difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (8,185,000)
Swaption net change in fair value	2,166,331
Principal repayments:	
Capital lease payment	1,447,310
General obligation debt	13,651,000
Payment to escrow agent for refunding	<u>8,065,633</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 17,145,274</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

3. Reconciliation of Government-wide and Fund Financial Statements (continued)

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, Changes in Fund Balances, and the Change in Net Position – Government-wide Statement of Activities (continued)

Another element of that reconciliation states that, “governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are amortized in the statement of activities.” The detail of this \$25,059 difference is as follows:

Bond premiums	\$ (8,487)
Net unamortized amounts on refunding and prepayments	<u>33,546</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 25,059</u>

Another element of that reconciliation states that, “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.” The detail of this \$(4,820,035) difference is as follows:

Accrued vacation and sick pay	\$ 220,010
Contracts payable	100,568
Net pension obligation	60,433
Net OPEB obligation	(6,430,197)
Accrued interest payable	(71,098)
Amortization of gain on refunding	299,420
Workers' compensation	(240,725)
Amortization of net bond premiums	<u>1,241,554</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$(4,820,035)</u>

4. Budgets and Budgetary Accounting

The County adopts budgets for the General Fund and all special revenue funds, except the Community Development Block Grant Fund, the Human Services Block Grant Fund, and the Agricultural Land Preservation Fund. Project-length financial plans are adopted for the Capital Projects Fund.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

4. Budgets and Budgetary Accounting (continued)

The legal level of budgetary control is established by fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Appropriations lapse at the end of each year and must be reappropriated. The Chief Clerk is authorized to transfer budget amounts between departments within any fund; however, any supplemental appropriations which alter the total expenditures of any fund require resolution of the County Commissioners. Budgeted amounts are as originally adopted or as amended by the Commissioners at various times. During the year, several supplemental appropriations were necessary for the General and special revenue funds as a result of additional revenues made available from State grants and other sources.

The budgetary schedules for the General Fund, Behavioral Health and Developmental Services, Children and Youth Services, and Domestic Relations special revenue funds are located in required supplementary information. The budgetary schedules for Office of Aging, Drug and Alcohol, and Liquid Fuels nonmajor special revenue funds are located in the combining and individual fund statements and schedules.

5. Deposits and Investments

Deposits

At December 31, 2014, the County's bank balances, which include cash and temporary investments, totaled \$47,744,835. Of the bank balances, \$1,482,993 was covered by Federal depository insurance, \$14,455,688 was invested in money market funds which do not expose the County to custodial credit risk, and the remainder was categorized as uninsured and collateralized with securities held by the pledging financial institution's agent but not in the County's name under Act 72 of the Commonwealth of Pennsylvania. Although the County follows the Pennsylvania County Code, the County does not have a formal policy relative to managing custodial credit risk.

Non-Pension Investments

The County utilizes various investment sources in an effort to maximize interest earnings on its non-pension cash balances. Commonwealth of Pennsylvania statutes limit the County to the types of investments it may make. Allowable investments include repurchase agreements, U.S. government and related agency obligations, Commonwealth of Pennsylvania and related agency obligations, and prime commercial paper.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Non-Pension Investments (continued)

Custodial Credit Risk

At December 31, 2014, the County's non-pension investments included \$15,483,075 invested in U.S. Treasury Strips, Mutual Funds, Money Market Funds, and Certificates of Deposit. Of the investment balance, \$204,998 was covered by federal depository insurance. The U.S. Treasury Strips are not insured, are not registered in the name of the County, and are held by the counterparty in the counterparty's name. The \$14,455,688 invested in Money Market Funds does not expose the County to custodial credit risk, as noted above. The County limits its exposure to custodial credit risk by maintaining only those non-pension investments required by sinking fund or other similar contractual requirements. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk associated with changes in interest rates adversely affecting the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. At December 31, 2014, the County's non-pension investments were subject to interest rate risk as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 – 5	6 – 10	More than 10 Years
Non-pension Investments					
U.S. Treasury Strips	\$ 706,135	\$ -	\$ 358,604	\$ 347,531	\$ -
Mutual Funds	116,264	-	116,264	-	-
Money Market Funds	<u>14,455,688</u>	<u>14,455,688</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-pension Investments -					
Debt Securities	15,278,087	<u>\$ 14,455,688</u>	<u>\$ 474,868</u>	<u>\$ 347,531</u>	<u>\$ -</u>
Certificates of Deposit	<u>204,988</u>				
Total Investments	<u>\$ 15,483,075</u>				

Of the \$15,483,075, \$1,034,005 is classified as investments and the remainder is classified as cash and temporary investments in the Statement of Net Position.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Non-Pension Investments (continued)

Interest Rate Risk (continued)

The County manages its exposure to interest rate risk for non-pension investments by investing in fixed rate obligations. The non-pension investments with longer terms to maturity are inherently more sensitive to changes in interest rates as investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair value as a result of future changes in interest rates. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing interest rate risk.

Credit Risk

The following schedule details the County's exposure to credit risk with respect to non-pension investments at December 31, 2014:

	<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Investments			
	Money Market Funds	\$ 6,195	AAA
	Money Market Funds	9,309,203	A
	Money Market Funds	5,140,290	Not rated
	U.S. Treasury Strips	706,135	N/A
	Mutual Funds	116,264	Not rated
	Certificates of Deposit	204,988	N/A
	Total Investments	<u>\$ 15,483,075</u>	

*expressed as Moody's quality ratings

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Credit Risk (continued)

Pension investments by type were as follows at December 31, 2014:

<u>Investment Type</u>	<u>Fair Value</u>
Investments	
U.S. Government Securities	\$ 9,523,461
U.S. Government Agency – Mortgage Backed Securities (MBS)	12,967,697
Municipal Bonds	95,513
Domestic Corporate Bonds	31,793,465
International Corporate Bonds	1,764,113
Collateralized Mortgage Obligations	2,038,312
Domestic Common Stock	98,861,865
Equity Mutual Funds	43,297,783
International Equity Mutual Funds	31,163,915
Fixed Income Mutual Funds	1,833,126
Exchange Traded Index Funds	615,848
Brokered CDs	4,810,671
Total Investments	<u>\$ 238,765,769</u>

Additionally, the County maintains money market funds with a fair value of \$6,793,727 and Commercial Paper with a fair value of \$3,995,346, which are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Investments		
Domestic Corporate Bonds	\$ 705,328	Aaa
Domestic Corporate Bonds	2,743,025	Aa
Domestic Corporate Bonds	11,600,885	A
Domestic Corporate Bonds	16,552,645	Baa
Domestic Corporate Bonds	<u>191,582</u>	Ba
Total Domestic Corporate Bonds	31,793,465	
International Corporate Bonds	373,142	Aa
International Corporate Bonds	<u>1,390,971</u>	A
Total International Corporate Bonds	1,764,113	

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Credit Risk (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Municipal Bonds	95,513	Aa
Collateralized Mortgage Obligations	1,571,022	Aaa
Collateralized Mortgage Obligations	355,543	Aa
Collateralized Mortgage Obligations	<u>111,747</u>	A
Total Collateralized Mortgage Obligations	2,038,312	
U.S. Government Agency - MBS	5,206,339	Aaa
Fixed Income Mutual Fund	1,833,126	B
U.S. Government Securities	9,523,461	N/A
U.S. Government Agency – MBS	7,761,358	N/A
Domestic Common Stock	98,861,865	N/A
Equity Mutual Funds	43,297,783	N/A
International Equity Mutual Funds	31,163,915	N/A
Exchange Traded Index Funds	615,848	N/A
Brokered CDs	<u>4,810,671</u>	N/A
Total Investments	<u>\$ 238,765,769</u>	

*expressed as Moody's quality ratings

Additionally, the County maintains money market funds with a fair value of \$6,793,727, which are rated Aaa by Moody's and reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position. The County also has investments in Commercial Paper with a fair value of \$3,995,346, which are rated P-1 by Moody's and reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

Per County policy, the County manages its exposure to credit risk relative to pension investments by restricting the average quality of fixed income securities to meet or exceed a rating of A2 as determined by Moody's, and by the insistence of the minimum quality investments below Baa, as determined by Moody's, may not constitute more than 20% of the fixed income portfolio.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Custodial Credit Risk

At December 31, 2014, the County's pension investments were subject to custodial credit risk except for \$6,793,727 invested in Money Market Funds, which do not expose the County to custodial credit risk. All pension investments are held by the counterparty in the counterparty's name and not the name of the County and are recorded by the counterparty in book entry form only in the name of the County. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

Interest Rate Risk

At December 31, 2014, the County's pension investments were subject to interest rate risk as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 – 5	6 – 10	More than 10 Years
Pension Investments					
U.S. Government Securities	\$ 9,523,461	\$ 1,886,336	\$ 7,534,075	\$ 103,050	\$ -
U.S. Government Agency – MBS	12,967,697	654,158	6,727,456	2,377,262	3,208,821
Domestic Corporate Bonds	31,793,465	2,171,391	20,081,699	9,114,545	425,830
International Corporate – Bonds	1,764,113	125,768	1,449,240	189,105	-
Municipal Bond	95,513	-	95,513	-	-
Fixed Income Mutual Fund	1,833,126	1,833,126	-	-	-
Collateralized Mortgage Obligations	<u>2,038,312</u>	<u>-</u>	<u>774,066</u>	<u>1,264,246</u>	<u>-</u>
Total Pension Investments – Debt Securities	60,015,687	<u>\$ 6,670,779</u>	<u>\$ 36,662,049</u>	<u>\$ 13,048,208</u>	<u>\$ 3,634,651</u>
Domestic Common Stock	98,861,865				
Equity Mutual Funds	43,297,783				
International Equity Mutual Funds	31,163,915				
Brokered CDs	4,810,671				
Exchange Traded Index Funds	<u>615,848</u>				
Total Investment	<u>\$238,765,769</u>				

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Interest Rate Risk (continued)

Additionally, the County maintains money market funds with a fair value of \$6,793,727 and commercial paper with a fair value of \$3,995,346 which have maturities of less than one year and are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

The County manages its exposure to interest rate risk for pension investments by investing primarily in debt security instruments with fixed interest rates. The County's pension investment policy includes a desired annualized 7.5% real rate of return, though investment objectives are long-term in nature. The County does not have a formal investment policy relative to managing interest rate risk.

Pension investments with longer terms to maturity are inherently more sensitive to changes in interest rates as investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair value as a result of future changes in interest rates.

Pension investments in collateralized mortgage obligations and mortgage-backed securities are more sensitive to changes in interest rates. Declining interest rates may give rise to potential increases in prepayments of the underlying mortgages.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2014, \$31,163,915 of the County's pension investments was held in international equity mutual funds and \$1,764,113 of the County's pension investments was held in international corporate bonds. The holdings within these investments are of those companies located outside of the United States, denominated in other than U.S. dollars. The County's pension investment policy limits the County's exposure to foreign currency risk by ensuring that no more than 23% of total pension investments are invested in international equity securities.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Discretely Presented Component Unit

Deposits

Custodial Credit Risk

At December 31, 2014, the Convention Center Authority's bank balance, which included cash, temporary investments and restricted cash, equaled \$6,494,989. Of the bank balance, \$750,000 was covered by Federal depository insurance at December 31, 2014. The remainder was exposed to custodial credit risk and categorized as collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The Convention Center Authority does not have a policy relative to managing custodial credit risk.

Investments

Investments of the Convention Center Authority are subject to the same Pennsylvania statutes and limits as the County's (non-pension) investments. At December 31, 2014, the Convention Center Authority's investments included \$1,034,248 invested in money market funds.

Interest Rate Risk

The Convention Center Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2014, all of the Convention Center Authority's investments had an average maturity of less than one year.

Credit Risk

At December 31, 2014, the Convention Center Authority's investment in money market funds were rated AAAM by Standard & Poor's. The Convention Center Authority does not have a formal investment policy relative to managing credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Discretely Presented Component Unit

Investments (continued)

Concentration of Credit Risk

The Convention Center Authority places no limit on the amount it may invest in any one issuer.

On July 29, 2014, the Convention Center Authority entered into a termination agreement related to the guaranteed investment contracts in connection with the refunding of the Authority's debt. As a result of the termination agreement, the Convention Center Authority received an \$818,000 termination fee. The guaranteed investment contract proceeds and the termination fee were applied to the principal of the Hotel Room Rental Tax Revenue Bonds, Series of 2003 and 2007 in the amount of \$993,947 and to the funding of the debt service reserve fund in the amount of \$3,935,182.

6. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 and are levied on March 1. Taxes are collected at a discount until April 30, at their face amount from May 1 until June 30, and include a penalty thereafter. The County bills and collects its own taxes relating to property within the City of Lancaster and certain other municipalities that do not elect tax collectors. Taxes relating to all other municipalities in the County are collected by elected tax collectors. The County collects delinquent taxes on behalf of itself and other taxing authorities. Delinquent tax collections and remittances are accounted for through the County's Agency Fund.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2014 was 3.735 mills.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,275,585	\$ –	\$ –	\$ 5,275,585
Easements	99,220,632	1,834,740	–	101,055,372
Total capital assets, not being depreciated	104,496,217	1,834,740	–	106,330,957
Capital assets, being depreciated:				
Buildings and improvements	198,479,656	7,590,699	622,014	205,448,341
Improvements other than buildings	1,791,516	177,814	–	1,969,330
Furniture and equipment	44,674,952	9,738,371	341,283	54,072,040
Infrastructure	17,241,214	2,183,018	–	19,424,232
Total capital assets being depreciated	262,187,338	19,689,902	963,297	280,913,943
Less accumulated depreciation for:				
Buildings and improvements	64,195,160	5,067,898	61,400	69,201,658
Improvements other than buildings	648,366	61,591	–	709,957
Furniture and equipment	20,301,012	2,724,664	254,001	22,771,675
Infrastructure	3,064,303	486,329	–	3,550,632
Total accumulated depreciation	88,208,841	8,340,482	315,401	96,233,922
Total capital assets, being depreciated, net	173,978,497	11,349,420	647,896	184,680,021
Governmental activities capital assets, net	\$ 278,474,714	\$ 13,184,160	\$ 647,896	\$ 291,010,978

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

Governmental activities:	
General government	\$ 3,032,294
Public safety	2,327,018
Roads and bridges	486,329
Health, education, and welfare	152,247
Judicial	646,070
Corrections	1,462,566
Cultural and recreation	233,958
Total depreciation expense – governmental activities	\$ 8,340,482

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

The County has an ongoing capital project consisting of the acquisition of a new communications system. At year end, the County's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Communications system	\$ 11,088,472	\$ 9,309,203

The remaining commitment amounts of \$896,196 for the acquisition, construction, and renovation of various facilities were encumbered at year end.

Discretely Presented Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated::				
Land and improvements	\$ 1,579,621	\$ -	\$ -	\$ 1,579,621
Total capital assets, not being depreciated	1,579,621	-	-	1,579,621
Capital assets, being depreciated:				
Building	75,078,380	-	-	75,078,380
Furniture and equipment	4,492,828	3,570	4,116	4,492,282
Total capital assets being depreciated	79,571,208	3,570	4,116	79,570,662
Less accumulated depreciation for:				
Building	8,983,351	1,963,893	-	10,947,244
Furniture and equipment	2,140,778	440,852	3,153	2,578,477
Total accumulated depreciation	11,124,129	2,404,745	3,153	13,525,721
Total capital assets being depreciated, net	68,447,079	(2,401,175)	963	66,044,941
Capital assets, net	\$ 70,026,700	\$ (2,401,175)	\$ 963	\$ 67,624,562

8. Lease Obligations

Capital Leases

In 2012, the County entered into a lease agreement as lessee for financing the acquisition of a new communications system. The County has acquired equipment towards that system valued at \$15,592,874. The equipment has a twenty-year estimated useful life. This year, \$779,644 was included in depreciation expense and \$1,146,465 was included as accumulated depreciation. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

8. Lease Obligations (continued)

Capital Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

<u>Year Ending</u>	<u>Amount</u>
2015	\$ 2,226,973
2016	2,226,973
2017	2,226,973
2018	2,226,973
2019	2,226,973
2020-2024	11,134,868
2025-2029	6,680,920
Total minimum lease payments	<u>28,950,653</u>
Less: amount representing interest	<u>(5,358,253)</u>
Present value of minimum lease payments	<u>\$ 23,592,400</u>

Operating Leases

The County is committed under various leases for building and office space and data processing and other equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended December 31, 2014 amounted to \$2,775,080. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2015	\$ 2,907,354
2016	2,732,724
2017	2,691,868
2018	2,615,195
2019	2,642,024
2020-2024	1,919,647
2025-2029	1,218,194
2030-2034	1,184,745
2035-2039	184,149
2040-2044	114,865
Total	<u>\$ 18,210,765</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities

General Obligation Bonds and Notes

The County issues general obligation bonds and notes for the purposes of providing funds for and toward the cost of capital projects, asset acquisition, easements, and capital grant programs, of and in the County, or to refinance existing debt. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government.

The County is subject to Federal arbitrage laws governing the use of proceeds of tax-exempt debt.

As determined under the Commonwealth of Pennsylvania Local Government Unit Debt Act of 1972, the legal debt margin of the County at December 31, 2014 was \$189,247,638.

General obligation bonds and notes consisted of the following at December 31, 2014:

6.10% Interest-bearing installment purchase agreement in the amount of \$363,000, dated January 4, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2016.	\$ 363,000
Variable rate interest-bearing General Obligation Note, Series A of 2002 in the principal amount of \$25,050,000 to current refund Series of 2000, dated September 13, 2002, principal payable annually, varying in amounts from \$187,000 to \$2,439,000 from October 25, 2015 to October 25, 2030. Interest is payable monthly, based upon monthly calculations remitted by the trustee that include amounts sufficient to pay payments and receipts under any interest rate swap agreements, payments due to holders of the note, and monthly finance charges. The interest on the note will never exceed 15%.	24,697,000
5.50% Interest-bearing installment purchase agreement in the amount of \$210,000, dated December 30, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2022.	210,000
5.85% Interest-bearing installment purchase agreement in the amount of \$226,000, dated September 3, 2003, to finance the purchase of an agricultural easement, principal payable in full on November 15, 2023.	226,000
1.05% – 5.00% General Obligation Bonds, Series of 2006 (Remarketing) in the principal amount of \$22,960,000 to convert the Bonds from the Weekly Mode to the Term Mode dated October 1, 2009, principal payable annually, varying in amounts from \$775,000 to \$1,635,000 from March 1, 2015 to March 1, 2031.	19,355,000
3.625% – 5.00% General Obligation Bonds, Series A of 2006 in the principal amount of \$25,000,000 to provide funding for both farmland and natural land preservation and projects in the city, boroughs, and urban growth areas of townships of the County dated May 1, 2006, principal payable annually, varying in amounts from \$1,120,000 to \$1,865,000 from May 1, 2015 to May 1, 2026.	17,430,000
3.77% Interest-bearing General Obligation Note, Series of 2007 in the principal amount of \$10,000,000 to partially refund Series A of 2004, dated December 31, 2007, principal payable annually in amounts ranging from \$92,300 to \$1,932,600 from November 1, 2015 to November 1, 2021.	9,511,700

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

<p>2.00% – 5.00% General Obligation Bonds Series A of 2009 in the principal amount of \$41,220,000 to refund the outstanding General Obligation Variable Rate Demand Bonds, Series B of 2003 and the outstanding General Obligation Bonds, Series of 2008 of the County and to finance certain capital projects dated August 14, 2009, principal payable annually, varying in amounts from \$2,310,000 to \$630,000 from November 1, 2015 to November 1, 2033.</p>	\$ 30,340,000
<p>0.80% – 3.125% General Obligation Bonds, Series A of 2010 in the principal amount of \$17,355,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,480,000 to \$1,805,000 from November 1, 2015 to November 1, 2022.</p>	13,060,000
<p>5.473% General Obligation Bonds, Series B of 2010 in the principal amount of \$9,425,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$635,000 to \$2,295,000 from November 1, 2026 to November 1, 2030.</p>	9,425,000
<p>4.744% General Obligation Bonds, Series C of 2010 in the principal amount of \$7,165,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,860,000 to \$1,405,000 from November 1, 2023 to November 1, 2026.</p>	7,165,000
<p>0.90% – 3.625% General Obligation Bonds, Series of 2011 in the principal amount of \$10,000,000 to partially refund Series A of 2001, dated December 16, 2011, principal payable annually, varying in amounts from \$55,000 to \$1,695,000 from November 1, 2015 to November 1, 2027.</p>	9,805,000
<p>2.00% – 5.00% General Obligation Bonds, Series A of 2012 in the principal amount of \$23,305,000 to finance certain capital projects dated April 13, 2012, principal payable annually, varying in amounts from \$870,000 to \$1,720,000 from November 1, 2015 to November 1, 2032.</p>	21,635,000
<p>0.65% – 3.00% General Obligation Bonds, Series B of 2012 in the principal amount of \$7,065,000 to refund the outstanding General Obligation Notes, Series A of 2001 of the County dated April 13, 2012, principal payable annually, varying in amounts from \$5,000 to \$1,325,000 from November 1, 2015 to November 1, 2021.</p>	7,055,000
<p>1.00% – 5.00% General Obligation Bonds, Series C of 2012 in the principal amount of \$17,620,000 to refund the outstanding General Obligation Notes, Series B of 2001 of the County dated April 13, 2012, principal payable annually, varying in amounts from \$185,000 to \$1,480,000 from November 1, 2015 to November 1, 2019.</p>	16,605,000
<p>0.65% – 2.25% General Obligation Bonds, Series D of 2012 in the principal amount of \$7,910,000 to refund the outstanding General Obligation Bonds, Series A of 2002 of the County dated April 13, 2012, principal payable annually, varying in amounts from \$5,000 to \$3,790,000 from November 1, 2015 to November 1, 2020.</p>	7,900,000
<p>1.00% – 4.00% General Obligation Bonds, Series E of 2012 in the principal amount of \$20,235,000 to advance refund the outstanding General Obligation Bonds, Series of 2003 of the County dated August 29, 2012, principal payable annually, varying in amounts from \$445,000 to \$1,410,000 from November 1, 2015 to November 1, 2032.</p>	18,860,000
<p>2.00% – 3.375% General Obligation Bonds, Series A of 2013 in the principal amount of \$1,595,000 to finance certain capital projects dated August 7, 2013, principal payable annually, varying in amounts from \$150,000 to \$135,000 from November 1, 2015 to November 1, 2022.</p>	1,590,000
<p>4.007% – 5.556% General Obligation Bonds, Series B of 2013 in the principal amount of \$5,200,000 to finance certain capital projects dated August 7, 2013, principal payable annually, varying in amounts from \$160,000 to \$630,000 from November 1, 2022 to November 1, 2033.</p>	5,200,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

Variable rate interest-bearing General Obligation Bonds, Series C of 2013 in the principal amount of \$18,630,000 to refund the outstanding variable rate General Obligation Bonds, Series of 2005, dated August 7, 2013, principal payable annually, varying in amounts from \$895,000 to \$1,305,000 from March 1, 2015 to March 1, 2030. Interest is payable monthly, based upon monthly calculations remitted by the trustee that include amounts sufficient to pay payments and receipts under any interest rate swap agreements, payments due to holders of the note, and monthly finance charges. The interest on the note will never exceed 18%.	\$ 17,760,000
0.35% General Obligation Bonds, Series D of 2013 in the principal amount of \$9,750,000 to refund the outstanding General Obligation Bonds, Series A of 2003 of the County dated November 1, 2013, principal payable annually in the amount of \$4,890,000 to May 1, 2015.	4,890,000
0.20% – 2.80% General Obligation Bonds, Series of 2014 in the principal amount of \$8,185,000 to advance refund the outstanding General Obligation Bonds, Series A of 2004 of the County dated March 5, 2014, principal payable annually, varying in amounts from \$85,000 to \$2,155,000 from November 1, 2015 to November 1, 2023.	<u>7,585,000</u>
Total general obligation bonds and notes payable	<u><u>\$ 250,667,700</u></u>

A summary of the County’s total debt service commitments for general obligation bonds and notes is as follows:

	Principal	Interest	Total
2015	\$ 15,069,300	\$ 8,288,407	\$ 23,357,707
2016	15,861,900	8,017,505	23,879,405
2017	17,333,400	7,461,080	24,794,480
2018	18,049,700	6,855,272	24,904,972
2019	18,229,400	6,230,243	24,459,643
2020-2024	75,359,000	23,828,961	99,187,961
2025-2029	67,891,000	11,413,110	79,304,110
2030-2033	22,874,000	1,704,759	24,578,759
	<u>\$ 250,667,700</u>	<u>\$ 73,799,337</u>	<u>\$ 324,467,037</u>

On March 5, 2014, the County issued General Obligation Bonds, Series of 2014, in the amount of \$8,185,000, to refund General Obligation Bonds, Series A of 2004. Principal is payable annually ranging in amounts from \$85,000 to \$2,155,000 from November 1, 2015 to November 1, 2023. The refunding of the 2004A General Obligation Bonds resulted in a \$1,061,842 reduction to payments and an economic gain of \$1,051,852.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Changes in Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 264,203,700	\$ 8,185,000	\$ 21,721,000	\$ 250,667,700	\$ 15,069,300
Net premium (discount) on bonds payable	8,056,390	8,487	1,241,554	6,823,323	1,241,554
Accrued vacation and sick pay	5,878,110	225,023	332,016	5,771,117	332,016
Net pension obligation	1,176,763	5,902,564	5,962,997	1,116,330	—
Net OPEB obligation	34,911,877	8,016,279	1,586,082	41,342,074	—
Capital leases	25,039,710	—	1,447,310	23,592,400	1,493,391
Contracts payable	356,373	—	100,568	255,805	103,268
Workers' compensation	798,576	774,744	534,019	1,039,301	359,765
Governmental activities long-term liabilities	<u>\$ 340,421,499</u>	<u>\$ 23,112,097</u>	<u>\$ 32,925,546</u>	<u>\$ 330,608,050</u>	<u>\$ 18,599,294</u>

All long-term liabilities are expected to be repaid primarily from General Fund tax revenues.

Discretely Presented Component Unit

During the year ended March 31, 2007, the Convention Center Authority remarketed the Hotel Room Rental Tax Revenue Bonds, Series of 2003 \$(40,000,000), and issued the Hotel Room Rental Tax Revenue Bonds, Series of 2007 \$(23,920,000) for the purpose of paying, together with other available funds, the costs of (i) funding the design, acquisition, construction, furnishing, and equipping of that certain convention center, as defined in the indenture; (ii) funding necessary reserves for the project and the bonds; (iii) the establishment of necessary reserves and other funds under the indenture; (iv) payment of the costs and expenses of issuance of the bonds; and (v) refunding certain outstanding indebtedness of the issuer. The bonds were secured by a pledge of all current and future revenue derived by the Convention Center Authority from its share of hotel room rental tax and all monies and investments held by the Trustee Bank under the related indenture and are initially secured by an irrevocable, direct pay letter of credit issued by Wachovia Bank, National Association.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

The bonds initially bore interest at a weekly rate. During the weekly mode, interest on the bonds was to be paid on the first business day of each calendar month, commencing on May 1, 2007. The weekly rate for the bonds was computed by Wachovia Bank, National Association for each weekly rate period. The weekly rate was not to exceed 12% per annum. At times specified in the indenture, the issuer had the ability to cause the bonds to be converted to a term mode. The bonds, if converted, were subject to mandatory purchase on the date of such conversion. The floating interest rate under the weekly mode was 67% of USD-LIBOR-BBA on the agreed-upon payment dates.

On October 3, 2011, the bonds were restructured and the Convention Center Authority entered into a continuing covenant agreement with Wells Fargo Bank. Under the agreement, the bank paid the purchase price of \$63,590,000 to M&T Bank (Trustee Bank) for the bonds. The bonds were to be held by the bank until the mandatory purchase date of March 1, 2013, at which time the bonds were subject to mandatory tender for purchase at an amount equal to 100% of the principal amount of the bonds, plus accrued interest. On this date, the authority was to cause the bonds to be remarketed to the bank or to new investors at any of the interest rate options provided in the agreement.

The bank extended the mandatory purchase date related to the bonds to August 1, 2014. All other provisions of the agreement remain in effect through the mandatory purchase date.

Under the agreement, the interest rate was converted from the weekly rate to the index interest rate. The bonds were to bear interest at a per annum rate of interest equal to the sum of (i) the index, defined as 67% of LIBOR, and (ii) the applicable spread, commencing October 3, 2011. The applicable spread effective from October 3, 2011 through February 28, 2012 was defined as 95 basis points on the Series of 2003 bonds and 125 basis points on the Series of 2007 bonds. Effective March 1, 2012, the applicable spread increased to 175 basis points on the Series of 2003 bonds and 190 basis points on the Series of 2007 bonds. The applicable spread could be reduced if the Convention Center Authority was able to accomplish certain milestones as set forth in the agreement. At December 31, 2013, the index interest rate on the Series of 2003 bonds and the Series of 2007 bonds was 1.864% and 2.014%, respectively.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

At the option of the Convention Center Authority, the bonds could have been optionally redeemed or converted to another interest rate mode to be effective on the interest payment date prior to the mandatory purchase date upon 60 days written notice to the bank.

On August 1, 2014, the bonds were refunded through the issuance of the Hotel Room Rental Tax Revenue Bonds, Series of 2014 in the amount of \$62,595,000. At the date of refunding, the interest rate on the Series of 2003, the Series of 2007, and the Series of 2014 bonds was 1.855%, 2.005%, and 0.859%, respectively. The fee received from the termination of the guaranteed investment contracts, including accrued interest, along with funds realized from a reduction in the debt service reserve fund requirements associated with the 2014 bonds totaling \$995,000, was used to pay a portion of the principal due on the bonds. In addition, the debt service reserve requirement for the 2014 bonds was reduced from \$4.1 million to \$3.9 million. The 2014 bonds are subject to mandatory tender on July 31, 2019.

The 2014 bonds initially bear interest, through the mandatory tender date, at a rate equal to the sum of the index rate, SIFMA or 70% of LIBOR, plus the applicable spread, initially 75 basis points, fixed for five years. The bonds will bear interest at the index rate during the index rate period provided no event of default has occurred. At the option of the Convention Center Authority, the bonds may be optionally redeemed or converted to another interest rate mode to be effective on any LIBOR reset date prior to the mandatory tender date upon 60 days written notice to the bank and compliance with the applicable provisions of the related documents.

Debt service requirements are as follows:

	Principal	Interest	Total
2015	\$ 370,000	\$ 540,836	\$ 910,836
2016	410,000	537,609	947,609
2017	460,000	534,028	994,028
2018	510,000	530,016	1,040,016
2019	60,845,000	482,143	61,327,143
	<u>\$ 62,595,000</u>	<u>\$ 2,624,632</u>	<u>\$ 65,219,632</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Revenue bonds payable	\$ 63,590,000	\$ 62,595,000	\$ 63,590,000	\$ 62,595,000	\$ 370,000

In October 2011, in conjunction with the restructuring of the bonds, the Convention Center Authority entered into a term note agreement with Wells Fargo Bank in the amount of \$750,000 for the purpose of paying for the costs associated with the restructuring of the bonds. The note was secured by a pledge of all current and future revenue derived by the Convention Center Authority from its share of hotel room rental tax. Interest was payable monthly at a fixed rate of 3.5%, commencing November 1, 2011 through the maturity date of December 1, 2014.

Note payable activity for the year ended December 31, 2014, was as follows:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014
	\$ 400,000	\$ -	\$ 400,000	\$ -

10. Self-Insurance Claims Liability

The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workers' Compensation Act of 1915 as Reenacted and Amended. The liability is recorded as estimated by the County's actuary. The Bureau of Workers' Compensation issued an exemption permit renewing the County's self-insurance status on January 3, 2014.

The County is also self-insured for unemployment compensation, however, payments are made quarterly to the Commonwealth of PA and any resulting liability is considered short term and included within accounts payable.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

10. Self-Insurance Claims Liability (continued)

Changes in the County's self-insurance claims reserves for the years ended December 31, 2014 and 2013 were as follows:

	Reserve Balance as of January 1, 2014	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2014
Workers' Compensation	\$ 798,576	\$ 774,744	\$ 534,019	\$ 1,039,301
	Reserve Balance as of January 1, 2013	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2013
Unemployment Compensation	\$ 44,108	\$ -	\$ 44,108	\$ -
Workers' Compensation	928,980	255,924	386,328	798,576
Total Unemployment Compensation and Workers' Compensation	\$ 973,088	\$ 255,924	\$ 430,436	\$ 798,576

11. Interfund Balances

Individual fund receivable and payable balances at December 31, 2014 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 1,025,134	\$ -
Behavioral Health/Developmental Svs Fund	-	1,025,134
Total	\$ 1,025,134	\$ 1,025,134

12. Interfund Transfers

Interfund transfers for the year ended December 31, 2014 consisted of the following:

	Interfund Transfers-In	Interfund Transfers-Out
General Fund	\$ -	\$ 11,930,786
Children and Youth Services Fund	8,057,647	-
Behavioral Health/Developmental Svs Fund	776,718	-
Domestic Relations Fund	2,122,667	-
Nonmajor Governmental Funds	1,408,573	434,819
Total	\$ 12,365,605	\$ 12,365,605

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

12. Interfund Transfers (continued)

Transfers are utilized to use unrestricted revenues collected in the General Fund and deferred inflows of resources in the Human Services Block Grant Fund to finance various grant programs accounted for in other funds in accordance with budgetary and legal authorizations.

13. Fines and Costs Receivable

At December 31, 2014, \$2,896,622 in fines and costs receivable are expected to be collected in more than one year.

14. Commitments and Contingent Liabilities

The County receives funds from the Commonwealth of Pennsylvania and various Federal agencies to fund specific programs. Final determination of various amounts is subject to audit under the Federal Single Audit Act Amendments of 1996 and by the responsible agencies. County officials believe that any audit adjustments resulting from final settlements will be immaterial in relation to the County's financial resources.

The County is involved as either plaintiff or defendant in several lawsuits and claims. However, it is the opinion of County solicitors that potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial position of the County.

On December 15, 2003, the County had guaranteed to replenish annual debt service reserve fund draws of the Convention Center Authority over the life of the Convention Center Authority's debt service reserve fund note. The Convention Center Authority's Note was issued in connection with the Convention Center Authority's Hotel Room Rental Tax Revenue Bonds, Series of 2003, (the Bonds) to prevent a default of the Bonds in the event of an unexpected interruption in the flow of hotel room rental tax revenues that are pledged to pay debt service on the Bonds. The annual replenishment to have been paid by the County equaled, to the extent the Convention Center Authority had failed to provide necessary funding as had been required by the Convention Center Authority's debt service reserve fund note, an amount not to exceed the lesser of \$1,509,960 or 50% of the required reserve amount in any fiscal year \$(2,610,270). On August 1, 2014, the bonds were refunded through the issuance of the Hotel Room Rental Tax Revenue Bonds, Series of 2014. The 2014 bonds debt service payments are guaranteed by the County.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

As of December 31, 2014, hotel room rental tax revenues were sufficient to cover the debt service on the Bonds; thus, it was not necessary for the County to replenish the debt service reserve fund.

On May 15, 2004, the County guaranteed revenue bonds issued by the Redevelopment Authority in the amount of \$13,505,000 to fund the site acquisition, design, construction, and operation of a multi-purpose stadium and related improvements. The bonds are to be repaid by the Redevelopment Authority by receipts and revenues derived from the use of the multi-purpose stadium facilities. On January 15, 2013, the bonds were refunded through the issuance of the Redevelopment Authority of the County of Lancaster Taxable Guaranteed Stadium Bonds, Series of 2013, in the amount of \$10,950,000. At December 31, 2014, \$10,090,000 of the bonds remained outstanding.

On May 12, 2005, the County guaranteed lease rental debt of the Redevelopment Authority to be incurred during the undertaking of the stadium project. At December 31, 2014, the County's guarantee equaled a maximum annual debt service amount of \$1,098,508.

On September 2, 2005, the County guaranteed a note in the amount of \$100,000 issued by the Lancaster Industrial Development Authority to the Redevelopment Authority. Principal and interest on this note are due June 30, 2025.

Discretely Presented Component Unit

Under the continuing covenant agreement, the Convention Center Authority is required to maintain certain minimum balances in the funds held at the Trustee Bank. Failure to meet this liquidity covenant for any quarterly period represents an event of default. During the year ended December 31, 2014, the Convention Center Authority failed to meet this liquidity covenant for the quarters ending March 31 and June 30, 2014. As a result of the event of default, the Bank directed the County to divert the 20% of hotel room rental tax allocated to the PDCVB to the Trustee Bank of the Convention Center Authority's bonds. Per the collaboration agreement, the PDCVB agreed to deliver an irrevocable letter directing the Lancaster County Treasurer to direct 100% of the hotel room rental tax revenues to the Convention Center Authority for the period of July 2014 through June 2019.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

Discretely Presented Component Unit (continued)

Beginning in 2014, the Convention Center Authority approved a collaboration agreement in an effort to increase the marketability of the Convention Center, and, in turn, the promotion and attraction of business, industry, commerce, and tourism within the County. The Convention Center Authority agrees to make payments for the purpose of targeting marketing activities to attract higher priority events. The funding shall amount to \$35,000 per year through 2020.

15. Other Postemployment Benefits

Description

The County follows the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$41,342,074 and \$6,430,197 respectively, in governmental activities.

The County, through its substantive commitment to provide Other Postemployment Benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all former full-time employees who were members of the Employee Retirement Plan for a minimum of twenty years, five years for former full-time employees whose hire date with the County precedes January 1, 2012, and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the County's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. Benefit and contribution provisions of the Plan are authorized and amended by the County commissioners.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Other Postemployment Benefits (continued)

Funding Policy

Premiums under the Plan for postemployment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the County in accordance with rates established by the County and by the County itself from appropriate governmental funds. For 2014, contribution rates for Plan members under 65 equaled \$12.13 per participant per month. Contribution rates for Plan members 65 and over equaled \$78.40 per participant per month. For the year ended December 31, 2014, Plan members receiving benefits paid \$437,162, which was used to offset the County's total outlays to insurance carriers equaling \$2,023,244 for current year premiums due. The net outlay from the County, which equaled \$1,586,082 represents the County's net cost paid for current year premiums due. The Plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 8,638,999
Interest on net OPEB obligation	1,396,475
Adjustment to annual required contribution	<u>(2,019,195)</u>
Annual OPEB cost	8,016,279
Contributions made	<u>(1,586,082)</u>
Increase in net OPEB obligation	6,430,197
Net OPEB obligation – beginning of year	<u>34,911,877</u>
Net OPEB obligation – end of year	<u><u>\$ 41,342,074</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Other Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
12/31/12	\$ 6,024,243	36.45%	\$ 28,537,809
12/31/13	\$ 8,129,973	21.60%	\$ 34,911,877
12/31/14	\$ 8,016,279	19.79%	\$ 41,342,074

Funding Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$94,369,951 resulting in an unfunded actuarial accrued liability (UAAL) of \$94,369,951. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$77,867,605 and the ratio of the UAAL to the covered payroll equaled 121.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Other Postemployment Benefits (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. 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 calculations.

In the actuarial valuation dated January 1, 2014, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4.0% discount rate, which approximates the expected rate of return on non-pension investments held by the County. The general inflation rate assumption is 3%. Actuarial assumptions also included an annual healthcare cost trend rate of 5.2% initially, reduced by decrements to an ultimate rate of 4% after five years. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

16. Employee Retirement Plan (Pension Trust Fund)

Summary of Significant Accounting Policies

The Lancaster County Employee Retirement Plan's (the Plan) financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Description of Plan
Plan Administration

The County maintains a single-employer contributory defined benefit pension plan covering substantially all County employees. The Plan is considered part of the County's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund. The Plan does not issue a stand-alone financial report.

The Plan is governed by the 1971 County Pension Law, Act 96, of the General Assembly of the Commonwealth of Pennsylvania, as amended (the Act). Benefit and contribution provisions of the Plan are established and can be amended as provided by the Act.

Management of the Plan is vested in the Retirement Board, which consists of five members – three elected County Commissioners, the County Controller and the County Treasurer.

Administrative costs of the Plan, in accordance with a 1991 amendment to the Act, may be paid from Plan assets unless it is determined by the actuary that such payment will impair the actuarial soundness of the Plan. During 2014, all administrative costs totaling \$64,312 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

Plan membership

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2014, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,182
Terminated Plan members enrolled but not yet receiving benefits	190
Active Plan members	<u>1,774</u>
Total members	<u><u>3,146</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits vest after five years of credited service. Employees who retire at age 60 or with 20 years of service, if at least 55 years of age, are entitled to an unreduced annual retirement benefit. Employees are eligible for a reduced annual retirement benefit after accumulating 20 years of service prior to reaching age 55.

The general annual benefit is from 0.833% to 1.25% (depending on the date the employee entered the Plan) of the employee's highest three-year salary times years of service.

All Plan members are eligible for disability benefits after five years of service if disabled while in service and unable to continue as a County employee. Disability retirement benefits are equal to 25% of the highest average salary at the time of retirement.

The death benefit for a member who dies with ten years of service prior to retirement is the total present value of the member's retirement paid in a lump sum.

On an ad hoc basis, cost-of-living adjustments (COLA) to each member's retirement allowance shall be reviewed at least once in every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is a percentage of the change in the Consumer Price Index.

Contributions

Covered employees are required by the Act to contribute to the Plan at a rate of 5% of their gross pay. Employees may contribute up to an additional 10% of gross pay, at their option. The contributions are recorded in an individually identified account which is also credited with interest, calculated to yield between 4.0% - 5.5% (as determined by the Retirement Board) compounded annually. Accumulated employee contributions and credited interest, which amounted to \$67,785,255 as of December 31, 2014, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Contributions (continued)

An actuarially determined contribution is recommended by the Plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance an unfunded accrued liability. For 2014, the active member contribution rate was 5.0% of annual pay, and the County average contribution rate was 7.66% of annual payroll.

The Plan's funding policy provides for periodic member contributions as discussed above and employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of payroll employer contribution rates on an open basis and the actuarial value of assets are determined using the entry age normal method. The actuarial value of assets was determined using fair value adjusted for unrecognized gains and losses from prior years. Significant actuarial assumptions used to compute the annual employer required contributions for the current year are the same as those used to compute the net pension liability.

Discount Rate

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4%
International equity	5.5
Fixed income	1.3
Real estate	4.5
Cash	0.0

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Discount Rate (continued)

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.5%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's net pension liability (asset)	\$ 81,362,948	\$ 12,772,284	\$ (9,970,672)

Investments

The Plan's investments are held in a bank-administered trust fund. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy for 2014.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	41-61%
International equity	13-23%
Fixed income	26-36%
Cash	0-5%

The County's investment policy does not allow for an investment of 5% or more of Plan investments in any single corporation or group of affiliated corporations.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Description of Plan (continued)

Investments (continued)

For 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the County as of December 31, 2014 were as follows:

Total pension liability	\$ 261,694,715
Plan fiduciary net position	<u>(248,922,431)</u>
County's net pension liability	<u>\$ 12,772,284</u>
 Plan fiduciary net position as a percentage of the total pension liability	 95.12%

Total Pension Liability

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions:

Inflation	3.0%
Salary increases	3.75%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Postretirement benefit increases	None

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Net Pension Liability (continued)

The actuarial assumptions used in the valuation as of December 31, 2014 were based on past experience under the Plan and reasonable future expectations, which represent the best estimate of anticipated experience under the Plan.

The amortization of the unfunded actuarial accrued liability is over a 30 year period on a closed basis. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes.

Legally Required Reserves

At December 31, 2014, the County has a balance of \$67,785,225 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2014. Since those accumulations represent the present value of future benefits as of December 31, 2014, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$44,672,527 in the County Annuity Reserve Account as of December 31, 2014. This balance and the amounts expected to be credited in the future, plus investment earnings thereon, represent the reserves set aside for the payment of the County's share of the retirement allowances.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such County annuities actually entered upon.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid. The assets allocated to this reserve account as of December 31, 2014 amounted to \$98,505,444. Thus, the Retired Members' Reserve Account is always fully funded.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

The data that follows is based upon the GASB Statement No. 27 measurement of pension obligations and assets for the County (i.e., the employer). The pension information presented previously relates to the GASB Statement No. 67 measurement of pension liabilities and assets for the reported pension trust fund. As described in Note 1, the County adopted GASB Statement No. 67 effective January 1, 2014; however, the County has until next year to adopt the GASB Statement No. 68 measures that replace those under GASB Statement No. 27.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 5,962,997
Interest on net pension obligation	88,257
Adjustment to annual required contribution	(148,690)
Annual pension cost	5,902,564
Contributions made	5,962,997
Decrease in net pension obligation	(60,433)
Net pension obligation beginning of year	1,176,763
Net pension obligation, end of year	\$ 1,116,330

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 7,085,749	101%	\$ 1,238,974
2013	\$ 6,938,917	101%	\$ 1,176,763
2014	\$ 5,902,564	101%	\$ 1,116,330

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Plan was 89.0% funded. The actuarial accrued liability for benefits was \$265,716,928, and the actuarial value of assets was \$236,547,831, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,169,097. The covered payroll (annual payroll of active employees covered by the Plan) was \$79,478,129, and the ratio of the UAAL to the covered payroll was 36.7%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Employee Retirement Plan (Pension Trust Fund) (continued)

Funded Status and Funding Progress (continued)

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

17. Derivative Instruments

Objectives of the Interest Rate Swap and Swaption

In order to take advantage of interest rate environments in the financial markets, the County has previously entered into a pay-fixed/receive-variable interest rate swap and pay-variable/receive-fixed interest rate swaption associated with the general obligation debt series listed below. The intent of the swaption was to sell an option to a qualified counterparty that gives the counterparty the right, but not the obligation, to effectively change the interest rate paid on the County's associated general obligation debt series.

Significant Terms, Fair Values and Credit Risk

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

The intrinsic value of the swaption, which in this case is equal to the value of the embedded derivative instrument, is estimated using the zero-coupon method as described above. The time value of the option is equal to the swaption's value minus intrinsic value. The option value is estimated using an option pricing model that incorporates market volatility data. The model calculates all possible changes in the value of the underlying swap for each future cash flow period (up, down or unchanged) and determines a probability of exercise based on the modeling inputs.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

The associated debt series (general obligation bonds or notes), terms, notional amounts, cash received at initiation, fair values, changes in fair values, classifications and counterparty credit ratings of the outstanding swap and swaptions, as of December 31, 2014, are as follows. The swap and swaption agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated original debt series.

Hedged Derivative Instruments – Floating to Fixed Swap

Associated Debt Series	Effective Date	Termination Date	Type	County Pays	County Receives	Swap Notional Amount	Cash Received at Initiation	Classification	Change in Fair Value	Classification	Fair Value 12/31/2014	Counterparty Credit Rating*
GON 2002A	1/1/2002	10/25/2030	Pay-fixed/ receive- variable swap	5.195%	60% LIBOR +30.3bp	<u>\$24,697,000</u>	<u>\$3,000,000</u>	Deferred Outflows of Resources	<u>\$(911,320)</u>	Debt	<u>\$(7,938,457)</u>	A / A+

*Standard & Poor's and Fitch credit ratings

The unamortized portion of the up-front premium received by the County related to the swap or hedged derivative instrument is considered a borrowing for financial reporting purposes and is recorded as a liability in the government-wide financial statements in the amount of \$1,652,174.

Credit Risk

Because the hedged derivative has a negative fair value, the County is currently not exposed to credit risk. However, should interest rates change and the fair value of the swap become positive, the County would be exposed to credit risk in the amount of the derivative's fair value.

Basis Risk

Basis risk exists to the extent the County's variable rate debt coupon payments do not exactly equal the index on the associated swap. The swap exposes the County to basis risk, should the relationship between the 1-Month LIBOR rate, the basis of the swap interest payments, and SIFMA, the basis of the associated debt's interest payments, converge, thus changing the synthetic rate on the associated debt. The effect of this difference in basis is indicated by the differences between the intended synthetic rates and the actual synthetic rates as of December 31, 2014. At December 31, 2014, the 1-month LIBOR rate equaled 0.1675% and SIFMA equaled 0.04%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Interest Rate Risk

The County's interest rate swap serves to guard against a rise in variable interest rates associated with the outstanding variable rate debt series. However, if the LIBOR index decreases, the County's net payment on interest rate swap increases; therefore, the County is exposed to interest rate risk on its interest rate swap.

Termination Risk

The termination exposure of the County's swap and swaption agreements at December 31, 2014 is limited only to the swap and swaption (if exercised) with negative fair values; the County would have to pay the respective amounts in order to terminate the associated swap or swaption (if exercised). Either the County or the Counterparty can terminate the agreements if certain contractual events occur including the reduction of either party's credit rating below BBB+ as rated by Standard & Poor's or Baa1 as rated by Moody's.

Investment Derivatives – Fixed to Floating Swaptions

Associated Debt Series	Effective Date	Termination Date	Type	County Pays	County Receives	Swap Notional Amount	Cash Received at Initiation	Classification	Change in Fair Value	Classification	Fair Value 12/31/2014	Counterparty Credit Rating*
2013 Swaption	**	11/1/2033	Pay-variable/ Receive-fixed swaption	3-MONTH USD LIBOR	4.25%	<u>\$42,500,000</u>	<u>\$1,865,000</u>	Investment Earnings	<u>\$2,166,331</u>	Investment	<u>\$(319,588)</u>	AA- / AA

* Standard & Poor's and Fitch credit ratings

** Effective date not applicable since the swaption has not been exercised as of December 31, 2014. The option is European style and may be exercised by the counterparty on only one date, October 28, 2016. If the counterparty does not exercise its option on October 28, 2016, the 2013 swaption expires and both counterparties are released from any further obligations under the 2013 swaption. If the counterparty does exercise its option on October 28, 2016, the quarterly swap payments between the County and the counterparty will commence on February 1, 2017 based upon the above terms.

The unamortized portion of the up-front premium received by the County related to the swaption or investment derivative is considered a borrowing for financial reporting purposes and is recorded as a liability in the government-wide financial statements in the amount of \$1,946,402.

Credit Risk

Because the investment derivative has a negative fair value, the County is currently not exposed to credit risk. However, should interest rates change and the fair value of the swaption becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value, if the swaption was exercised.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Interest Rate Risk

The existing swaption, if exercised, would result in the County receiving a fixed interest rate in exchange for paying a floating rate equal to the 3-month USD LIBOR Index. The risk that the 3-month USD LIBOR Index rises above the fixed swap rate over the term of the swaption increases the County's exposure to interest rate risk.

There were no derivative instruments reclassified from hedging derivative instruments to investment derivative instruments during the year ended December 31, 2014.

Swap Payments and Associated Debt

Using rates as of December 31, 2014, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. As rates vary, variable rate debt interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable Rate Debt		Interest Rate	Total
	Principal	Interest	Swap, Net	
2015	\$ 187,000	\$ 9,865	\$ 1,181,811	\$ 1,378,676
2016	288,000	9,783	1,171,948	1,469,731
2017	1,178,000	9,601	1,150,202	2,337,803
2018	1,245,000	9,125	1,093,154	2,347,279
2019	1,312,000	8,622	1,032,895	2,353,517
2020-2024	7,757,000	34,537	4,137,455	11,928,992
2025-2029	10,291,000	16,934	2,028,633	12,336,567
2030-2034	2,439,000	794	95,103	2,534,897
Total	<u>\$ 24,697,000</u>	<u>\$ 99,261</u>	<u>\$ 11,891,201</u>	<u>\$ 36,687,462</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit

Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in March 2007, the Convention Center Authority entered into an interest-rate swap in connection with Series of 2003 and Series of 2007 variable rate hotel room rental tax revenue bonds. The intention of the swap was effectively to change the Convention Center Authority's variable interest rate on that portion of the bonds to a synthetic rate of 3.65%. Pursuant to an amended and restated confirmation between the Convention Center Authority and the Counterparty, Wells Fargo Bank, dated September 28, 2011, the amortization, maturity dates, and fixed payment rates on the swap related to the bonds were amended. Effective October 3, 2011, the fixed payment on the swap related to the Series of 2003 bonds was 3.67% and the fixed payment on the swap related to the Series of 2007 bonds was 3.57%.

Terms

The bonds and the related swap agreements mature on December 1, 2042 (Series of 2003) and December 1, 2047 (Series of 2007), and the swap's notional amount of \$40,000,000 and \$23,920,000, respectively, was 100% of the total issue amount of the underlying bonds. The notional amount of the swap agreement decreases as the outstanding principal amount of the corresponding Series of 2003 and Series of 2007 bonds decrease through maturing principal. The swap agreements were entered into at the same time the bonds were issued, March 2007. Prior to October 3, 2011, under the swap agreements, the Convention Center Authority paid the counterparty a fixed payment of 3.65% and received a variable payment computed as 67% of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable rate coupons were based on the weekly rate determined by the remarketing agent. Effective October 3, 2011, the Convention Center Authority pays the counterparty a fixed payment of 3.67% related to the Series of 2003 bonds and 3.57% related to the Series of 2007 bonds.

Pursuant to the swap agreements, the Convention Center Authority pays or receives to/from the counterparty a monthly net swap payment. For the year ended December 31, 2014, the Convention Center Authority paid \$1,414,045 and \$828,711 fixed and received \$43,457 and \$26,203 variable with respect to the swap on the Series of 2003 and Series of 2007, respectively.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Convention Center Authority's financial statements. The swap is highly sensitive to changes in interest rates; changes in the variable rate will have a material effect on the swap's fair value.

Fair Value Risk

Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value is based upon mid-market quotations for the transactions. Mid-market quotations are based on bid/ask quotations shown on reliable electronic information screens as of close of business on the date specified. Such amounts represent the present value difference between the floating rate receipt and fixed rate payment as of December 31, 2014 and the termination value fluctuates as the interest rates fluctuate.

Because the 2011 amendment and restatement changed the critical terms of the swap agreements, the original swap was effectively terminated upon amendment. At the date of amendment, the swap liability was reclassified to a swap borrowing on the balance sheet. As such, the deferred outflows were charged to investment loss on swap termination and the swap liability was reclassified to a swap borrowing on the statement of net position. Governmental accounting standards require that the borrowing be amortized to offset interest expense over the life of the bonds.

The change in fair value for the interest rate swaps is as follows:

Associated Debt Series	Notional Amount	January 1, 2014 – Fair Value	Amortization of Swap Borrowing	Change in Fair Value Subsequent to Termination	December 31, 2014 – Fair Value
Series of 2003 Bonds	\$39,670,000	\$(7,509,277)	\$403,105	\$(5,182,579)	\$(12,288,751)
Series of 2007 Bonds	23,920,000	(5,090,632)	258,522	(5,116,429)	(9,948,539)
		<u>\$(12,599,909)</u>	<u>\$661,627</u>	<u>\$(10,299,008)</u>	<u>\$(22,237,290)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

Accounting and Risk Disclosures

As noted in the fair value table above, the effect of the termination of the original swap resulted in a swap borrowing. At December 31, 2014, current period changes in fair value for the swap are accounted for as an investment and are recorded on the statement of activities as unrestricted investment earnings (loss). The fair value of the outstanding swap as of December 31, 2014 is reported on the statement of net position as a combination of interest rate swap liability and swap borrowing.

Credit Risk

As of December 31, 2014, the Convention Center Authority's swap agreements were not exposed to credit risk, because they had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Convention Center Authority would be exposed to credit risk in the amount of the swap agreement's fair value. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds. At December 31, 2014, the counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's, and AA- by Fitch.

Swap Payments and Associated Debt

Using rates as of December 31, 2014, net swap payments on the applicable notional amounts of the Series of 2003 Bonds and the applicable notional amounts of the Series of 2007 Bonds, assuming current interest rates and floating rates under the swap agreement remain the same for their term, were as follows. As these rates vary, net swap payments on the applicable notional amounts of the Series of 2003 Bonds and the applicable notional amounts of the Series of 2007 Bonds will vary:

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

Series of 2003, Hotel Room Rental Tax Revenue Bonds

Fiscal Year Ending December 31	Notional Amount	Swap Agreement Payments, Net
2015	\$ 370,000	\$ 1,411,334
2016	410,000	1,398,042
2017	460,000	1,383,296
2018	510,000	1,366,769
2019	570,000	1,348,434
2020-2024	3,805,000	6,391,120
2025-2029	5,780,000	5,575,078
2030-2034	8,380,000	4,363,398
2035-2039	11,760,000	2,631,711
2040-2042	7,625,000	509,308
	<u>\$ 39,670,000</u>	<u>\$ 26,378,490</u>

Swap Payments and Associated Debt (continued)

Series of 2007, Hotel Room Rental Tax Revenue Bonds

Fiscal Year Ending December 31	Notional Amount	Swap Agreement Payments, Net
2015	\$ -	\$ 827,741
2016	-	827,741
2017	-	827,741
2018	-	827,741
2019	-	827,741
2020-2024	-	4,138,705
2025-2029	-	4,138,705
2030-2034	-	4,138,705
2035-2039	-	4,138,705
2040-2044	10,525,000	3,719,226
2045-2047	13,395,000	972,003
	<u>\$ 23,920,000</u>	<u>\$ 25,384,754</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Negative Unrestricted Net Position

Discretely Presented Component Unit

The Convention Center Authority's negative unrestricted net position, as shown on the December 31, 2014 statement of net position, is due to a GASB requirement for governmental entities to terminate hedge accounting when a termination event has occurred on a derivative instrument (interest rate swap). A termination event occurs when a significant change in a critical term of an interest rate swap is made.

Since the 2008 national financial crises, the Convention Center Authority has had a significant interest rate swap liability and understood that the liability would be realized if, or when, the Convention Center Authority refinanced its bonds or the hedge became ineffective. The October 2011 restructuring caused the Convention Center Authority to account for the termination of the hedge accounting as a liability on the statement of net position and recognize the swap loss on the statement of activities.

The December 31, 2014 fair value of the Convention Center Authority's interest rate swap was \$(22,237,290), when compared to the December 31, 2013 fair value of \$(12,599,909) for a negative change in valuation of \$9,637,381. All change (including this \$9,637,381) in the fair value of the Convention Center Authority's interest rate swap is a reflection of market conditions.

19. Subsequent Events

On January 30, 2015, the County paid Royal Bank of Canada the sum of \$279,000 to terminate the \$42,500,000 LIBOR Swaption.

On March 12, 2015, the County issued General Obligation Bonds Series 2015 in the amount of \$16,060,000 to advance refund General Obligation Bonds Series A of 2006.

On June 17, 2015, the County authorized the issuance of General Obligation Bonds Series A of 2015 in the amount of \$15,000,000 to refund General Obligation Bonds Series A of 2010.

Discretely Presented Component Unit

As of February 28, 2015, the fair value of the Convention Center Authority's interest rate swap was \$(24,256,431).

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Required Supplementary Information

County of Lancaster, Pennsylvania

Schedule of Funding Progress – Other Post-Employment Healthcare Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	-	\$ 71,586,159	\$ 71,586,159	-	\$ 76,433,494	93.7%
1/1/2013	-	89,648,595	89,648,595	-	76,305,642	117.5%
1/1/2014	-	94,369,951	94,369,951	-	77,867,605	121.2%

County of Lancaster, Pennsylvania

Employee Retirement Plan
Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2009	\$ 7,171,189	104%
2010	7,216,063	111%
2011	7,304,873	103%
2012	7,142,834	100%
2013	7,001,128	100%
2014	5,962,997	100%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ 158,074,015	\$ 213,374,965	\$ 55,300,950	74.1%	\$ 79,444,845	69.6%
12/31/2010	169,788,390	221,658,694	51,870,304	76.6%	78,838,153	65.8%
12/31/2011	189,541,657	239,432,154	49,890,497	79.2%	76,433,494	65.3%
12/31/2012	194,240,337	241,101,765	46,861,428	80.6%	76,305,642	61.4%
12/31/2013	216,918,969	253,533,460	36,614,491	85.6%	77,867,605	47.0%
12/31/2014	236,547,831	265,716,928	29,169,097	89.0%	79,478,129	36.7%

County of Lancaster, Pennsylvania

Schedule of Changes in the County's Net Pension Liability and Related Ratios

	<u>2014</u>
Total pension liability	
Service cost	\$2,398,631
Interest	18,403,064
Changes of benefit terms	-
Differences between expected and actual experience	4,512,191
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(12,955,244)</u>
Net change in total pension liability	12,358,642
Total pension liability - beginning	<u>\$249,336,073</u>
Total pension liability - ending (a)	<u><u>\$261,694,715</u></u>
Plan fiduciary net position	
Contributions - employer	\$5,962,997
Contributions - member	5,034,095
Net investment income	13,976,986
Benefit payments, including refunds of member contributions	(12,955,244)
Administrative expense	(42,755)
Other	<u>(21,557)</u>
Net change in plan fiduciary net position	11,954,522
Plan fiduciary net position - beginning	<u>\$236,967,909</u>
Plan fiduciary net position - ending (b)	<u><u>\$248,922,431</u></u>
County's net pension liability - ending (a) - (b)	<u><u>\$12,772,284</u></u>
Plan fiduciary net position as a percentage of the total pension liability	95.12%
Covered-employee payroll	\$77,867,605
County's net pension liability as a percentage of covered-employee payroll	16.40%

The County adopted GASB Statement No. 67, effective January 1, 2014, which requires presentation of this schedule for a 10 year period. However, until a full 10 year trend is available and compiled, information for those years for which information is available is shown.

County of Lancaster, Pennsylvania

Schedule of County Contributions

	<u>2014</u>
Actuarially determined contributions	\$ 5,962,997
Contributions in relation to the actuarially determined contribution	<u>5,962,997</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 77,867,605
Contributions as a percentage of covered-employee payroll	7.66%

Notes to schedule

Valuation date January 1, 2014

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates.

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	26 years
Asset valuation method	Fair value
Inflation	3.0%
Salary increases	3.75% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

The County adopted GASB Statement No. 67, effective January 1, 2014, which requires presentation of this schedule for a 10 year period. However, until a full 10 year trend is available and compiled, information for those years for which information is available is shown.

County of Lancaster, Pennsylvania

Schedule of Investment Returns

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.50%

The County adopted GASB Statement No. 67, effective January 1, 2014, which requires presentation of this schedule for a 10 year period. However, until a full 10 year trend is available and compiled, information for those years for which information is available is shown.

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Basis – General Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Real estate taxes	\$ 116,949,317	\$ 116,949,317	\$ 117,245,174	\$ 295,857
Intergovernmental	5,484,844	6,489,036	5,345,711	(1,143,325)
Departmental	36,704,586	36,716,358	19,623,338	(17,093,020)
Fines and costs	3,275,600	3,275,600	3,257,444	(18,156)
Investment earnings	76,200	76,200	72,444	(3,756)
Other	4,481,414	4,481,414	4,195,922	(285,492)
Total revenues	<u>166,971,961</u>	<u>167,987,925</u>	<u>149,740,033</u>	<u>(18,247,892)</u>
EXPENDITURES				
Current:				
General government	30,141,429	30,991,013	29,925,016	1,065,997
Public safety	13,301,440	13,301,440	12,911,011	390,429
Health, education, and welfare:				
Other	327,440	606,167	–	606,167
Judicial	41,754,693	41,929,581	38,446,458	3,483,123
Corrections	25,816,852	25,816,852	24,992,285	824,567
Cultural and recreation	2,388,365	2,402,980	2,170,804	232,176
Capital outlay	16,796,561	16,519,711	9,473,147	7,046,564
Debt service:				
Principal retirement	14,206,000	14,206,000	13,651,000	555,000
Interest and fiscal charges	11,232,638	11,232,638	10,729,224	503,414
Total expenditures	<u>155,965,418</u>	<u>157,006,382</u>	<u>142,298,945</u>	<u>14,707,437</u>
Excess (deficiency) of revenues over (under) expenditures	11,006,543	10,981,543	7,441,088	(3,540,455)
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,294,593)	(12,294,593)	(11,930,786)	363,807
Total other financing sources (uses)	<u>(12,294,593)</u>	<u>(12,294,593)</u>	<u>(11,930,786)</u>	<u>363,807</u>
Net change in fund balances	<u>\$ (1,288,050)</u>	<u>\$ (1,313,050)</u>	<u>(4,489,698)</u>	<u>\$ (3,176,648)</u>
Net increase in due from other funds			(1,025,134)	
Fund balances, January 1, cash basis			<u>24,784,408</u>	
Fund balance, December 31, cash basis			19,269,576	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			2,836,384	
Fines and costs, net			5,660,082	
Accounts			2,609,803	
Due from other funds			1,025,134	
Due from other governments			1,678,518	
Accounts payable			(1,239,674)	
Unearned revenue - intergovernmental			(115,316)	
Deferred inflows of resources			(6,924,936)	
Payroll related accruals			<u>(2,834,968)</u>	
Fund balance at December 31, modified accrual basis			<u>\$ 21,964,603</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Basis – Children and Youth Services Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 31,105,312	\$ 31,117,397	\$ 30,847,703	\$ (269,694)
Departmental	1,937,483	1,937,483	1,407,935	(529,548)
Interest	30	30	–	(30)
Total revenues	<u>33,042,825</u>	<u>33,054,910</u>	<u>32,255,638</u>	<u>(799,272)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth	41,783,586	41,851,389	39,963,539	1,887,850
Capital outlay	94,102	38,384	31,098	7,286
Total expenditures	<u>41,877,688</u>	<u>41,889,773</u>	<u>39,994,637</u>	<u>1,895,136</u>
Excess (deficiency) of revenues over (under) expenditures	(8,834,863)	(8,834,863)	(7,738,999)	1,095,864
OTHER FINANCING SOURCES (USES)				
Transfers in	8,714,220	8,714,220	8,057,647	(656,573)
Net change in fund balances	<u>\$ (120,643)</u>	<u>\$ (120,643)</u>	<u>318,648</u>	<u>\$ 439,291</u>
Fund balances, January 1, cash basis			<u>287,211</u>	
Fund balance, December 31, cash basis			605,859	
Differences from modified accrual basis:				
Due from other governments			4,124,893	
Accounts payable			(2,175,248)	
Unearned revenue - intergovernmental			(393,259)	
Deferred inflows of resources			(1,031,396)	
Payroll related accruals			(476,302)	
Due to other funds				
Fund balance at December 31, modified accrual basis			<u>\$ 654,547</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Basis – Behavioral Health & Developmental Services Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 23,837,539	\$ 24,283,377	\$ 22,694,481	\$ (1,588,896)
Departmental	2,222,350	3,964,653	2,111,343	(1,853,310)
Interest	1,500	1,500	2,088	588
Other	–	–	892	892
Total revenues	<u>26,061,389</u>	<u>28,249,530</u>	<u>24,808,804</u>	<u>(3,440,726)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Behavioral Health & Developmental Services	26,469,865	28,483,560	26,390,702	2,092,858
Capital outlay	121,500	771,174	719,429	51,745
Total expenditures	<u>26,591,365</u>	<u>29,254,734</u>	<u>27,110,131</u>	<u>2,144,603</u>
Excess (deficiency) of revenues over (under) expenditures	(529,976)	(1,005,204)	(2,301,327)	(1,296,123)
OTHER FINANCING SOURCES (USES)				
Transfers in	422,546	897,774	776,718	(121,056)
Net change in fund balances	<u>\$ (107,430)</u>	<u>\$ (107,430)</u>	<u>(1,524,609)</u>	<u>\$ (1,417,179)</u>
Net increase in due to other funds			1,025,134	
Fund balances, January 1, cash basis			<u>682,156</u>	
Fund balance, December 31, cash basis			182,681	
Differences from modified accrual basis:				
Due from other governments			2,556,027	
Other receivables			169,999	
Due to other funds			(1,025,134)	
Accounts payable			(1,489,446)	
Payroll related accruals			(394,127)	
Fund balance at December 31, modified accrual basis			<u>\$ –</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Budgetary Basis – Domestic Relations Special Revenue Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,149,886	\$ 4,149,886	\$ 4,726,500	\$ 576,614
Departmental	80,000	80,000	82,358	2,358
Investment earnings	11,000	11,000	10,618	(382)
Total revenues	<u>4,240,886</u>	<u>4,240,886</u>	<u>4,819,476</u>	<u>578,590</u>
EXPENDITURES				
Current:				
Judicial	6,586,899	6,590,899	6,210,512	380,387
Capital outlay	4,000	–	–	–
Total expenditures	<u>6,590,899</u>	<u>6,590,899</u>	<u>6,210,512</u>	<u>380,387</u>
Excess (deficiency) of revenues over (under) expenditures	(2,350,013)	(2,350,013)	(1,391,036)	958,977
OTHER FINANCING SOURCES (USES)				
Transfers in	2,323,759	2,323,759	2,122,667	(201,092)
Net change in fund balances	<u>\$ (26,254)</u>	<u>\$ (26,254)</u>	<u>731,631</u>	<u>\$ 757,885</u>
Fund balances, January 1, cash basis			<u>8,314,187</u>	
Fund balance, December 31, cash basis			9,045,818	
Differences from modified accrual basis:				
Due from other governments			1,065,447	
Accounts payable			(13,456)	
Payroll related accruals			(211,214)	
Fund balance at December 31, modified accrual basis			<u>\$ 9,886,595</u>	

County of Lancaster, Pennsylvania

Notes to Required Supplementary Information

1. Budgetary Basis of Accounting

The County's budgetary basis is substantially on a cash basis but includes some payroll related accruals and related interfund transactions.

2. Budgetary Basis Differences

The County's basis of accounting for budgetary purposes differs from its basis of accounting for GAAP reporting purposes.

General Fund revenues per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 149,740,033
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	<u>(3,984,837)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances – General Fund	<u>\$ 145,755,196</u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 142,298,945
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	<u>(3,485,974)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances – General Fund	<u>\$ 138,812,971</u>

County of Lancaster, Pennsylvania

Combining and Individual Fund Statements and Schedules

The following nonmajor governmental funds include special revenue funds used to account for revenues that are legally restricted to expenditures for particular purposes.

Office of Aging Fund

This fund is used to account for amounts received from various federal, state, and local sources. These funds are restricted to operate programs which assist citizens age 60 and older to maintain maximum independence and dignity in a home environment.

Drug and Alcohol Fund

This fund is used to account for amounts received from various federal, state, and local sources. These funds are restricted to plan, coordinate and administer service programs for the control of alcohol and drug abuse.

Liquid Fuels Fund

This fund is used to account for amounts received from the Commonwealth. These funds are restricted to building and improving local roads and bridges.

Agricultural Land Preservation Fund

This fund is used to account for amounts restricted for payments of easements to farmers within the County in efforts to preserve agricultural land.

Human Services Block Grant Fund

This fund is used to account for restricted amounts received under Act 80 of 2012, which include Base funds for Mental Health and Intellectual Disabilities, Act 152 Drug and Alcohol funds, Human Services Development funds, Child Welfare Special Grants, and Homeless Assistance.

Community Development Block Grant Fund

This fund is used to account for amounts received from various federal and state sources. These funds are restricted and passed through to the Lancaster County Redevelopment Authority to be used for the development of decent housing, a suitable living environment, and expanded economic opportunities within the County.

County of Lancaster, Pennsylvania

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2014

	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Human Services Block Grant	Community Development Block Grant	Total Nonmajor Governmental Funds
ASSETS							
Cash and temporary investments:							
Operating	\$ 678,202	\$ 1,082,280	\$ 2,831,608	\$ 1,014,013	\$ 1,971,089	\$ -	\$ 7,577,192
Other	129,930	-	-	-	-	-	129,930
Investments	-	-	-	706,135	-	-	706,135
Due from other governments	488,635	-	124,745	-	-	-	613,380
Other receivables	-	-	-	14,784	-	-	14,784
Total assets	\$ 1,296,767	\$ 1,082,280	\$ 2,956,353	\$ 1,734,932	\$ 1,971,089	\$ -	\$ 9,041,421
LIABILITIES							
Liabilities:							
Accounts payable	\$ 503,391	\$ 1,006,949	\$ 36,144	\$ -	\$ -	\$ -	\$ 1,546,484
Unearned revenue-intergovernmental	294,799	55,251	203,976	-	1,971,089	-	2,525,115
Payroll related accruals	187,083	20,080	-	-	-	-	207,163
Total liabilities	985,273	1,082,280	240,120	-	1,971,089	-	4,278,762
FUND BALANCES							
Restricted							
Health, education, and welfare	311,494	-	-	-	-	-	311,494
Roads and bridges	-	-	2,716,233	-	-	-	2,716,233
Community development	-	-	-	1,734,932	-	-	1,734,932
Total fund balances	311,494	-	2,716,233	1,734,932	-	-	4,762,659
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,296,767	\$ 1,082,280	\$ 2,956,353	\$ 1,734,932	\$ 1,971,089	\$ -	\$ 9,041,421

County of Lancaster, Pennsylvania

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Human Services Block Grant	Community Development Block Grant	Total Nonmajor Governmental Funds
REVENUES							
Intergovernmental	\$ 9,322,233	\$ 4,467,729	\$ 1,541,697	\$ -	\$ 165,656	\$ 3,901,912	\$ 19,399,227
Departmental	14,825	-	-	-	-	-	14,825
Investment earnings	-	386	2,071	-	6,836	-	9,293
Other	13,493	180,228	10,509	-	-	-	204,230
Total revenues	9,350,551	4,648,343	1,554,277	-	172,492	3,901,912	19,627,575
EXPENDITURES							
Current:							
Roads and bridges			224,121				224,121
Health, education, and welfare:							
Drug and alcohol	-	4,736,456	-	-	-	-	4,736,456
Office of aging	9,806,234	-	-	-	-	-	9,806,234
Other	-	-	-	-	269,598	-	269,598
Community development	-	-	-	504,654	-	3,901,912	4,406,566
Capital outlay	33,178	-	1,523,861	-	-	-	1,557,039
Total expenditures	9,839,412	4,736,456	1,747,982	504,654	269,598	3,901,912	21,000,014
(Deficiency) excess of revenues (under) over expenditures	(488,861)	(88,113)	(193,705)	(504,654)	(97,106)	-	(1,372,439)
OTHER FINANCING SOURCES (USES)							
Transfers in	788,535	88,113	-	-	531,925	-	1,408,573
Transfers out	-	-	-	-	(434,819)	-	(434,819)
Total other financing sources (uses)	788,535	88,113	-	-	97,106	-	973,754
Net change in fund balances	299,674	-	(193,705)	(504,654)	-	-	(398,685)
Fund balances, January 1	11,820	-	2,909,938	2,239,586	-	-	5,161,344
Fund balances, December 31	\$ 311,494	\$ -	\$ 2,716,233	\$ 1,734,932	\$ -	\$ -	\$ 4,762,659

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Budgetary Basis – Office of Aging Special Revenue Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Intergovernmental	\$ 8,902,324	\$ 8,920,881	\$ 8,562,233	\$ (358,648)
Departmental	103,889	103,889	14,825	(89,064)
Other	125,732	125,732	13,493	(112,239)
Total revenues	<u>9,131,945</u>	<u>9,150,502</u>	<u>8,590,551</u>	<u>(559,951)</u>
EXPENDITURES				
Health, education, and welfare:				
Office of Aging	9,975,798	9,961,095	9,575,619	385,476
Capital outlay	–	33,260	33,178	82
Total expenditures	<u>9,975,798</u>	<u>9,994,355</u>	<u>9,608,797</u>	<u>385,558</u>
Excess (deficiency) of revenues over (under) expenditures	(843,853)	(843,853)	(1,018,246)	(174,393)
OTHER FINANCING SOURCES (USES)				
Transfers in	828,421	828,421	788,535	(39,886)
Net change in fund balances	<u>\$ (15,432)</u>	<u>\$ (15,432)</u>	<u>(229,711)</u>	<u>\$ (214,279)</u>
Fund balance, January 1, cash basis			<u>1,037,843</u>	
Fund balance, December 31, cash basis			808,132	
Differences from modified accrual basis:				
Due from other governments			488,635	
Accounts payable			(503,391)	
Unearned revenue - intergovernmental			(294,799)	
Payroll related accruals			<u>(187,083)</u>	
Fund balance at December 31, modified accrual basis			<u>\$ 311,494</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Budgetary Basis – Drug and Alcohol Special Revenue Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,466,551	\$ 4,212,362	\$ 4,576,957	\$ 364,595
Departmental	544,999	544,999	180,229	(364,770)
Investment earnings	600	600	386	(214)
Total revenues	<u>4,012,150</u>	<u>4,757,961</u>	<u>4,757,572</u>	<u>(389)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,162,208	4,908,019	4,767,058	140,961
Capital outlay	–	–	–	–
Total expenditures	<u>4,162,208</u>	<u>4,908,019</u>	<u>4,767,058</u>	<u>140,961</u>
Excess (deficiency) of revenues over (under) expenditures	(150,058)	(150,058)	(9,486)	140,572
OTHER FINANCING SOURCES (USES)				
Transfers in	147,779	147,779	88,112	(59,667)
Net change in fund balances	<u>\$ (2,279)</u>	<u>\$ (2,279)</u>	<u>78,626</u>	<u>\$ 80,905</u>
Fund balance, January 1, cash basis			<u>1,003,654</u>	
Fund balance, December 31, cash basis			<u>1,082,280</u>	
Differences from modified accrual basis:				
Unearned revenue - intergovernmental			(55,251)	
Accounts payable			(1,006,949)	
Payroll related accruals			<u>(20,080)</u>	
Fund balance at December 31, modified accrual basis			<u>\$ –</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Budgetary Basis – Liquid Fuels Special Revenue Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget – Positive
REVENUES				
Intergovernmental	\$ 1,213,000	\$ 1,213,000	\$ 3,150,668	\$ 1,937,668
Investment earnings	25,000	25,000	2,070	(22,930)
Other	–	–	10,509	10,509
Total revenues	<u>1,238,000</u>	<u>1,238,000</u>	<u>3,163,247</u>	<u>1,925,247</u>
EXPENDITURES				
Current:				
Roads and bridges	474,869	474,869	396,002	78,867
Capital outlay	3,164,443	3,164,443	1,590,516	1,573,927
Total expenditures	<u>3,639,312</u>	<u>3,639,312</u>	<u>1,986,518</u>	<u>1,652,794</u>
Net change in fund balances	<u>\$ (2,401,312)</u>	<u>\$ (2,401,312)</u>	<u>1,176,729</u>	<u>\$ 3,578,041</u>
Fund balance, January 1, cash basis			<u>1,654,879</u>	
Fund balance, December 31, cash basis			<u>2,831,608</u>	
Differences from modified accrual basis:				
Due from other governments			124,745	
Accounts payable			(36,144)	
Unearned revenue - intergovernmental			<u>(203,976)</u>	
Fund balance at December 31, modified accrual basis			<u>\$ 2,716,233</u>	

County of Lancaster, Pennsylvania

Combining Statement of Changes in Assets and Liabilities –
Agency Funds

For the Year Ended December 31, 2014

	Balance, January 1, 2014	Additions	Deletions	Balance, December 31, 2014
ASSETS				
Cash and temporary investments – operating	\$ 13,375,516	\$ 165,651,483	\$ 166,819,733	\$ 12,207,266
Total assets	<u>\$ 13,375,516</u>	<u>\$ 165,651,483</u>	<u>\$ 166,819,733</u>	<u>\$ 12,207,266</u>
LIABILITIES				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	\$ 1,168,082	\$ 1,411,209	\$ 1,346,610	\$ 1,232,681
Sheriff's office	3,323,447	15,336,060	17,515,719	1,143,788
All others	10,304	3,260	4,733	8,831
Total deposits and advances	<u>4,501,833</u>	<u>16,750,529</u>	<u>18,867,062</u>	<u>2,385,300</u>
Escrow liability:				
Bail escrow	206,988	254,822	133,254	328,556
Child support	47,879	1,820,666	1,839,409	29,136
County prison	68,583	2,138,100	2,145,101	61,582
Court restitution	1,706,023	9,000,842	8,812,078	1,894,787
All others	795,538	117,585	163,682	749,441
Total escrow liability	<u>2,825,011</u>	<u>13,332,015</u>	<u>13,093,524</u>	<u>3,063,502</u>
Other liabilities:				
Other liabilities	1,270,899	10,258,200	9,610,526	1,918,573
Total other liabilities	<u>1,270,899</u>	<u>10,258,200</u>	<u>9,610,526</u>	<u>1,918,573</u>
Due to other governments:				
Fines and costs	4,690,497	89,134,707	89,113,314	4,711,890
All others	87,276	36,176,032	36,135,307	128,001
Total due to other governments	<u>4,777,773</u>	<u>125,310,739</u>	<u>125,248,621</u>	<u>4,839,891</u>
Total liabilities	<u>\$ 13,375,516</u>	<u>\$ 165,651,483</u>	<u>\$ 166,819,733</u>	<u>\$ 12,207,266</u>

STATISTICAL SECTION

This section of the County of Lancaster'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 government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	123
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	127
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	132
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	138
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	141
Miscellaneous Information These schedules contain principal officials, salaries, amounts of surety bonds and insurance information.	146

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

County of Lancaster, Pennsylvania

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ (4,430,120)	\$ (5,172,999)	\$ (7,039,956)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693	\$ 46,196,645	\$ 49,226,216	\$ 57,793,520
Restricted	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062	62,854,126	57,216,276	41,738,015
Unrestricted (deficit)	8,158,113	12,801,777	1,436,715	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)	(109,299,728)	(104,543,590)	(84,961,252)
Total governmental activities net position	<u>\$ 15,025,028</u>	<u>\$ 20,713,816</u>	<u>\$ 4,850,368</u>	<u>\$ 1,680,936</u>	<u>\$ (8,798,500)</u>	<u>\$ 679,128</u>	<u>\$ 1,794,835</u>	<u>\$ (248,957)</u>	<u>\$ 1,898,902</u>	<u>\$ 14,570,283</u>
Business-type activities (1)										
Net investment in capital assets	\$ 1,252,446	\$ 1,117,343	\$ 994,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	(378,075)	4,672,829	(588,879)	-	-	-	-	-	-	-
Total business-type activities net position	<u>\$ 874,371</u>	<u>\$ 5,790,172</u>	<u>\$ 405,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Net investment in capital assets	\$ (3,177,674)	\$ (4,055,656)	\$ (6,045,581)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693	\$ 46,196,645	\$ 49,226,216	\$ 57,793,520
Restricted	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062	62,854,126	57,216,276	41,738,015
Unrestricted (deficit)	7,780,038	17,474,606	847,836	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)	(109,299,728)	(104,543,590)	(84,961,252)
Total primary government net position	<u>\$ 15,899,399</u>	<u>\$ 26,503,988</u>	<u>\$ 5,255,864</u>	<u>\$ 1,680,936</u>	<u>\$ (8,798,500)</u>	<u>\$ 679,128</u>	<u>\$ 1,794,835</u>	<u>\$ (248,957)</u>	<u>\$ 1,898,902</u>	<u>\$ 14,570,283</u>

(1) Conestoga View was sold effective September 30, 2005. Effective January 1, 2008, activities and balances once associated with the 911 Operations Fund are now included in Public Safety under Governmental Activities.

County of Lancaster, Pennsylvania

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 51,954,353	\$ 52,426,879	\$ 68,609,628	\$ 56,939,439	\$ 57,904,194	\$ 63,863,797	\$ 57,284,051	\$ 53,090,406	\$ 53,456,166	\$ 47,688,115
Public Safety	2,201,133	2,360,548	2,536,633	10,277,194	12,180,651	12,145,608	12,543,485	14,403,729	21,902,476	14,921,490
Roads and bridges	167,029	623,252	493,225	446,693	528,189	632,719	939,766	629,269	391,992	675,825
Health, education, and welfare	107,626,232	104,177,809	113,385,735	117,363,995	97,621,458	81,796,132	158,356,532	158,906,330	154,045,202	156,191,063
Judicial	33,702,922	35,604,068	41,188,766	43,561,664	41,496,484	42,298,718	43,118,281	45,303,625	44,553,349	42,421,056
Corrections	17,648,560	18,730,110	20,515,725	23,554,777	23,427,298	23,975,680	24,834,919	28,052,063	26,707,583	26,397,549
Cultural and recreation	2,735,472	3,073,281	3,063,646	3,298,512	3,009,056	2,953,256	2,492,561	2,749,572	2,681,009	2,441,711
Community development	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384	3,485,997	4,305,998
Bond issuance costs	-	-	-	-	-	-	-	-	282,181	127,854
Interest on long-term debt	6,751,272	8,916,410	9,163,174	9,444,280	9,240,379	9,506,172	10,774,790	10,298,347	10,599,734	10,605,535
Total governmental activities expenses	<u>228,623,392</u>	<u>231,776,989</u>	<u>263,334,682</u>	<u>271,658,045</u>	<u>250,993,797</u>	<u>242,776,811</u>	<u>318,165,736</u>	<u>317,831,725</u>	<u>318,105,689</u>	<u>305,776,196</u>
Business-type activities:										
Conestoga View (1)	21,980,881	-	-	-	-	-	-	-	-	-
911 Operations (2)	7,676,205	8,210,597	8,663,494	-	-	-	-	-	-	-
Total business-type activities expenses	<u>29,657,086</u>	<u>8,210,597</u>	<u>8,663,494</u>	<u>-</u>						
Total primary government expenses	<u>\$ 258,280,478</u>	<u>\$ 239,987,586</u>	<u>\$ 271,998,176</u>	<u>\$ 271,658,045</u>	<u>\$ 250,993,797</u>	<u>\$ 242,776,811</u>	<u>\$ 318,165,736</u>	<u>\$ 317,831,725</u>	<u>\$ 318,105,689</u>	<u>\$ 305,776,196</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,697,547	\$ 6,340,408	\$ 3,228,878	\$ 9,423,946	\$ 10,398,692	\$ 6,905,007	\$ 6,238,767	\$ 9,711,321	\$ 10,444,728	\$ 5,898,650
Public Safety	498,421	244,403	191,522	3,307,766	3,844,511	6,817,662	7,494,676	6,551,111	12,711,899	5,108,919
Roads and bridges	-	-	-	15,630	30,834	48,098	11,650	9,819	7,875	10,509
Health, education, and welfare	-	-	-	3,340,383	3,051,371	3,688,636	3,939,160	3,369,213	3,532,301	4,546,721
Judicial	7,054,409	8,094,287	6,463,143	8,902,090	2,134,151	6,992,023	7,701,804	9,154,345	7,948,172	8,267,853
Corrections	79,513	78,224	95,800	162,781	91,985	132,581	145,236	214,594	579,462	1,176,571
Cultural and recreation	272,849	261,701	245,924	292,330	257,520	281,093	323,385	279,979	411,646	293,848
Community development	-	-	-	-	-	-	-	1,884,223	-	-
Operating grants and contributions:										
General government	3,101,614	4,552,280	2,817,224	4,054,521	2,656,338	9,897,518	10,873,602	6,061,463	5,043,465	4,789,553
Public Safety	206,750	100,646	175,821	182,036	189,997	149,797	252,359	184,980	90,315	251,141
Roads and bridges	856,450	770,553	917,389	1,220,200	903,191	1,153,429	2,606,826	1,612,936	2,576,440	1,541,697
Health, education, and welfare	105,469,003	102,399,525	109,220,515	115,332,557	97,393,712	80,837,880	156,460,780	156,510,054	152,763,381	155,048,253
Judicial	7,510,499	7,867,386	6,399,328	10,076,920	9,471,170	10,355,686	8,672,125	8,198,497	8,105,142	7,874,568
Corrections	33,611	1,093	88,113	37,905	38,200	29,904	33,715	174,656	261,805	58,301
Cultural and recreation	1,440	2,560	122,981	299,427	69,777	7,814	-	197,605	-	122,600
Community development	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384	3,484,987	3,901,912
Total governmental activities program revenues	<u>136,618,525</u>	<u>136,577,698</u>	<u>134,344,788</u>	<u>163,419,983</u>	<u>136,117,537</u>	<u>132,901,857</u>	<u>212,575,436</u>	<u>208,513,180</u>	<u>207,961,618</u>	<u>198,891,096</u>
Business-type activities:										
Charges for services:										
Conestoga View (1)	21,845,148	-	-	-	-	-	-	-	-	-
911 Operations (2)	3,838,005	13,031,358	1,492,312	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>25,683,153</u>	<u>13,031,358</u>	<u>1,492,312</u>	<u>-</u>						
Total primary government program revenues	<u>\$ 162,301,678</u>	<u>\$ 149,609,056</u>	<u>\$ 135,837,100</u>	<u>\$ 163,419,983</u>	<u>\$ 136,117,537</u>	<u>\$ 132,901,857</u>	<u>\$ 212,575,436</u>	<u>\$ 208,513,180</u>	<u>\$ 207,961,618</u>	<u>\$ 198,891,096</u>
Net (expense) revenue										
Governmental activities	\$ (92,004,867)	\$ (95,199,291)	\$ (128,989,894)	\$ (108,238,062)	\$ (114,876,260)	\$ (109,874,954)	\$ (105,590,300)	\$ (109,318,545)	\$ (110,144,071)	\$ (106,885,100)
Business-type activities	(3,973,933)	4,820,761	(7,171,182)	-	-	-	-	-	-	-
Total primary government net expense	<u>\$ (95,978,800)</u>	<u>\$ (90,378,530)</u>	<u>\$ (136,161,076)</u>	<u>\$ (108,238,062)</u>	<u>\$ (114,876,260)</u>	<u>\$ (109,874,954)</u>	<u>\$ (105,590,300)</u>	<u>\$ (109,318,545)</u>	<u>\$ (110,144,071)</u>	<u>\$ (106,885,100)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Property taxes	\$ 84,055,960	\$ 86,237,553	\$ 94,673,936	\$ 102,490,521	\$ 103,588,540	\$ 104,918,937	\$ 105,576,248	\$ 106,177,196	\$ 116,526,852	\$ 117,215,756
Departmental revenues	5,603,378	8,995,014	14,546,868	-	-	-	-	-	-	-
Unrestricted investment earnings(loss)	2,619,881	5,655,510	5,437,381	2,172,613	808,284	596,083	1,129,759	1,097,557	(1,368,543)	2,340,725
Gain on sale of capital assets	-	-	-	-	-	-	-	-	134,501	-
Transfers	4,892,962	-	(1,531,737)	-	-	-	-	-	-	-
Total governmental activities	<u>97,172,181</u>	<u>100,888,077</u>	<u>113,126,448</u>	<u>104,663,134</u>	<u>104,396,824</u>	<u>105,515,020</u>	<u>106,706,007</u>	<u>107,274,753</u>	<u>115,292,810</u>	<u>119,556,481</u>
Business-type activities:										
Unrestricted investment earnings	14,302	95,040	254,769	-	-	-	-	-	-	-
Transfers	(4,892,962)	-	1,531,737	-	-	-	-	-	-	-
Gain on sale of capital assets	1,504,546	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>(3,374,114)</u>	<u>95,040</u>	<u>1,786,506</u>	<u>-</u>						
Total primary government	<u>\$ 93,798,067</u>	<u>\$ 100,983,117</u>	<u>\$ 114,912,954</u>	<u>\$ 104,663,134</u>	<u>\$ 104,396,824</u>	<u>\$ 105,515,020</u>	<u>\$ 106,706,007</u>	<u>\$ 107,274,753</u>	<u>\$ 115,292,810</u>	<u>\$ 119,556,481</u>
Change in Net Position										
Governmental activities	\$ 5,167,314	\$ 5,688,786	\$ (15,863,446)	\$ (3,574,928)	\$ (10,479,436)	\$ (4,359,934)	\$ 1,115,707	\$ (2,043,792)	\$ 5,148,739	\$ 12,671,381
Business-type activities	(7,348,047)	4,915,801	(5,384,676)	-	-	-	-	-	-	-
Total primary government	<u>\$ (2,180,733)</u>	<u>\$ 10,604,587</u>	<u>\$ (21,246,122)</u>	<u>\$ (3,574,928)</u>	<u>\$ (10,479,436)</u>	<u>\$ (4,359,934)</u>	<u>\$ 1,115,707</u>	<u>\$ (2,043,792)</u>	<u>\$ 5,148,739</u>	<u>\$ 12,671,381</u>

(1) Conestoga View was sold effective September 30, 2005.

(2) Effective January 1, 2008, activities and balances once associated with the 911 Operations Fund are now included in Public Safety under Governmental Activities.

County of Lancaster, Pennsylvania

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	2005	2006	2007	2008 *	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 67,667	\$ 35,097	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,143,130	18,820,499	21,099,796	19,268,220	14,622,230	11,808,598	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,791,374	-	-	-
Restricted:										
Roads and bridges	-	-	-	-	-	-	-	-	-	2,207,871
General government	-	-	-	-	-	-	563,895	1,522,986	2,913,790	1,689,808
Public safety	-	-	-	-	-	-	532,145	26,540,769	18,485,979	9,817,893
Judicial	-	-	-	-	-	-	1,764,763	1,592,649	1,956,679	1,749,827
Committed:										
Capital projects	-	-	-	-	-	-	-	-	-	560,614
Assigned:										
Future benefits	-	-	-	-	-	-	-	-	-	3,000,000
Healthcare benefits	-	-	-	-	-	-	-	1,259,264	1,687,275	1,725,871
Postemployment benefits	-	-	-	-	-	-	6,518,968	2,275,734	1,220,973	1,212,719
Total general fund	<u>\$ 17,210,797</u>	<u>\$ 18,855,596</u>	<u>\$ 21,099,796</u>	<u>\$ 19,268,220</u>	<u>\$ 14,622,230</u>	<u>\$ 11,808,598</u>	<u>\$ 11,171,145</u>	<u>\$ 33,191,402</u>	<u>\$ 26,264,696</u>	<u>\$ 21,964,603</u>
All other governmental funds										
Reserved	\$ 4,676	\$ 7,334	\$ 5,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special revenue funds	12,522,948	13,329,552	9,818,532	9,461,818	10,651,056	12,686,089	-	-	-	-
Capital projects funds	24,706,125	57,830,187	24,629,850	12,905,607	12,029,288	28,603,276	-	-	-	-
Restricted:										
Health, education, and welfare	-	-	-	-	-	-	1,762,216	814,824	400,006	966,041
Capital projects	-	-	-	-	-	-	9,468,673	19,226,280	19,560,818	10,417,262
Roads and bridges	-	-	-	-	-	-	4,536,103	2,897,306	2,909,938	2,716,233
Judicial	-	-	-	-	-	-	7,336,267	8,388,628	9,105,852	9,886,595
Community development	-	-	-	-	-	-	-	2,536,562	2,239,586	1,734,932
Total all other governmental funds	<u>\$ 37,233,749</u>	<u>\$ 71,167,073</u>	<u>\$ 34,453,423</u>	<u>\$ 22,367,425</u>	<u>\$ 22,680,344</u>	<u>\$ 41,289,365</u>	<u>\$ 23,103,259</u>	<u>\$ 33,863,600</u>	<u>\$ 34,216,200</u>	<u>\$ 25,721,063</u>
Total fund balances of all governmental funds	<u>\$ 54,444,546</u>	<u>\$ 90,022,669</u>	<u>\$ 55,553,219</u>	<u>\$ 41,635,645</u>	<u>\$ 37,302,574</u>	<u>\$ 53,097,963</u>	<u>\$ 34,274,404</u>	<u>\$ 67,055,002</u>	<u>\$ 60,480,896</u>	<u>\$ 47,685,666</u>

Note: The County implemented GASB 54 in 2011 and elected, as permitted by GASB 54, to not retroactively recharacterize fund balance in governmental funds prior to 2011.

* - Fund balance restated; see Note 2 for more information

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

Table 4

	2005	2006	2007	2008 *	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 83,776,893	\$ 86,408,680	\$ 94,489,341	\$ 101,960,944	\$ 103,589,945	\$ 104,555,174	\$ 105,717,718	\$ 106,170,287	\$ 116,611,483	\$ 117,319,438
Intergovernmental	123,015,786	121,558,675	124,119,521	134,833,834	114,423,465	106,097,860	184,524,990	174,538,312	169,537,740	170,410,928
Departmental	14,367,287	18,495,875	20,103,239	21,956,938	21,226,755	21,536,881	20,567,399	24,736,156	31,744,650	20,681,144
Fines and costs	2,727,025	2,556,259	2,697,688	2,877,665	3,029,434	2,773,058	3,318,987	3,131,476	3,303,185	3,274,350
Interest	2,619,881	5,655,510	5,437,381	2,172,613	808,284	619,667	228,783	132,790	120,148	99,131
Other	962,363	221,893	547,399	978,544	1,083,974	1,173,930	2,100,366	4,132,985	1,169,894	1,037,730
Health Choices revenues	793,991	868,381	1,047,296	991,961	1,040,023	1,614,230	1,575,092	1,279,710	1,498,523	2,803,213
Total revenues	<u>228,263,226</u>	<u>235,765,273</u>	<u>248,441,865</u>	<u>265,772,499</u>	<u>245,201,880</u>	<u>238,370,800</u>	<u>318,033,335</u>	<u>314,121,716</u>	<u>323,985,623</u>	<u>315,625,934</u>
Expenditures										
General government	45,348,382	34,278,385	31,244,732	31,288,375	37,092,850	41,312,324	32,689,512	28,262,996	30,129,669	26,630,285
Public safety (1)	1,100,204	1,234,268	1,366,272	10,606,865	10,625,757	10,558,753	11,006,988	12,548,142	26,192,813	12,912,527
Roads and bridges	-	498,963	409,115	285,188	317,157	388,008	670,175	274,373	-	228,635
Health, education and welfare	117,227,436	114,611,618	125,716,956	130,287,274	111,699,460	93,528,376	170,064,660	169,963,493	165,705,416	167,944,070
Judicial	34,996,763	37,036,579	42,402,361	45,236,178	43,939,778	44,800,940	45,399,663	47,317,507	46,435,758	44,702,380
Corrections	16,640,060	17,407,351	19,225,889	22,169,692	22,096,860	22,725,580	23,107,431	24,234,937	27,577,716	24,952,042
Cultural and recreation	2,486,594	2,850,927	2,845,631	3,076,031	2,801,692	2,484,440	2,212,981	2,475,240	2,360,554	2,185,938
Community development	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384	3,781,963	4,406,566
Capital outlay	12,958,119	20,910,986	35,371,682	19,793,861	22,922,212	14,459,028	21,106,757	20,087,950	11,152,496	20,766,965
Debt service (2):										
Principal	7,575,944	7,815,000	9,105,000	9,340,300	8,984,000	10,841,800	12,219,700	13,102,700	13,751,800	13,651,000
Interest and fiscal charges	6,663,917	8,657,602	9,313,790	9,488,089	8,469,097	9,755,340	10,557,676	10,053,952	10,643,324	10,601,370
Bond issuance costs	352,037	611,008	48,179	146,729	548,199	296,556	200,721	997,526	282,181	127,854
Total expenditures	<u>251,185,875</u>	<u>251,777,319</u>	<u>281,427,757</u>	<u>288,490,073</u>	<u>275,083,150</u>	<u>256,755,874</u>	<u>337,057,615</u>	<u>333,717,200</u>	<u>338,013,690</u>	<u>329,109,632</u>
Excess (deficiency) of revenues over (under) expenditures	(22,922,649)	(16,012,046)	(32,985,892)	(22,717,574)	(29,881,270)	(18,385,074)	(19,024,280)	(19,595,484)	(14,028,067)	(13,483,698)
Other financing sources (uses)										
Transfers in	19,538,119	13,013,439	16,017,815	12,974,525	14,251,429	12,403,303	12,335,157	12,974,005	12,221,130	12,365,605
Transfers out	(14,645,157)	(13,013,439)	(17,549,552)	(12,974,525)	(14,251,429)	(12,403,303)	(12,335,157)	(12,974,005)	(12,221,130)	(12,365,605)
Discount on refunding bonds issued	-	-	-	-	-	-	(128,404)	(166,353)	-	-
Premium on refunding bonds issued	-	-	-	-	3,973,031	-	-	2,842,564	27,149	8,487
Face amount of refunding bonds issued	-	-	10,000,000	-	40,042,574	-	10,000,000	52,830,000	28,380,000	8,185,000
Payment to refunded bond escrow agent	-	-	(9,951,821)	-	(43,467,406)	-	(9,670,875)	(54,855,913)	(28,205,000)	(8,065,633)
Premium on bonds issued	-	305,169	-	-	-	235,463	-	2,042,228	697	-
Face amount of bonds issued	23,775,000	51,285,000	-	8,800,000	25,000,000	33,945,000	-	23,305,000	6,795,000	-
Premium on swaption issued	-	-	-	-	-	-	-	-	1,865,000	-
Payment for refunded swaption issued	-	-	-	-	-	-	-	-	(1,757,500)	-
Capital leases	-	-	-	-	-	-	-	26,378,556	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	348,615	560,614
Total other financing sources (uses)	<u>28,667,962</u>	<u>51,590,169</u>	<u>(1,483,558)</u>	<u>8,800,000</u>	<u>25,548,199</u>	<u>34,180,463</u>	<u>200,721</u>	<u>52,376,082</u>	<u>7,453,961</u>	<u>688,468</u>
Net change in fund balances	<u>\$ 5,745,313</u>	<u>\$ 35,578,123</u>	<u>\$ (34,469,450)</u>	<u>\$ (13,917,574)</u>	<u>\$ (4,333,071)</u>	<u>\$ 15,795,389</u>	<u>\$ (18,823,559)</u>	<u>\$ 32,780,598</u>	<u>\$ (6,574,106)</u>	<u>\$ (12,795,230)</u>
Debt service as a percentage of noncapital expenditures	6.0%	7.1%	7.5%	7.0%	6.9%	8.5%	7.2%	7.4%	7.5%	7.9%

(1) 911 Operations was an enterprise fund from 2002 through 2007.

(2) Amounts do not include debt service payments for bond issues refunded pursuant to advance refunding.

* - Net change in fund balance was restated; see Note 2 for more information.

County of Lancaster, Pennsylvania

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

Table 5

Year	Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value As A Percentage of Actual Value
2005	\$ 32,157,858,100	\$ 3,051,498,400	\$ 29,106,359,700	2.962	\$ 29,106,359,700	100%
2006	32,751,399,500	3,087,810,600	29,663,588,900	2.962	29,663,588,900	100%
2007	33,344,251,500	3,190,080,200	30,154,171,300	3.189	30,154,171,300	100%
2008	33,808,345,300	3,334,971,300	30,473,374,000	3.416	30,473,374,000	100%
2009	34,415,552,600	3,558,307,700	30,857,244,900	3.416	30,857,244,900	100%
2010	34,739,109,300	3,623,673,500	31,115,435,800	3.416	31,115,435,800	100%
2011	34,967,657,000	3,692,444,500	31,275,212,500	3.416	31,275,212,500	100%
2012	35,179,488,300	3,762,996,600	31,416,491,700	3.416	31,416,491,700	100%
2013	35,533,876,800	3,833,025,400	31,700,851,400	3.735	31,700,851,400	100%
2014	35,781,687,200	3,845,418,300	31,936,268,900	3.735	31,936,268,900	100%

Source: County of Lancaster, Assessment Office

Note: Property in Lancaster County is assessed based upon 100 percent of the base year estimated market value. Millage rates change yearly based upon individual county budget requirements, as well as any time a county wide revaluation is completed. In 2005, a county-wide reassessment was implemented.

Note: Assessed value by major component not available.

County of Lancaster, Pennsylvania

Property Tax Rates
Direct and Overlapping Governments (1)
Last Ten Fiscal Years
(In Mills)

Table 6

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Direct Rate:	2.9620	2.9620	3.1890	3.4160	3.4160	3.4160	3.4160	3.4160	3.7350	3.7350
City rate:										
Lancaster	7.6700	8.1700	8.8200	9.1800	9.6400	12.0400	12.0400	12.0400	13.0400	13.0400
Borough rates:										
Adamstown	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.5000	2.5000	2.5000	2.5000
Akron	1.4850	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.5000	2.5000	2.5000
Christiana	3.8190	3.8190	3.8190	4.5000	4.5000	4.5000	4.5000	5.0000	5.0000	5.0000
Columbia	5.7600	6.2600	6.2600	7.7500	8.0000	8.0000	8.0000	8.0000	8.0000	8.0000
Denver	2.1850	2.1850	2.4000	2.5200	2.5200	2.5200	2.7500	3.0000	3.0000	3.0000
East Petersburg	2.5320	1.7690	1.7690	2.6570	1.8940	1.8940	1.8940	2.3940	2.3940	2.3940
Elizabethtown	3.0800	3.5800	3.8300	3.8300	4.2000	4.2000	5.0000	5.0000	5.0000	5.0000
Ephrata	1.5040	1.5040	1.8800	1.8800	1.8800	1.8800	1.8800	2.0700	2.0700	2.0700
Lititz	1.3600	1.3600	1.6000	1.6000	1.6000	1.6000	2.1000	2.1000	2.1000	2.1000
Manheim	2.3500	2.6000	2.6000	2.8500	2.9000	3.0000	3.5000	4.0000	4.7500	4.7500
Marietta	4.0000	4.2500	4.2500	4.5000	4.5000	4.5000	5.5000	5.5000	6.5000	6.5000
Millersville	4.3300	4.6000	4.6500	4.8500	4.8500	4.8500	5.2400	5.4500	5.4500	5.4500
Mount Joy	2.6000	3.1000	3.1000	3.3000	3.4000	4.2000	4.2000	4.4600	4.7000	4.9100
Mountville	1.1300	1.2000	1.4000	2.5000	2.5000	2.6000	2.6000	2.6000	2.6000	2.6000
New Holland	1.9500	2.2500	2.2500	2.2500	2.4800	2.4800	2.4800	3.4000	3.4000	3.4000
Quarryville	2.7500	2.7500	2.7500	3.7500	3.7500	4.7500	4.7500	4.7500	4.7500	4.7500
Strasburg	1.7300	1.9300	2.0300	2.1300	2.4300	2.8300	2.8300	3.0800	3.0800	3.0800
Terre Hill	3.2000	3.2000	3.7000	3.7000	4.2000	4.2000	4.2000	4.7000	5.0000	5.0000
Township rates:										
Bart	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Brecknock	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690
Caernarvon	0.1500	0.1000	0.1000	0.0750	0.0750	0.0150	0.0150	0.0150	0.0150	0.0150
Clay	0.5220	0.7569	0.7569	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000
Colerain	0.5570	0.6120	0.6120	0.6120	0.6120	0.6120	0.6120	0.6120	0.6620	0.6620
Conestoga	0.6930	0.6930	0.6930	0.6930	0.6930	0.6930	0.6930	1.1000	1.1000	1.1000
Drumore	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Earl	1.0000	1.0000	1.0000	1.0000	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
East Cocalico	1.3750	1.3750	1.6250	1.6250	1.6250	1.6250	1.6250	1.7000	2.0500	2.0500
East Donegal	2.1470	2.3970	2.3970	2.7000	2.9500	2.9500	2.9500	3.7500	3.7500	3.9500
East Drumore	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900
East Earl	0.8800	1.0000	1.3000	1.4000	1.6000	1.6000	1.6000	1.8000	1.9000	1.9000
East Hempfield	1.0200	0.5100	0.5100	0.8200	0.9200	1.1200	1.1200	1.1200	1.1200	1.1200
East Lampeter	0.8220	0.9450	1.1400	1.1400	1.1400	1.4620	1.4620	1.4620	1.6000	1.6000
Eden	0.6000	0.6000	0.6000	0.6000	0.6000	0.7000	0.7000	0.7000	0.8000	0.8000
Ephrata	1.2700	1.2700	1.2700	1.2700	1.2700	1.2700	1.3700	1.3700	1.3700	1.3700
Fulton	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100
Lancaster	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Leacock	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300
Little Britian	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900

(Continued)

County of Lancaster, Pennsylvania

Property Tax Rates
Direct and Overlapping Governments (1)
Last Ten Fiscal Years
(In Mills)

Table 6 (Cont.)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Township rates (continued):										
Manheim	1.9000	1.9000	1.9000	1.9000	1.9000	1.9000	2.2300	2.2300	2.2300	2.2300
Manor	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800
Mount Joy Part (2)	1.2200	1.0817	1.0830	1.0810	1.2114	1.3500	1.3500	1.6000	1.8500	1.7500
Mount Joy Part (3)	1.2200	1.0817	1.0830	1.0810	1.2114	1.3500	1.3500	1.6000	1.8500	1.7500
Paradise	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200
Penn	0.8100	0.8120	0.8120	0.8120	0.8120	0.8120	0.8120	1.6000	1.4500	1.8000
Pequea	1.5500	1.5500	1.5500	1.5500	1.5500	1.5500	1.7000	1.7000	1.9000	1.9000
Providence	0.1930	0.1930	0.1930	0.1930	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580
Rapho	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.7500	1.7500	1.7500
Sadsbury	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000
Salisbury	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800
Strasburg	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.6000
Upper Leacock	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.5000	1.7000	1.7000
Warwick	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740
West Cocalico	1.4330	1.4330	1.4330	1.5000	1.6000	1.8500	2.0000	2.0000	2.0000	2.1750
West Donegal	1.3503	1.3503	1.3503	1.3503	1.3503	1.6000	1.6000	1.6000	1.6000	1.6000
West Earl	1.3900	1.3900	1.3900	1.3900	1.3900	1.3900	1.3900	1.5900	1.5900	1.5900
West Hempfield	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.6800	0.6800	0.6800	0.6800
West Lampeter	0.5990	0.5990	0.5990	0.5990	0.6500	0.7500	0.9000	1.0000	1.0000	1.1000
School district rates:										
Cocalico	16.4200	17.0000	17.9300	18.9100	19.8400	20.5500	20.8900	21.3200	21.7600	22.3200
Columbia Borough	18.7700	18.7700	20.6600	23.0000	24.3570	24.3570	25.3700	26.0000	27.3700	28.2000
Conestoga Valley	11.5100	11.9600	12.3670	12.8490	13.2660	13.2730	14.0480	14.2860	14.5280	14.8330
Donegal	13.6100	16.2000	16.2000	18.7300	19.4500	20.1690	20.1690	20.9837	21.4453	22.0243
Eastern Lancaster County	11.0600	11.1500	11.7142	12.2142	12.5979	13.0877	13.4470	13.8410	14.1177	14.4141
Elizabethtown Area	12.1340	14.3500	15.3394	16.1816	16.5861	17.2700	17.5800	17.8900	17.8900	18.3700
Ephrata Area	15.5300	16.5300	17.2000	18.0900	18.5200	19.0200	19.0200	19.4100	19.6000	19.6000
Hempfield	14.1590	15.4180	15.9409	16.8814	17.3878	17.9789	18.2660	18.6310	19.0030	19.4590
Lampeter-Strasburg	15.0800	15.9600	16.6000	17.3300	17.8000	18.4620	18.7573	19.0760	19.4384	19.6133
Lancaster	19.3800	20.4400	20.4400	20.4400	23.2600	24.2130	24.6972	24.6972	25.9224	26.6793
Manheim Central	14.5600	15.2400	15.2400	15.2400	15.8500	16.2500	16.2500	16.6900	16.9726	17.1848
Manheim Township	14.1000	14.7300	15.2300	15.9000	16.5500	17.0299	17.2680	17.9525	18.2575	18.6409
Octorara Area	20.1200	23.1100	23.1100	27.3700	27.6800	27.6800	28.3700	27.4900	27.7100	26.4300
Penn Manor	14.0700	14.7300	15.3100	15.9100	15.9100	16.4600	16.6900	16.9700	17.2500	17.6100
Pequea Valley	13.2000	14.6000	15.1000	15.7430	15.7430	16.3333	20.4080	16.8898	17.3866	17.4735
Solanco	8.2475	8.6351	9.0496	9.6378	10.1582	10.5442	10.8500	11.2243	11.5161	11.8040
Warwick	15.2000	15.8000	15.8000	16.7000	17.4000	17.6600	17.9000	18.5900	19.2100	19.7094

Source: www.dced.state.pa.us website; County of Lancaster, Assessment Office

(1) Includes millage for municipal, school, and county real estate tax per \$1,000 of assessed value. In 2005, a county-wide reassessment was implemented.

(2) Applicable to the portion of Mount Joy situated in the Donegal School District.

(3) Applicable to the portion of Mount Joy situated in the Elizabethtown School District.

Note: there are no components of the County's total direct rate.

County of Lancaster, Pennsylvania

Principal Property Taxpayers
December 31, 2014

Table 7

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Park City Center Business Trust	\$ 139,083,200	1	0.44%	\$ 143,657,700	2	0.49%
High Properties Et Al	127,880,400	2	0.40%	198,997,200	1	0.68%
Willow Valley Retirement	109,009,500	3	0.34%	98,314,800	3	0.34%
Lancaster General	101,617,800	4	0.32%	90,113,300	4	0.31%
Willow Valley Manor	94,211,600	5	0.29%	84,499,100	5	0.29%
High Properties	75,922,200	6	0.24%			0.00%
Granite Properties	59,245,200	7	0.19%	57,559,600	8	0.20%
Garden Spot Village Inc	52,829,200	8	0.17%			0.00%
Dart Container Corp of PA	50,938,200	9	0.16%	61,635,300	6	0.21%
Rockvale Group	48,663,800	10	0.15%	58,186,700	7	0.20%
Exelon Generation Co LLC				54,429,800	9	0.19%
Armstrong Cork Co				53,568,400	10	0.18%
Total	\$ 859,401,100		2.69%	\$ 900,961,900		3.10%

Source: County of Lancaster, Assessment Office

County of Lancaster, Pennsylvania

Property Tax Levies and Collections Last Ten Fiscal Years

Table 8

Fiscal Year Ended December-31	Tax Levy for Fiscal Year	Interim Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year (1)	Amount of Taxes Collected	Percent of Levy	Delinquent Tax Collections (2)	Total Tax Collections (3)	Ratio of Total Tax Collections to Total Tax Levy
2005	\$ 83,612,635	\$ 1,792,689	\$ 85,405,324	\$ 82,200,782	96.25%	\$ 1,509,305	\$ 83,710,087	98.02%
2006	86,161,049	1,159,369	87,320,418	84,398,755	96.65%	1,839,425	86,238,180	98.76%
2007	94,514,982	1,182,319	95,697,301	92,719,914	96.89%	1,822,994	94,542,908	98.79%
2008	103,006,648	948,516	103,955,164	100,146,553	96.34%	1,887,440	102,033,993	98.15%
2009	104,097,044	1,067,581	105,164,625	101,136,149	96.17%	2,270,227	103,406,376	98.33%
2010	105,408,347	811,724	106,220,071	102,409,086	96.41%	2,377,031	104,786,117	98.65%
2011	106,290,327	603,550	106,893,877	103,293,221	96.63%	2,443,940	105,737,161	98.92%
2012	106,836,125	572,535	107,408,660	103,802,744	96.64%	2,476,144	106,278,888	98.95%
2013	117,340,645	733,378	118,074,023	114,128,781	96.66%	2,459,459	116,588,240	98.74%
2014	118,402,728	523,875	118,926,603	115,041,984	96.73%	2,203,190	117,245,174	98.59%

Source: County of Lancaster Assessment Office, Controller's Office and Tax Claim Bureau

(1) Does not include discounts, penalties and exonerations.

(2) Delinquent tax collections include collections for multiple years; software currently in use does not make it possible to identify collections by the year in which it was levied.

(3) Includes penalties and other adjustments.

County of Lancaster, Pennsylvania

Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Table 9

Year	Governmental Activities		Capital Equipment Lease	Contracts Payable	Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds & Notes	Lease Rental Bond Debt					
2005	\$194,428,169	\$ 919,000	\$ 94,200	\$ -	\$ 195,441,369	1.24%	\$ 399.77
2006	239,389,570	904,000	86,245	2,289,287	242,669,102	1.48%	491.91
2007	231,794,110	889,000	922,876	2,289,540	235,895,526	1.37%	473.73
2008	232,057,636	874,000	1,118,669	2,243,905	236,294,210	1.29%	470.36
2009	251,240,880	859,000	-	2,494,166	254,594,046	1.38%	501.40
2010	275,305,898	844,000	-	1,939,415	278,089,313	1.47%	535.36
2011	264,272,063	829,000	-	2,502,149	267,603,212	1.36%	511.09
2012	278,963,914	814,000	26,378,556	652,339	306,808,809	1.45%	582.38
2013	271,461,089	799,000	25,039,710	356,373	297,656,172	1.37%	562.04
2014	256,692,023	799,000	23,592,400	255,805	281,339,228	*	527.52

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule of Demographic and Economic Statistics for personal income and population data; data reflects updated estimates by Bureau of Economic Analysis, U.S. Department of Commerce.

* - Data not available.

County of Lancaster, Pennsylvania

Ratio of General Debt Outstanding Last Ten Fiscal Years

Table 10

Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Debt Per Capita (2)
2005	\$ 194,428,169	\$ 1,796,517	\$ 192,631,652	0.66%	\$ 394.02
2006	239,389,570	850,916	238,538,654	0.80%	483.54
2007	231,794,110	—	231,794,110	0.77%	465.49
2008	232,057,636	—	232,057,636	0.76%	461.93
2009	251,240,880	—	251,240,880	0.81%	494.80
2010	275,305,898	—	275,305,898	0.88%	530.00
2011	264,272,063	—	264,272,063	0.84%	504.73
2012	278,963,914	—	278,963,914	0.89%	529.52
2013	271,461,089	—	271,461,089	0.86%	512.58
2014	256,692,023	—	256,692,023	0.80%	481.31

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

County of Lancaster, Pennsylvania

Direct and Overlapping Governmental Activities Debt
As of December 31, 2014

Table 11

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Lancaster	\$ 281,339,228	100%	\$ 281,339,228
Overlapping:			
City of Lancaster	43,715,531	100%	43,715,531
School Districts:			
Cocalico	20,415,681	100%	20,415,681
Columbia Borough	19,171,917	100%	19,171,917
Conestoga Valley	25,872,073	100%	25,872,073
Donegal	57,861,776	100%	57,861,776
Eastern Lancaster County	19,384,301	100%	19,384,301
Elizabethtown Area	37,188,053	100%	37,188,053
Ephrata Area (as of 6/30/14)	44,914,197	100%	44,914,197
Hempfield	98,497,444	100%	98,497,444
Lampeter-Strasburg	37,033,289	100%	37,033,289
Lancaster (as of 6/30/14)	145,451,647	100%	145,451,647
Manheim Central	42,309,224	100%	42,309,224
Manheim Township	115,151,864	100%	115,151,864
Octorara (as of 6/30/14)	66,425,000	100%	66,425,000
Penn Manor	44,447,176	100%	44,447,176
Pequea Valley	24,837,788	100%	24,837,788
Solanco	2,410,288	100%	2,410,288
Warwick	83,550,000	100%	83,550,000
Total School Districts			884,921,718
Municipal Authorities:			
Akron Borough	1,185,711	100%	1,185,711
Blue Ball Water Authority	240,569	100%	240,569
Christiana Borough Authority	121,011	100%	121,011
Columbia Borough	2,229,810	100%	2,229,810
Columbia Municipal Authority	11,245,000	100%	11,245,000
Earl Township Sewer Authority	1,435,691	100%	1,435,691
East Cocalico Township Water & Sewer Authority	4,635,000	100%	4,635,000
East Lampeter Sewer Authority	13,664,500	100%	13,664,500
East Lampeter Township	7,738,603	100%	7,738,603
Elizabethtown Regional Sewer Authority	11,945,000	100%	11,945,000
Ephrata Area Joint Authority	3,285,000	100%	3,285,000
Ephrata Borough Authority	13,636,000	100%	13,636,000
Ephrata Township Sewer Authority	1,753,513	100%	1,753,513
Lancaster Area Sewer Authority	52,770,000	100%	52,770,000
Lancaster County Hospital Authority (as of 6/30/13)	626,380,000	100%	626,380,000
Lancaster County Solid Waste Management Authority	139,315,000	100%	139,315,000

(Continued)

County of Lancaster, Pennsylvania

Direct and Overlapping Governmental Activities Debt
As of December 31, 2014

Table 11 (Cont.)

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lancaster County Vo-Tech School Authority	\$ 21,830,000	100%	\$ 21,830,000
Lancaster-Lebanon Joint Authority	446,064	100%	446,064
Lancaster Parking Authority	25,050,000	100%	25,050,000
Leacock Township Municipal Authority	2,705,389	100%	2,705,389
Leola Sewer Authority	75,772	100%	75,772
Manheim Area Water and Sewer Authority	16,448,416	100%	16,448,416
Manheim Township	18,275,000	100%	18,275,000
Marietta-Donnegal Joint Authority	4,838,320	100%	4,838,320
Mount Joy Borough Authority	18,140,000	100%	18,140,000
Mountville Borough Authority	428,527	100%	428,527
Northern Lancaster County Sewer Authority	7,513,925	100%	7,513,925
Paradise Township Sewer Authority	1,715,000	100%	1,715,000
Penn Township	717,922	100%	717,922
Quarryville Borough	4,136,079	100%	4,136,079
Redevelopment Authority	31,009,422	100%	31,009,422
Sadsbury Township Municipal Authority	1,345,000	100%	1,345,000
Suburban Lancaster Sewer Authority	29,035,000	100%	29,035,000
Warwick Township Municipal Authority	8,835,000	100%	8,835,000
West Cocalico Township Authority	371,264	100%	371,264
West Earl Sewer Authority	8,380,000	100%	8,380,000
West Earl Water Authority	1,285,000	100%	1,285,000
Total Municipalities			1,094,161,508
Total Overlapping Debt			2,022,798,757
Total direct and overlapping debt			\$ 2,304,137,985

Source: Individual school districts, municipal authorities, and City of Lancaster; percent applicable to the County of Lancaster is 100 percent.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lancaster County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government. Percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the County's boundaries and dividing it by each unit's total taxable assessed value.

(1) The debt of the city and school districts is tax based and the majority of the municipal authorities are self-supporting.

County of Lancaster, Pennsylvania

Legal Debt Margin Information
Last Ten Fiscal Years

Table 12

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Borrowing base revenues (1):					
Two years prior	\$ 126,410,082	\$ 131,266,881	\$ 129,499,678	\$ 123,748,612	\$ 122,530,609
Prior year	131,266,881	129,499,678	123,748,612	122,530,609	129,828,387
Current year	129,499,678	123,748,612	122,530,609	129,828,387	130,291,338
Total borrowing base revenues	<u>\$ 387,176,641</u>	<u>\$ 384,515,171</u>	<u>\$ 375,778,899</u>	<u>\$ 376,107,608</u>	<u>\$ 382,650,334</u>
Average borrowing base revenues	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111
Net Nonelectoral Debt Limit:					
Average borrowing base revenues	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111
Debt limit percentage	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>387,176,641</u>	<u>384,515,171</u>	<u>375,778,899</u>	<u>376,107,608</u>	<u>382,650,334</u>
Total amount of debt applicable to debt limit	192,883,456	237,706,173	230,282,253	230,717,789	246,155,571
Total Remaining Nonelectoral Debt Capacity	<u>\$ 194,293,185</u>	<u>\$ 146,808,998</u>	<u>\$ 145,496,646</u>	<u>\$ 145,389,819</u>	<u>\$ 136,494,763</u>
Total net debt applicable to the limit as a percentage of debt limit	49.82%	61.82%	61.28%	61.34%	64.33%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit					
Average borrowing base revenues	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111
Debt limit percentage	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>516,235,520</u>	<u>512,686,895</u>	<u>501,038,532</u>	<u>501,476,811</u>	<u>510,200,445</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>193,802,456</u>	<u>238,610,173</u>	<u>231,171,253</u>	<u>231,591,789</u>	<u>247,014,571</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 322,433,064</u>	<u>\$ 274,076,722</u>	<u>\$ 269,867,279</u>	<u>\$ 269,885,022</u>	<u>\$ 263,185,874</u>
Total net debt applicable to the limit as a percentage of debt limit	37.54%	46.54%	46.14%	46.18%	48.42%

Note: Under state finance law, the County of Lancaster's outstanding non-electoral debt should not exceed 300% of the three-year average of General, Special Revenue and Permanent funds' revenue. The outstanding net non-electoral and lease rental debt should not exceed 400% of the three-year average of General, Special Revenue and Permanent funds' revenue. By law, the net non-electoral and lease rental debt may be offset by amounts set aside for repaying general obligation bonds

(1) Borrowing base revenues represents total revenues less governmental grants received for a specific purpose.

(Continued)

County of Lancaster, Pennsylvania

Legal Debt Margin Information
Last Ten Fiscal Years

Table 12 (Cont.)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Borrowing base revenues (1):					
	\$ 129,828,387	\$ 130,291,338	\$ 132,014,815	\$ 133,405,844	\$ 139,531,382
	130,291,338	132,014,815	133,405,844	139,531,382	154,407,832
	132,014,815	133,405,844	139,531,382	154,407,832	145,177,124
Total borrowing base revenues	<u>\$ 392,134,540</u>	<u>\$ 395,711,997</u>	<u>\$ 404,952,041</u>	<u>\$ 427,345,058</u>	<u>\$ 439,116,338</u>
Average borrowing base revenues	\$ 130,711,513	\$ 131,903,999	\$ 134,984,014	\$ 142,448,353	\$ 146,372,113
Net Nonelectoral Debt Limit:					
Average borrowing base revenues	\$ 130,711,513	\$ 131,903,999	\$ 134,984,014	\$ 142,448,353	\$ 146,372,113
Debt limit percentage	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>392,134,540</u>	<u>395,711,997</u>	<u>404,952,041</u>	<u>427,345,058</u>	<u>439,116,338</u>
Total amount of debt applicable to debt limit	<u>270,323,221</u>	<u>259,721,873</u>	<u>270,171,500</u>	<u>263,404,700</u>	<u>249,868,700</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 121,811,319</u>	<u>\$ 135,990,124</u>	<u>\$ 134,780,541</u>	<u>\$ 163,940,358</u>	<u>\$ 189,247,638</u>
Total net debt applicable to the limit as a percentage of debt limit	68.94%	65.63%	66.72%	61.64%	56.90%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit					
Average borrowing base revenues	\$ 130,711,513	\$ 131,903,999	\$ 134,984,014	\$ 142,448,353	\$ 146,372,113
Debt limit percentage	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>522,846,053</u>	<u>527,615,996</u>	<u>539,936,055</u>	<u>569,793,411</u>	<u>585,488,451</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>271,167,221</u>	<u>260,550,873</u>	<u>270,985,500</u>	<u>264,203,700</u>	<u>250,667,700</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 251,678,832</u>	<u>\$ 267,065,123</u>	<u>\$ 268,950,555</u>	<u>\$ 305,589,711</u>	<u>\$ 334,820,751</u>
Total net debt applicable to the limit as a percentage of debt limit	51.86%	49.38%	50.19%	46.37%	42.81%

Note: Under state finance law, the County of Lancaster's outstanding non-electoral debt should not exceed 300% of the three-year average of General, Special Revenue and Permanent funds' revenue. The outstanding net non-electoral and lease rental debt should not exceed 400% of the three-year average of General, Special Revenue and Permanent funds' revenue. By law, the net non-electoral and lease rental debt may be offset by amounts set aside for repaying general obligation bonds

(1) Borrowing base revenues represents total revenues less governmental grants received for a specific purpose.

County of Lancaster, Pennsylvania

Demographic and Economic Statistics Last Ten Fiscal Years

Table 13

Year	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Local Unemployment Rate (6)
2005	489,258	\$ 16,154,443	\$ 33,018	37.3	86,471	3.3%
2006	494,393	16,934,568	34,253	37.5	87,209	3.0%
2007	499,364	18,027,960	36,102	37.5	87,480	3.3%
2008	503,807	18,673,891	37,066	37.7	87,909	5.1%
2009	507,766	18,450,403	36,336	38.1	86,411	7.5%
2010	519,445	18,921,587	36,366	38.2	86,917	6.8%
2011	523,594	19,653,012	37,535	38.2	85,537	6.2%
2012	526,823	21,119,188	40,088	38.5	85,180	6.6%
2013	529,600	21,774,881	41,116	38.7	85,491	4.9%
2014	533,320	*	*	*	84,678	3.6%

Sources:

- (1) Population: US Census Bureau
- (2) Personal Income: Bureau of Economic Analysis
- (3) Per Capita Personal Income: Bureau of Economic Analysis
- (4) Median Age: Population Estimates, US Census Bureau; based on Fiscal Year
- (5) School Enrollment: PA Department of Education
- (6) Local Unemployment Rate: U.S. Department of Labor, Bureau of Labor Statistics

Note: Prior year data has been updated to the most current information available.

* Data not available.

County of Lancaster, Pennsylvania

Principal Employers December 31, 2014

Table 14

Employer (1)	2014			2005		
	Employees (2)	Rank (1)	Percentage of Total County Employment	Employees (2)	Rank (1)	Percentage of Total County Employment
Lancaster General Hospital	7,322	1	3.22%	6,163	1	2.70%
County of Lancaster	1,966	2	0.86%	2,112	3	0.92%
Wellspan Ephrata Community Hospital Inc	1,877	3	0.83%	1,760	5	0.77%
R.R. Donnelley & Sons Company	*	4	*	*	2	*
Dart Container Corporation	1,770	5	0.78%	*	8	*
Turkey Hill Co Inc	1,745	6	0.77%			
School District of Lancaster	1,592	7	0.70%	1,500	7	0.66%
Masonic Villages	1,539	8	0.68%	1,342	9	0.59%
Manheim Remarketing Inc	1,503	9	0.66%	1,935	6	0.85%
Armstrong World Industries Inc	1,500	10	0.66%	2,188	4	0.96%
Weis Markets Inc				1,275	10	0.56%
Total	*			*		
Total Employees in County	<u>227,482</u>	(1)		<u>228,653</u>	(1)	

Source: (1) Center for Workforce Information & Analysis, PA Department of Labor & Industry
(2) Individual Employers

* - Data not available.

County of Lancaster, Pennsylvania

Full-time County Government Employees by Function
Last Ten Fiscal Years

Table 15

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program:										
Governmental Activities										
General government	264	266	262	275	284	259	263	254	251	251
Public safety	7	8	9	104	101	98	103	103	104	102
Roads and bridges	4	4	-	-	-	-	-	-	-	-
Health, education, and welfare	378	387	392	403	396	376	354	337	355	351
Judicial	556	576	584	609	612	588	605	620	599	598
Corrections	295	303	292	304	297	291	294	285	307	321
Cultural and recreation	35	35	34	32	14	14	15	15	14	13
Community development	-	-	-	-	-	-	-	6	6	5
Total governmental activities	1,539	1,579	1,573	1,727	1,704	1,626	1,634	1,620	1,636	1,641
Business-type activities										
911 Operations	93	93	93	-	-	-	-	-	-	-
Total business type activities	93	93	93	-						
Total	1,632	1,672	1,666	1,727	1,704	1,626	1,634	1,620	1,636	1,641

Source: County of Lancaster, Controller's Office

Effective January 1, 2008, data once associated with 911 Operations is now included in Public Safety under Governmental Activities.

County of Lancaster, Pennsylvania

Operating Indicators by Function
Last Ten Fiscal Years

Table 16

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
General Election Information:										
Registered voters	293,329	299,412	303,184	326,501	313,604	317,635	301,562	314,567	307,478	311,498
Votes cast	72,708	151,843	71,099	228,857	59,665	151,428	49,946	224,670	51,322	142,298
Percent of votes cast	24.79%	50.71%	23.45%	70.09%	19.03%	47.67%	16.56%	71.42%	16.69%	45.68%
Property transfers recorded	15,445	14,643	13,370	11,334	10,773	10,414	9,879	11,031	11,718	11,184
9-1-1 calls	****	****	****	214,723	211,932	222,253	236,810	240,195	233,994	245,293
County ordinances approved	99	92	115	124	71	26	26	29	44	54
Municipal ordinances reviewed	387	384	397	345	266	177	184	168	193	221
Judicial										
Estates and wills probated	1,764	1,716	1,650	1,784	1,672	1,708	1,717	1,841	1,876	1,698
Marriage licenses issued	3,098	3,235	3,254	3,215	3,057	3,218	3,298	3,337	3,427	3,485
Child adoptions	206	265	243	254	244	258	242	249	232	245
Child relinquishments	101	128	151	139	137	156	175	133	167	145
Criminal cases filed	5,975	6,027	6,105	6,004	6,038	5,867	5,901	6,104	6,086	6,066
Criminal cases disposed **	4,204	4,827	5,053	4,985	5,133	5,483	5,125	5,702	5,736	5,335
Civil suits filed	6,428	8,732	8,851	10,093	9,984	9,913	10,845	8,396	7,751	4,072
Civil judgments filed	3,776	3,999	4,216	4,661	9,235	6,266	7,031	9,449	12,565	8,542
Divorces filed	1,268	1,299	1,280	1,207	1,238	1,389	1,428	1,369	1,355	1,265
Protection from abuse cases filed	1,161	1,239	1,372	1,265	1,331	1,261	1,169	1,260	1,042	1,045
Naturalizations	279	290	255	288	157	197	166	182	225	169
Real estate executions (mortgage foreclosures) filed	764	779	685	702	1,104	1,082	632	777	980	952
District judge case filings	106,307	108,947	114,071	118,566	106,159	104,838	105,574	101,290	97,242	88,782
Domestic relations active cases	18,935	18,477	18,439	18,004	17,628	17,760	18,050	18,061	18,106	17,955
New juvenile probation cases	1,783	1,822	1,853	1,692	1,385	1,212	1,239	1,170	1,199	937
Juvenile probation placement days	70,574	64,278	61,395	56,796	49,170	48,276	48,359	35,313	34,121	28,012
New adult probation and parole cases	3,049	2,850	2,276	2,977	2,986	3,337	3,418	4,251	3,787	3,771
Corrections										
Average daily population	1,141	1,200	1,186	1,156	1,155	1,144	1,144	1,198	1,022	997
Annual admissions	5,888	6,169	6,137	6,040	6,152	5,739	6,263	6,145	5,913	5,715
Culture and Recreation										
Pool attendance	35,632	30,950	27,372	31,345	25,339	30,749	25,739	27,771	26,646	23,858
Community Development										
Easements added	38	44	33	33	21	20	13	26	33	20
Easement acreage added	3,592	2,934	2,140	2,566	1,355	1,633	1,396	1,931	1,851	1,362

Note: * Data not available.

** 2005 information is estimated due to transition to new system.

*** Effective July 1, 2011, Employment and Training is no longer considered a function of the County.

**** Effective January 1, 2008, data once associated with the 911 Operations Fund is now included in the General Fund.

(Continued)

County of Lancaster, Pennsylvania

Operating Indicators by Function
Last Ten Fiscal Years

Table 16 (Cont.)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Health, education, and welfare										
Employment and Training										
Customers served	2,078	2,341	5,573	5,549	8,452	7,551	5,710	***	***	***
Drug and Alcohol:										
Information and referral contacts	604	796	1,009	946	1,055	864	852	858	801	708
Inpatient non-hospital detox clients	482	341	340	366	386	357	447	403	460	499
Inpatient non-hospital rehab clients	435	385	373	406	275	222	381	129	463	413
Inpatient non-hospital halfway house clients	87	69	73	38	16	14	7	5	14	10
Inpatient hospital detox clients	6	2	3	2	2	1	1	2	1	1
Partial hospitalization clients	53	33	26	24	36	37	61	25	29	30
Outpatient drug free clients	1,645	1,869	1,902	2,009	2,055	1,998	1,421	1,153	1,190	1,088
Methadone maintenance clients	14	17	21	24	24	34	20	16	17	16
Intensive outpatient clients	134	169	163	223	245	217	197	179	147	133
Website visitors	45,168	46,428	114,065	198,017	254,655	111,751	146,411	143,170	117,917	131,381
Mental Health:										
Emergency/crisis intervention hours	2,832	3,276	7,974	8,771	9,658	3,633	3,589	4,197	141	6,649
Community residential days	28,385	26,933	27,135	29,487	30,543	30,942	48,463	29,211	27,805	28,066
Community employment hours	40,131	39,116	38,444	38,009	38,967	38,282	4,760	37,747	7,001	32,016
Service case management clients	1,888	2,114	4,185	3,026	1,825	3,580	3,924	3,193	2,618	2,932
Day treatment hours	4,774	5,235	5,083	4,804	5,066	4,942	2,214	4,197	4,704	3,013
Outpatient hours	2,919	3,384	3,730	3,708	3,486	3,572	6,744	4,395	3,042	5,677
Family based hours	996	747	795	825	1,081	1,035	1,556	3,542	166	-
Psychiatric rehab hours	33,578	37,611	35,569	34,413	35,047	29,424	27,406	33,743	2,808	118,770
Social rehab hours	29,000	30,008	28,338	29,183	29,393	25,622	44,950	28,099	31,960	96,113
Drop-in-Center hours	31,759	44,112	43,413	32,739	54,100	18,666	41,321	60,740	*	*
Host home days	397	282	359	184	123	-	-	-	-	-
Supported housing hours	7,907	6,705	6,789	6,635	6,857	8,122	17,085	9,147	9,209	38,424
Mental Retardation:										
Specialized support hours	6,550	13,300	14,907	17,034	14,284	10,314	9,704	1,168	6,458	6,828
Transportation trips	109,435	109,160	101,621	112,938	109,477	6,692	4,734	4,848	1,013	9,807
Employment hours	69,639	59,408	54,581	54,417	57,783	3,455	5,301	3,768	606	3,337
Residential services clients	364	367	372	382	394	237	610	22	24	32
Early intervention clients	1,083	1,068	1,092	1,137	1,127	2,314	2,470	1,189	2,419	1,250
Pre-Vocational hours	326,325	344,844	28,514	362,132	394,605	2,679	18,845	11,485	2,028	11,927
Respite clients	227	251	381	370	362	274	235	47	45	37
Home & community service hours	143,152	171,516	57,140	119,447	117,936	5,463	96,959	9,896	15,179	40,406
Family driven clients	63	86	96	122	110	162	58	8	2	-
Community habilitation hours	189,866	191,311	14,655	184,147	193,238	164,889	8,672	3,993	916	2,938

Note: * Data not available.

** 2005 information is estimated due to transition to new system.

*** Effective July 1, 2011, Employment and Training is no longer considered a function of the County.

**** Effective January 1, 2008, data once associated with the 911 Operations Fund is now included in the General Fund.

(Continued)

County of Lancaster, Pennsylvania

Operating Indicators by Function
Last Ten Fiscal Years

Table 16 (Cont.)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Health Choices ***										
Inpatient psychiatric:										
Members served	860	942	920	881	921	971	948	1,016	1,241	1,165
Days of service	9,044	9,693	10,914	13,013	12,372	12,433	12,784	15,904	16,824	17,473
Outpatient psychiatric:										
Members served	6,036	7,012	7,342	7,942	9,462	10,164	10,724	12,094	13,100	15,018
Units of service	98,508	94,869	99,492	168,441	183,870	218,594	178,870	240,775	252,287	263,741
Inpatient drug and alcohol:										
Members served	15	29	24	34	18	12	22	22	28	34
Days of service	121	256	154	230	180	103	117	236	325	270
Non-hospital drug and alcohol:										
Members served	402	552	545	683	880	664	763	786	790	1,327
Days of service	14,021	21,878	25,469	27,905	26,324	29,060	31,060	35,189	33,396	36,280
Outpatient drug and alcohol:										
Members served	1,033	1,171	1,180	1,283	1,747	1,760	1,874	2,041	2,140	2,253
Units of service	22,966	24,567	25,860	82,681	124,039	149,004	153,361	164,481	169,966	169,270
Behavioral health rehabilitation:										
Members served	1,186	1,171	1,530	1,863	2,136	2,276	2,484	2,671	2,735	5,651
Units of service	531,850	973,211	1,213,010	1,532,542	1,841,423	1,987,384	2,210,853	2,536,176	2,567,426	2,221,555
Residential treatment facility:										
JCAHO:										
Members served	139	131	117	121	156	137	110	121	121	122
Days of service	24,150	21,787	22,753	24,531	35,184	23,994	22,231	22,826	21,952	22,256
Non JCAHO:										
Members served	7	9	5	9	8	7	13	15	9	10
Days of service	721	953	1,046	1,014	690	1,744	2,662	2,417	2,270	2,493
Office of Aging:										
Case management clients	539	897	935	1,030	990	1,077	1,012	796	701	771
Protective services clients	470	506	617	735	888	898	983	1,268	1,237	1,360
Transportation clients	752	713	732	700	544	407	470	463	474	486
Meals provided	155,805	161,850	163,813	157,551	146,855	147,358	140,724	105,847	108,698	112,164
In-home services clients	498	547	561	612	540	581	534	647	511	635
Adult day care clients	102	137	130	76	61	69	44	47	50	69
PDA Waiver clients	152	165	162	161	184	235	236	265	296	319
Children and Youth:										
Children served	5,035	4,585	4,825	4,408	4,459	4,366	4,870	4,966	5,155	5,309
Placement days	201,963	180,047	173,186	164,437	175,903	185,369	190,217	173,999	156,618	162,789
Child abuse reports	632	649	797	845	809	1,001	881	1,218	1,192	1,191
Intake reports	1,103	910	996	1,206	1,291	1,221	1,300	1,057	1,348	1,233
Business-type										
911 Operations										
9-1-1 calls	210,518	217,333	217,895	****	****	****	****	****	****	****

Note: * Data not available.

** 2005 information is estimated due to transition to new system.

*** Effective July 1, 2011, Employment and Training is no longer considered a function of the County.

**** Effective January 1, 2008, data once associated with the 911 Operations Fund is now included in the General Fund.

County of Lancaster, Pennsylvania

Capital Asset by Function
Last Ten Fiscal Years

Table 17

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program:										
Governmental Activities										
General government										
Motor vehicles	5	5	5	5	5	6	9	9	10	9
Office buildings	4	4	4	2	2	2	2	1	1	3
Public safety										
Motor vehicles	6	7	7	20	17	17	25	26	26	26
Office buildings	1	1	1	1	1	1	1	1	1	1
Roads and bridges										
County-owned bridges	64	64	64	64	64	64	64	64	64	64
Motor vehicles	9	9	9	9	8	8	12	13	12	12
Health, education, and welfare										
Motor vehicles	8	7	8	8	8	6	6	6	5	5
Office buildings	-	-	-	-	-	-	3	3	3	-
Judicial										
Motor vehicles	56	62	63	70	67	70	114	120	119	121
Office buildings	1	1	1	3	3	3	3	4	4	4
Corrections										
Motor vehicles	8	9	5	4	7	7	7	7	7	8
Office buildings	2	2	2	2	2	2	2	2	2	2
Cultural and recreation										
Number of parks	8	8	8	8	8	9	9	9	9	9
Park acreage	2,028	2,028	2,053	2,053	2,053	2,055	2,055	2,055	2,055	2,055
Pavilions	12	12	12	12	12	12	12	12	12	12
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Environmental/Educational Buildings	1	1	1	1	1	1	1	1	1	1
Motor vehicles	39	44	42	45	46	45	48	48	48	48
Office buildings	4	4	4	4	4	4	4	4	4	4
Storage buildings	7	7	7	8	8	8	8	8	8	8
Tenant Properties	4	4	4	5	5	5	5	5	5	5
Community development										
Easement acreage	31,404	34,338	36,478	39,044	40,399	42,032	43,428	45,359	47,211	48,573
Business-type Activities										
911 Operations (1)										
Motor vehicles	6	6	7	-	-	-	-	-	-	-

Sources: various county departments; numbers have been updated to reflect the most current data available.

(1) Effective January 1, 2008, data once associated with 911 Operations is now included in Public Safety under Governmental Activities.

County of Lancaster, Pennsylvania

Salaries and Surety Bonds of Principal Officials For the year ended December 31, 2014

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Dennis P. Stuckey, Commissioner	\$ 97,258	\$ 7,500
Scott F. Martin, Commissioner	96,258	7,500
Craig E. Lehman, Commissioner	96,258	7,500
Joshua G. Parsons, Clerk of Courts	83,784	11,000
Brian K. Hurter, Controller	83,784	100,000
Stephen Diamantoni, Coroner	83,784	15,000
Andrea McCue, Chief Clerk	106,852	7,500
Craig W. Stedman, District Attorney	172,791	(1)
Katherine E. Wood-Jacobs, Prothonotary	83,784	200,000
Bonnie L. Bowman, Recorder of Deeds	83,784	385,000
MaryAnn Gerber, Register of Wills	85,784	25,000
Mark S. Reese, Sheriff	83,784	60,000
Craig A. Ebersole, Treasurer	83,784	627,000
29 bonded tax collectors	\$.75 per parcel collected	59,156,912 (2)

(1) No bond required under Title 16, Section 420 of the County Code

(2) The dollar value is stated at 75% of total county and municipal tax levied in 2014.
Bonds are valid for the tax collector's term, January 2014 - January 2018.

County of Lancaster, Pennsylvania

Schedule of Insurance In-Force
December 31, 2014

Table 19

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit	
Travelers Indemnity Company	ZLP15N06023	02/01/14-02/01/15	\$ 75,312	General Liability	\$ 2,000,000 General Total Limit	
				Included Skateboard Park General Liability	\$ 2,000,000 Products and Completed Work Total Limit	
					\$ 1,000,000 Personal and Advertising Injury Limit	
					\$ 1,000,000 Each Occurrence	
					\$ 100,000 Damage to Premises Rented	
Travelers Indemnity Company	ZLP15N06023	02/01/14-02/01/15	\$ 334,724	Included Employee Benefit Plans Administration Liability	\$ 1,000,000 Each Employee	
				Employee Benefit Plans Administration Liability Ded. – \$1,000	\$ 3,000,000 Aggregate	
				Included Sexual Abuse Liability	\$ 1,000,000 Each Abuse or Molestation Limit	
				\$ 2,000,000 Aggregate		
Travelers Indemnity Company	ZLP15N06023	02/01/14-02/01/15	\$ 334,724	Law Enforcement Liability	\$ 2,000,000 Aggregate	
				Law Enforcement Deductible – \$100,000	\$ 1,000,000 Each Wrongful Act Limit	
Travelers Indemnity Company	ZLP15N06023	02/01/14-02/01/15	\$ 36,250	Public Entity Management Liability – Claims Made	\$ 2,000,000 Aggregate	
				Public Entity Management Liability Deductible – \$100,000	\$ 1,000,000 Each Wrongful Act Limit	
				\$ 62,008 Employment Practices Liability – Claims Made	\$ 2,000,000 Aggregate	
				Each Wrongful Employment Practice Offense Limit	\$ 1,000,000 Each Wrongful Act Limit	
				Employment Practices Liability Deductible – \$100,000 (IS Included under the Umbrella)		
Travelers Indemnity of Connecticut	H8102C410591TCT13	02/01/14-02/01/15	\$ 59,433	Commercial Auto	\$ 1,000,000 Combined Single Limit	
						\$ 35,000 Uninsured/Underinsured Motorists
Travelers Indemnity Company	ZUP15N06096	02/01/14-02/01/15	\$ 136,600	Umbrella Excess Liability	\$ 10,000,000 General Aggregate	
				Umbrella Excess Liability Deductible – \$10,000	\$ 10,000,000 Each Occurrence	
Continental Casualty Company (C.N.A.)	RMP5084884243	02/01/14-02/01/15	\$ 144,657	Building and Contents	Special Form: \$25,000 deductible	\$ 292,000,000
				Boiler & Machinery	Boiler and Machinery	\$ 100,000,000
				Property Includes Covered Bridges with Buildings	Bridge Property Damage, Deductible \$25,000	\$ 8,958,950 Total Limit, Schedule of Bridges On File With Carrier
					Flood \$50,000 Deductible	\$ 25,000,000 Annual Aggregate Limit No Flood for Bridges
				Commercial Property Coverages	Earthquake \$50,000 deductible	\$ 25,000,000 Annual Aggregate
				Computers	Hardware: \$1,000 deductible	\$ 19,299,653
					Software: \$1,000 deductible	Included in Hardware
					Fine Arts Floater; \$1,000 deductible	\$ 500,000
					Radio and Television Broadcasters – Transmission Towers – Replacement Cost; deductible \$25,000	\$ 8,977,426
					Voting Machines; deductible \$1,000	\$ 3,872,575
	Other Scheduled Equipment; deductible \$1,000	\$ 1,252,100				

Note: Safety Training Facility General Liability and Umbrella included in current Insurance Program

(Continued)

County of Lancaster, Pennsylvania

Schedule of Insurance In-Force
December 31, 2014

Table 19 (Cont.)

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit	
SAFETY NATIONAL Excess Workers Comp. & Employers Liability	SP4045478	02/01/14-02/01/15	\$ 58,331	Excess Workers Compensation Employers Liability (\$500,000 Cap Loss Limit)	\$ Statutory 1,000,000	Each Accident/Limit Each Employee Per Disease Each Accident/Limit Each Employee Per Disease
Travelers Casualty and Surety Co of America	105562115	02/01/14-02/01/15	\$ 11,329	Public Employees Blanket Bond, Deductible \$2,500	\$ 2,000,000	Per Loss Limit
FOSTER CARE PROFESSIONALS (1): Foster Parent Liability Ins.	FPL – 130	07/01/14-06/30/15	\$ 10,800	Personal Liability Insurance for foster parents	\$ 300,000	Per Person, Per Occurrence

(1) Contracted directly by Children and Youth Agency

DISCLAIMER - GENERAL

This document is for illustrative purposes. It contains generalized information and is not to be a full and complete description of the actual insurance policies. You must read the policies for any specific policy provisions or details.