

County of Lancaster

PENNSYLVANIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2011

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended December 31, 2011

PREPARED BY THE CONTROLLER'S OFFICE

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COVER PHOTOGRAPH
Amish Farm – Upper Leacock Township
Photo By: Paige A. Smucker

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COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2011

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Keith J. Greiner, CPA
Controller

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Controller
Keith J. Greiner, CPA

Controller's Office

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June 29, 2012

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, 2011, 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 Ernst & Young 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 2011 will be completed during September 2012. 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.



The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of the County's principal officials, the Certificate of Achievement for Excellence in Financial Reporting for the year ended December 31, 2010, and the County's organizational chart. The financial section includes Management's Discussion and Analysis, the basic financial statements, the required supplementary information and notes to the required supplementary information, and the combining and individual fund statements and schedules, as well as the report of independent auditors. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The County's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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 was formed on May 10, 1729 making it the fourth county in Pennsylvania. It is located in south central Pennsylvania approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. The County has been a third class county since 1962 and occupies a land area of 946 square miles. It consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships. Home to approximately 523,594 people, it is the sixth most populous county in the state trailing only Philadelphia, Allegheny, Montgomery, Bucks and Delaware counties.

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. They also appoint a Human Services Lead who is responsible for all the County Human service agencies and service providers.

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 and Agricultural Land Preservation special revenue funds, the debt service fund, and the capital projects funds. 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. Manufacturing is the dominant segment of the local economy with hundreds of manufacturers producing widely diverse products. The County has many firms that have existed here for at least 50 years and some for more than 100 years. Lancaster is home to many national and international businesses and new companies contribute vitality and additional opportunity. Its close proximity to major metropolitan markets and the Ports of Baltimore, Philadelphia and Wilmington makes it perfect for getting products to market. Located within 500 miles of more than half the buying power of the nation, Lancaster County has access to growing markets which offer numerous possibilities. The County is the third largest industrial area in Pennsylvania trailing only the metropolitan areas of Philadelphia and Pittsburgh. The County's unemployment rate of 6.2% remains consistently lower than both the state and national averages of 7.7% and 8.5%, respectively. Innovation and entrepreneurial spirit have helped Lancaster County's business and industrial communities thrive as they continue to adapt to ever-changing markets.

Since colonial days, Lancaster's fertile soil and hard working farmers have been hailed for exceptional agricultural productivity. Agriculture is a multi-billion dollar industry that contributes to the economic well-being of the County. Every dollar of agriculture-related products that leave Lancaster County's farms boosts our economy by \$6.00; a value of \$6 billion per year. With the most productive non-irrigated farmland in the United States, Lancaster County is one of the nation's top food producers. The County is also home to many agribusinesses which provide the infrastructure necessary for a prosperous agriculture. Lancaster County has a strong agricultural preservation effort in place to help ensure that farm families have the opportunity to continue to keep the rich and valuable farmland in production for generations to come. Preservation in the County is spearheaded by the Lancaster County Agricultural Preservation Board and the Lancaster Farmland Trust resulting in Lancaster County being first in the nation in number of acres of preserved farmland, with approximately 90,175 acres preserved on more than 1,150 individual farms.

With a dynamic tourism industry that attracts approximately 11 million visitors and brings in \$1.8 billion annually, Lancaster County offers visitors the unique opportunity to experience some of the country's most tranquil and picturesque farmland. Just a short drive from the major metropolitan areas of Philadelphia, Baltimore, New York and Washington D.C., the County is a popular destination for day trips, weekend escapes and extended vacations. In fact, 50% of the U.S. population lives within 500 miles of Lancaster County. The relaxing atmosphere, peaceful scenery, unique attractions and family activities are just some of the reasons why two thirds of the visitors to Lancaster County come back again.

Major Initiatives

For the Year

- * In September 2011, Lancaster County officials broke ground on the \$6.4 million forensic center project in East Hempfield Township. Once finished, the 13,200 square foot, state-of-the art facility will replace the circa 1960 facility in east Lancaster city. Various sites for the building were considered over the years by the current and former boards of County Commissioners, until the current board settled on the East Hempfield tract. The one-story structure will have laboratories for autopsies and other examinations, ample cooler space for body storage, an enclosed sally port for the delivery of bodies and private viewing areas for family members. It will also serve as the new office for the county coroner, replacing the current office in the county administration building located at 150 North Queen Street in Lancaster City. Construction is expected to be completed by the end of 2012.
- * On August 10, 2011 at their weekly meeting, the Commissioners voted to postpone the 2013 Countywide Reassessment Project until 2017. The delay will save the county from spending about \$1 million this year and next to reassess each of the county's 187,000 tax parcels. In order to postpone the reassessment, the Commissioners had to repeal a resolution passed by a previous board in 1996 that stipulated the county would complete reassessments every eight years, beginning in 1997. The plan is to stick with the eight year interval but to restart the cycle beginning with the reassessment in 2017. Since the last reassessment was done in 2005 when the housing market was on the rise, delaying the look at property values until 2017 will benefit the taxpayers.
- * The Elder Abuse Task Force was established in July 2011 by the following core partners, Lancaster County Office of Aging, Lancaster County District Attorney's Office and local law enforcement agencies. The purpose of the task force is to ensure coordination and cooperation among agencies involved in the assessment/investigation of reports of physical and sexual abuse, neglect, and exploitation of elderly residents in Lancaster County. The efforts of the task force will minimize the stress created for the victim and their family through a coordinated intervention process and will increase the efficiency and effectiveness of the involved agencies.

For the Future

- * Lancaster County Office of Aging will join five other Area Agencies on Aging (AAA) in the southeast region to roll out the state's first Veteran's Directed Home and Community Based Services program. This innovative new program model provides veterans of any age, who are at risk for nursing home placement, the option to self-direct their own care and continue to live independently in the community. Philadelphia Corporation on Aging will assume the lead role for the region, with each of the other AAA's providing service coordination for the participating veterans from their respective counties. This pilot program is specific to those veterans who receive medical services at Coatesville and Philadelphia Veterans Medical Centers. While the number of veteran's to receive this service in Lancaster County may be few at first, as the program expands, it will provide a unique and new funding stream for the agency.

- * The Lancaster County Department of Parks is working with the Planning Department and the Lancaster County Solid Waste Management Authority in negotiations to acquire a portion of Norfolk Southern railroad property contiguous to the southern end of Chickies Rock County Park. This will create the needed connections for the Northwest River Trail to extend into Columbia. The design and construction process for the new pedestrian bridge over Chickies Creek will continue. This new bridge will be a critical link in the 14 mile Northwest River Trail being built from Conoy to Columbia. Construction will begin tentatively in 2012.

- * Various upgrades and renovations are scheduled to take place in the Courthouse within the coming year. The first floor restrooms will be renovated along with upgrades to the lobby area and the installation of a new fire alarm system. The Courthouse garage will also be undergoing renovations. Work will be done on the County owned office building at 40 East King Street which will house Adult Probation and Parole Services.

Financial Policies

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

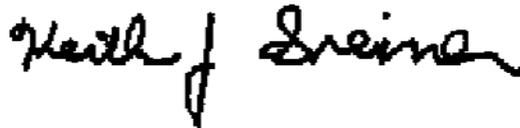
The County Commissioners have formally adopted purchasing policies encompassing legal compliance and encouraging competitive and economical procurement of goods and services.

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 for the year ended December 31, 2010. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report (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 comprehensive annual financial report 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, Ernst & Young, LLP. We appreciate the contributions made in the preparation of this report.

A handwritten signature in black ink that reads "Keith J. Greiner". The signature is written in a cursive style with a large, stylized initial "K".

Keith J. Greiner, CPA
Controller

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, 2010

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



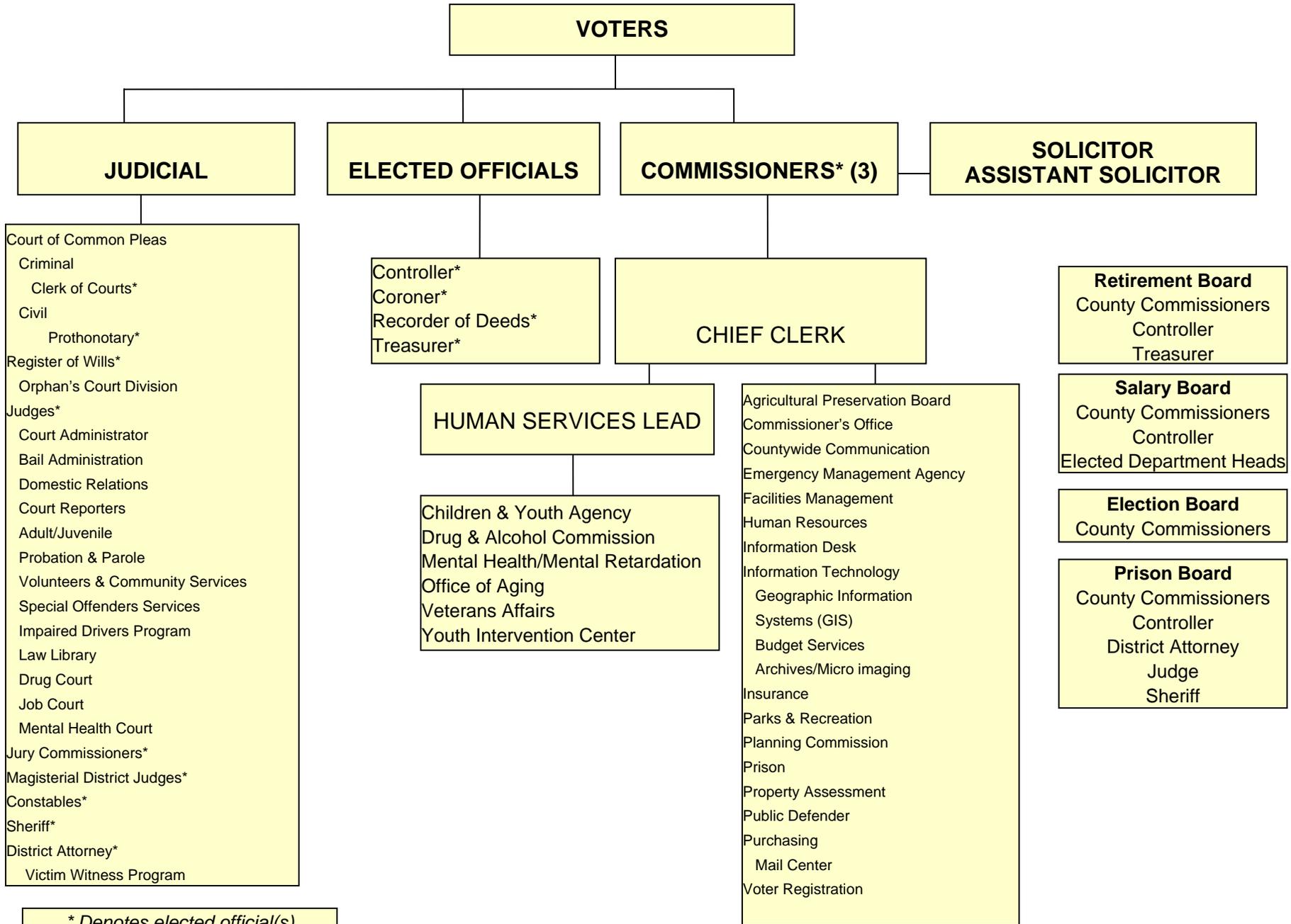
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

LANCASTER COUNTY ORGANIZATIONAL CHART – 3rd CLASS COUNTY



* Denotes elected official(s)

**2011
County of Lancaster
Elected Officials**

COMMISSIONERS

Scott Martin, Chairman
Dennis Stuckey, Vice Chairman
Craig Lehman

CONTROLLER

Keith J. Greiner, CPA

PROTHONOTARY

Randall O. Wenger

TREASURER

Craig Ebersole

RECORDER OF DEEDS

Bonnie Bowman

REGISTER OF WILLS

Mary Ann Gerber

CLERK OF COURTS OF COMMON PLEAS

Joshua G. Parsons, Esq.

JURY COMMISSIONERS

Debbie Frantz
Kathleen Harrison

JUDGES OF COURT OF COMMON PLEAS

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

DISTRICT ATTORNEY

Craig W. Stedman

SHERIFF

Mark S. Reese

CORONER

Stephen G. Diamantoni, MD

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Report of Independent Auditors

County Commissioners
County of Lancaster

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, 2011, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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*. We were not engaged to perform an audit of the County's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our 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, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1, the County adopted Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that management’s discussion and analysis, the required supplementary schedules of employer contributions and funding progress for the County of Lancaster, Pennsylvania, Employee Retirement Plan, 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, Mental Health/Mental Retardation Fund, and Domestic Relations Fund listed in the Table of Contents on pages 15 through 29 and 99 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Ernst + Young LLP

June 29, 2012

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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, 2011. 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, 2011.

FINANCIAL HIGHLIGHTS

- ⇒ The County's 2011 real estate property tax rate remained unchanged at 3.416 mills.
- ⇒ The County's net assets increased \$1.1 million in 2011, or 157%.
- ⇒ The County's unrestricted deficit was \$(64.2) million at December 31, 2011 compared to \$(47.3) million at December 31, 2010.
- ⇒ The County's bond rating is A1 (stable outlook).
- ⇒ At December 31, 2011, the County had \$261 million of general obligation debt outstanding. This represents a decrease of \$10.6 million, or 3.9%, 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.

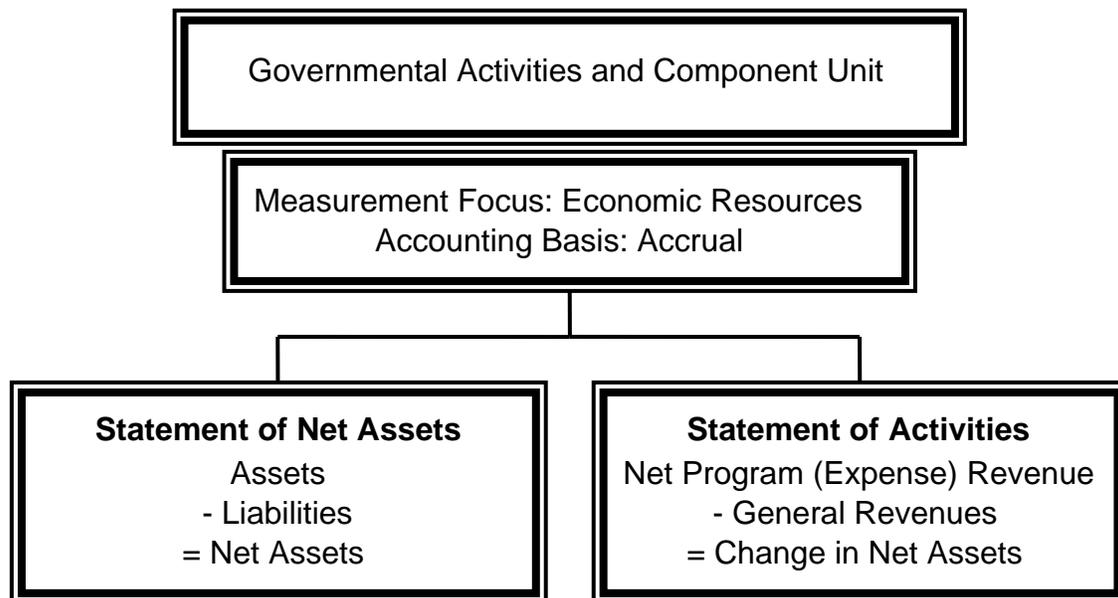
The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding employee pension contributions and employee pension and other post-employment 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.

Government-wide Financial Statements



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

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

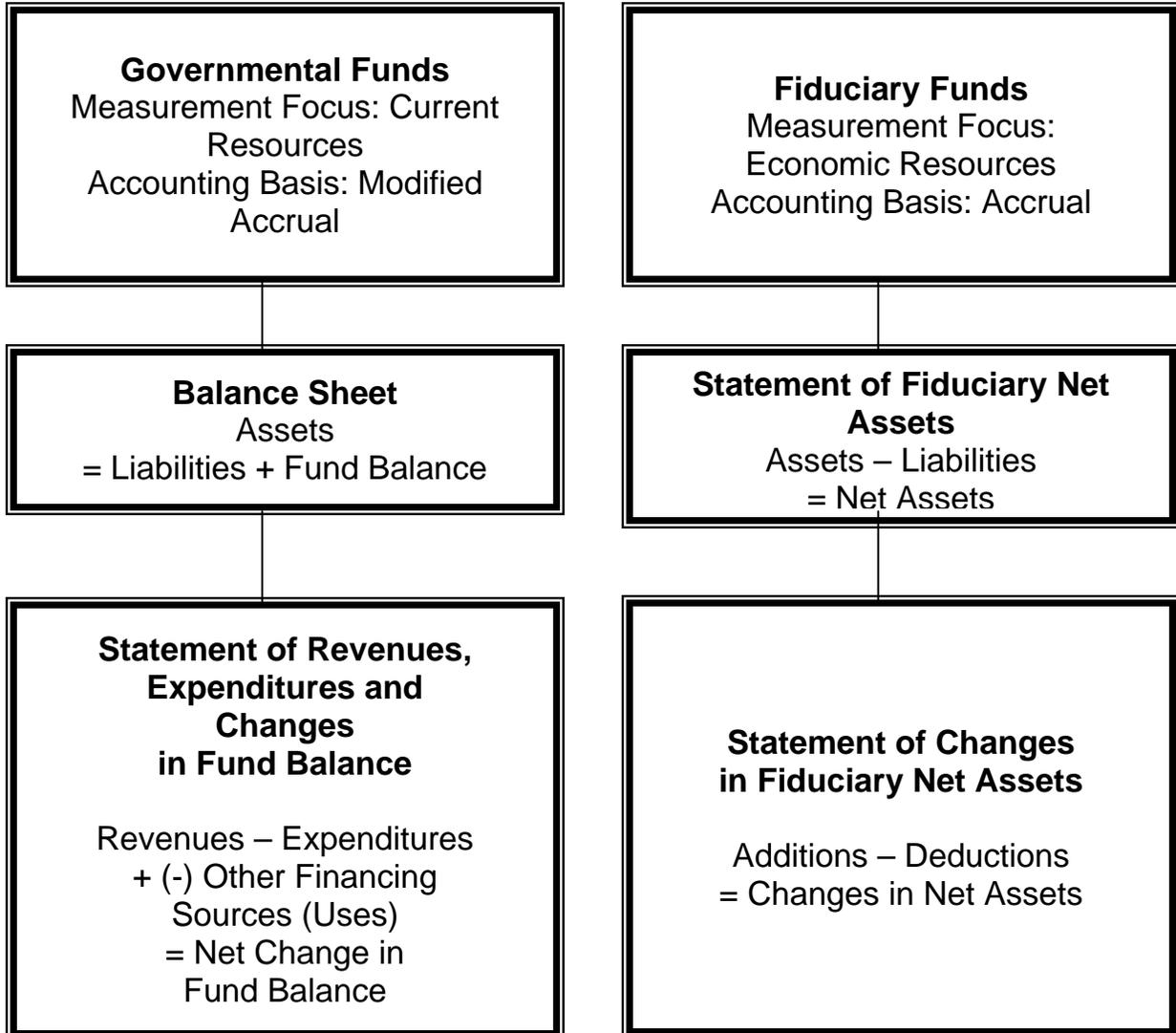
- ◆ *Governmental activities* – All of the County’s basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Component 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, Mental Health/Mental Retardation 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 and the Debt Service Fund 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 assets. A statement of changes in fiduciary net assets 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 Assets 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 ASSETS:

The County's net assets as of December 31, 2011 and 2010 are presented below:

Table A-1 County Net Assets for the year ended December 31, 2011 (amounts in millions)

	2011	2010
Capital assets, net	\$ 259.1	\$ 245.6
Other assets	72.0	86.0
Total assets	331.1	331.6
Other liabilities	23.4	20.1
Long-term liabilities	305.9	310.8
Total liabilities	329.3	330.9
Net assets (deficit):		
Invested in capital assets, net of related debt	40.1	35.3
Restricted	25.9	12.7
Unrestricted (deficit)	(64.2)	(47.3)
Total net assets	\$ 1.8	\$ 0.7

Net assets of the County's governmental activities increased by 157% to \$1.8 million. This increase was due to the fact that the hospitalization rebate due to the County increased from \$1.3 million last year to \$3.3 million in 2011. Of this amount, \$40.1 million represents the balance of capital assets, net of related debt, while \$25.9 million is restricted for various purposes. The County has an unrestricted deficit balance of \$(64.2) million as of the end of the year.

Lancaster County's total assets stand at \$331.1 million as of December 31, 2011. Of this amount, \$259.1 million is accounted for by capital assets, which includes some infrastructure.

The following table presents the County's changes in net assets for the fiscal year ended December 31, 2011 and 2010:

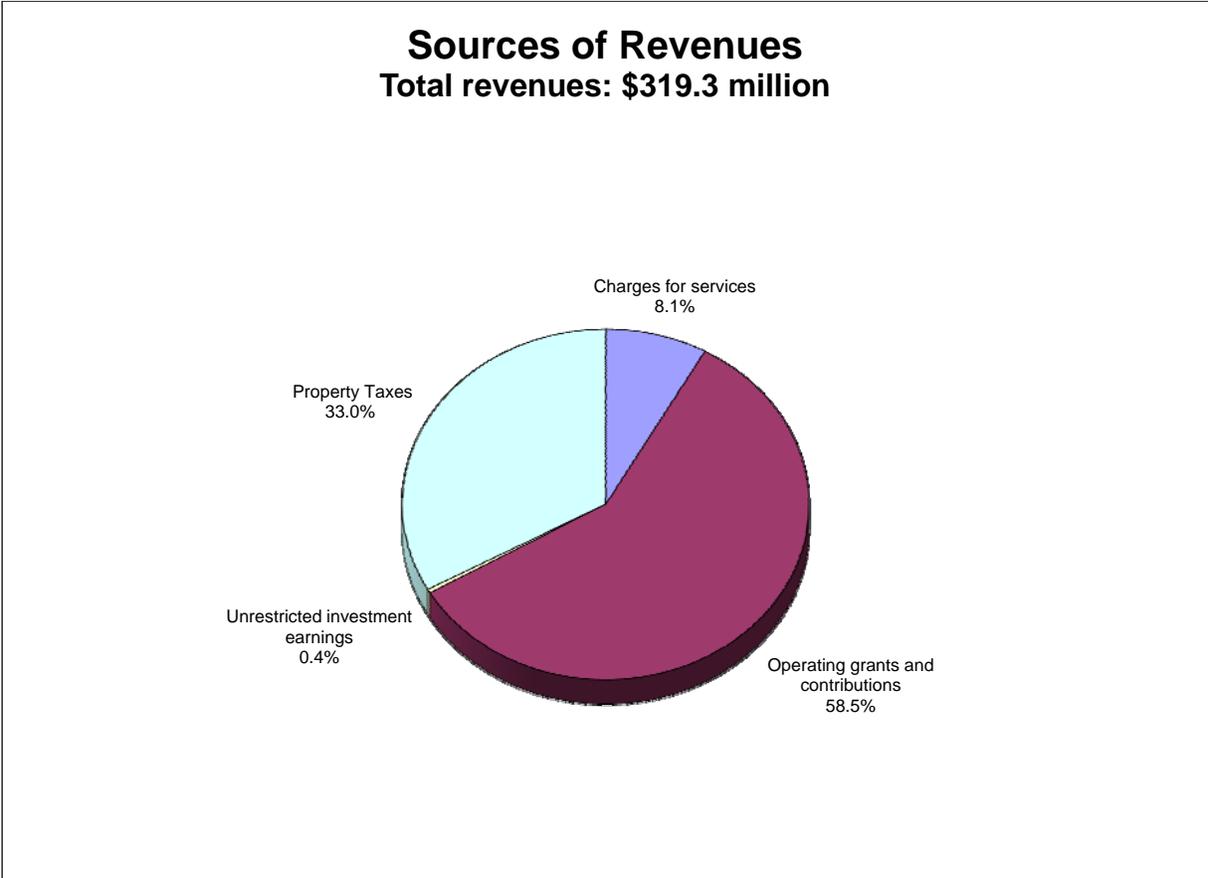
<p>Table A-2 County's Changes in Net Assets for the year ended December 31, 2011 (amounts in millions)</p>

	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 25.9	\$ 24.9
Operating grants and contributions	186.7	108.0
General revenues:		
Property taxes	105.6	104.9
Unrestricted investment earnings	1.1	0.6
Total revenues	319.3	238.4
Expenses:		
General government	57.3	63.8
Public safety	12.5	12.1
Roads and bridges	1.0	0.6
Health, education, and welfare	158.4	81.8
Judicial	43.1	42.3
Corrections	24.8	24.0
Cultural and recreation	2.5	3.0
Community development	7.8	5.6
Interest on long-term debt	10.8	9.5
Total expenses	318.2	242.7
Change in net assets	1.1	(4.3)
Net assets – beginning	0.7	5.0
Net assets – ending	\$ 1.8	\$ 0.7

The increase of \$1.1 million in net assets was the result of the hospitalization rebate increasing from \$1.3 million last year to \$3.3 million in 2011.

GOVERNMENTAL ACTIVITIES:

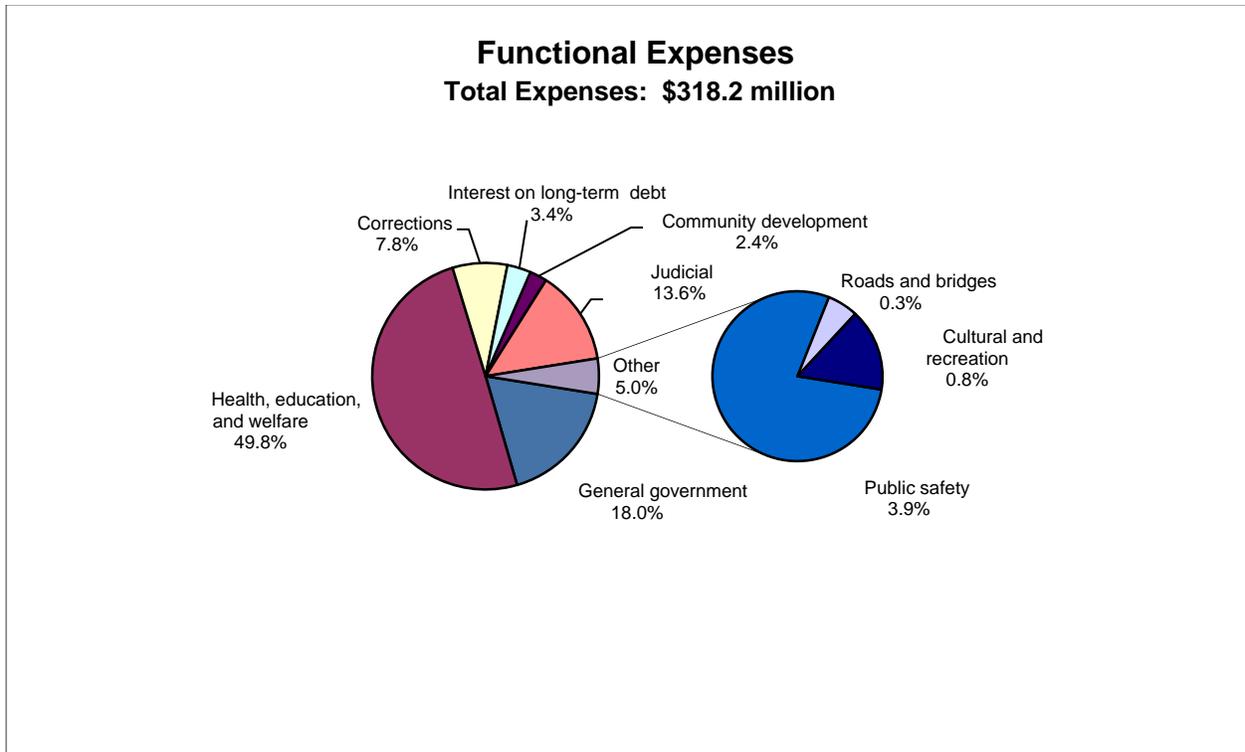
The following chart graphically depicts the sources of revenues for the year ended December 31, 2011:



Total government-wide revenues of \$319.3 million were derived primarily from operating grants and contributions, representing 58.5% of the total. Property taxes made up the second largest source of revenue at 33.0%, followed by charges for services at 8.1%, and unrestricted investment earnings at 0.4%.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the year ended December 31, 2011:



Total expenses for all programs in 2011 were \$318.2 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 49.8%. The second largest program area was general government at 18.0%, followed by judicial at 13.6%, corrections at 7.8%, other (cultural and recreation, public safety and roads and bridges) at 5.0%, interest on long term debt at 3.4%, and community development at 2.4%.

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 Mental Health/Mental Retardation special revenue fund, 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, 2011, the General Fund reported a fund balance of \$11.2 million, which was a \$0.6 million or 5.0% decrease over the previous year's balance of \$11.8 million. Revenues decreased from \$142.4 million to \$141.8 million, a \$0.6 million or 0.4% decrease. This decrease is the result of less Federal and State funding being received by the Planning Department for the Amtrak Station project. Expenditures decreased from \$132.8 million to \$130.3 million as reported, which was a \$2.5 million or 1.9% decrease. This decrease is the result of less monies being spent on the Amtrak Station project.

The fund balance in the Children and Youth Services special revenue fund increased to \$1.6 million at December 31, 2011, from \$1.3 million, a \$0.3 million or 23.1% increase. Revenues decreased from \$32.7 million to \$32.2 million, a \$0.5 million or 1.5% decrease. This decrease is due to the fact that intergovernmental revenues fell due to a decrease in state funding. Expenditures increased from \$39.8 million to \$40.2 million, an increase of \$0.4 million or 1.0%. The increase was the result of higher costs for payroll and fringe benefits.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund increased to \$107.0 million from \$30.6 million, an increase of \$76.4 million or 249.7%. Expenditures increased from \$31.7 million to \$107.9 million, a \$76.2 million or 240.4% increase. The increases were the result of including the activity from the Capital Area Behavioral Health Collaborative account related to Lancaster County.

The Domestic Relations special revenue fund became a major governmental fund in 2011. The fund balance as of December 31, 2011 was \$7.3 million as compared to \$6.8 million last year, an increase of \$0.5 million or 7.3%. The revenues increased from \$4.9 million to \$5.0 million, an increase of \$0.1 million or 2.0%. Expenditures increased from \$6.0 million to \$6.5 million, an increase of \$0.5 million or 8.3%. The increases are the result of normal growth in the program.

The fund balance in the Capital Projects Fund at December 31, 2011, was \$9.5 million, down from \$28.6 million the previous year. This represents a decrease of \$19.1 million or 66.8%. Revenues increased to \$0.4 million from \$0.1 million the previous year, an increase of \$0.3 million or 300.0%. Expenditures increased to \$19.6 million, an increase of \$1.9 million or 10.7% from the amount spent in the previous year of \$17.7 million. The decrease in the fund balance is the result of no new bonds being issued in 2011 and the completion of a major portion of the work on building renovations at 40 East King Street and 50 North Duke Street.

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 \$146.8 million to \$150.6 million, an increase of \$3.8 million or 2.6%. Actual revenues received totaled \$146.4 million or 97.2% of the final budget. Intergovernmental revenues fell \$3.8 million short of the final budgeted amounts as a result of anticipated grants not being received. This amount was also reflected in decreased grant expenditures.

The County's original operating expenditure budget, excluding transfers, increased from \$145.7 million to \$149.6 million, an increase of \$3.9 million or 2.7%. Actual expenditures were \$137.0 million or 91.6% of the final budget due to cost saving measures implemented in 2011.

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, 2011, net of accumulated depreciation, amounted to \$259.1 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, 2011 and 2010:

Summary of Capital Assets		
	2011	2010
Land	\$ 5,275,585	\$ 5,275,585
Buildings and improvements	185,323,810	171,590,006
Improvements other than buildings	1,777,936	1,777,936
Furniture and equipment	36,236,978	37,291,245
Construction in Progress	921,833	-
Infrastructure	12,253,302	11,344,518
Easements	92,154,159	89,174,375
Less accumulated depreciation/amortization	<u>(74,876,725)</u>	<u>(70,804,127)</u>
Total	<u>\$ 259,066,878</u>	<u>\$ 245,649,538</u>

Total capital assets increased from \$245.6 million to \$259.1 million, an overall increase of \$13.5 million or 5.5%. Significant elements of this increase include a \$3 million dollar increase in easements as well as the completion of a major portion of the work on building renovations at 40 East King Street and 50 North Duke Street.

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, 2011, the County had \$261 million of general obligation bonds and notes outstanding. This was a decrease of \$10.6 million, or 3.9%, from the previous year. The following details activity related to general obligation bonds and notes during 2011:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2011	\$ 271,167,221
Accretion adjustment	1,038,352
Debt issued	10,000,000
Less principal refunded	(9,435,000)
Less principal payments	<u>(12,219,700)</u>
Ending balance at 12/31/2011	<u>\$ 260,550,873</u>

BOND RATING:

The County's Series of 2011 refunding bonds has been assigned an A1 rating with a stable 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 6.2%, which is a 9% decrease over the previous year's rate of 6.8%. This rate compares favorably with the State's rate of 7.7% and the national rate of 8.5%.

These factors were considered in preparing the County's 2012 budget. Amounts available for appropriation in the General Fund budget are \$141.0 million, a decrease of 4.0% over the final 2011 budget of \$146.8. State and federal grants were budgeted to decrease by \$7.2 million as the result of the completion of the American Recovery and Reinvestment Act (ARRA).

Budgeted operating expenditures, excluding transfers, have decreased 3.1% to \$142.6 million. The largest reduction was in other operating 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 Assets

December 31, 2011

	Primary Government	Component Unit
	Governmental Activities	Lancaster County Convention Center Authority
ASSETS		
Cash and temporary investments:		
Operating	\$ 31,901,387	\$ 619,296
Other	681,040	-
Cash with fiscal agents	4,217	-
Investments	685,100	-
Receivables:		
Room rental tax	-	558,489
Taxes, net of allowance for uncollectibles of \$93,646	3,028,883	-
Fines and costs, net of allowance for uncollectibles of \$30,030,620	4,117,001	-
Accounts	5,181,566	-
Due from other governments	14,038,881	-
Advances to providers and other governments	5,142	-
Other	89,633	55,836
Deferred charges:		
Issuance costs, net of accumulated amortization of \$1,162,256 and \$203,464	2,327,743	1,383,564
Prepaid items	1,791,374	68,345
Restricted Cash	-	214,818
Restricted investments	328,172	5,887,352
Capital assets not being depreciated/amortized:		
Land	5,275,585	1,579,621
Construction in progress	921,833	-
Easements	92,154,159	-
Capital assets being depreciated/amortized:		
Buildings and improvements	185,323,810	75,059,135
Improvements other than buildings	1,777,936	-
Furniture and equipment	36,236,978	4,484,511
Infrastructure	12,253,302	-
Less accumulated depreciation/amortization	<u>(74,876,725)</u>	<u>(6,280,976)</u>
Total capital assets, net	259,066,878	74,842,291
Deferred outflows of resources, accumulated decrease in the fair value of hedging derivatives	7,814,912	-
Total assets	<u>331,061,929</u>	<u>83,629,991</u>
LIABILITIES		
Accounts payable	7,201,290	282,676
Contracts payable	3,920,621	-
Retainage payable	661,025	-
Accrued interest payable	1,540,087	252,937
Unearned revenue	5,929,383	35,106
Payroll related accruals	4,098,098	4,270
Long-term liabilities:		
Due within one year	14,657,317	-
Due in more than one year	279,301,273	65,114,845
Derivative instruments – interest rate swap/swaption liability	6,666,284	24,824,296
Borrowing payable	5,291,716	-
Total liabilities	<u>329,267,094</u>	<u>90,514,130</u>
NET ASSETS		
Invested in capital assets, net of related debt	40,056,693	16,301,990
Restricted for:		
Federal and state grant programs	16,495,389	-
Capital projects	9,468,673	-
Other	-	841,575
Unrestricted (deficit)	<u>(64,225,920)</u>	<u>(24,027,704)</u>
Total net assets	<u>\$ 1,794,835</u>	<u>\$ (6,884,139)</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, 2011

				Net (Expense) Revenue and Changes in Net Assets	
	Program Revenues			Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Lancaster County Convention Center Authority
Functions/Programs					
Primary Government:					
Governmental activities:					
General government	\$ 57,284,051	\$ 6,238,767	\$ 10,873,602	\$ (40,171,682)	\$ -
Public safety	12,543,485	7,494,676	252,359	(4,796,450)	-
Roads and bridges	939,766	11,650	2,606,826	1,678,710	-
Health, education, and welfare:					
Drug and alcohol	3,923,950	256,397	3,819,299	151,746	-
Employment and training	9,152,454	-	9,352,188	199,734	-
Mental health/mental retardation	107,010,036	1,337,735	105,282,821	(389,480)	-
Office of aging	6,918,714	34,088	7,626,043	741,417	-
Children and Youth	31,081,381	2,310,940	29,907,819	1,137,378	-
Other	269,997	-	472,610	202,613	-
Judicial	43,118,281	7,701,804	8,672,125	(26,744,352)	-
Corrections	24,834,919	145,236	33,715	(24,655,968)	-
Cultural and recreation	2,492,561	323,385	-	(2,169,176)	-
Community development	7,821,351	-	7,821,351	-	-
Interest on long-term debt	10,774,790	-	-	(10,774,790)	-
Total governmental activities	<u>318,165,736</u>	<u>25,854,678</u>	<u>186,720,758</u>	<u>(105,590,300)</u>	<u>-</u>
Component unit:					
Convention Center	\$ 8,207,271	\$ 1,589,773	-	-	(6,617,498)
Total component unit	<u>\$ 8,207,271</u>	<u>\$ 1,589,773</u>	<u>\$ -</u>	-	<u>(6,617,498)</u>
General Revenues:					
Property taxes				105,576,248	-
Unrestricted investment earnings (loss)				1,129,759	(2,967,615)
Room rental tax				-	3,696,653
Total general revenues				<u>106,706,007</u>	<u>729,038</u>
Investment loss on swap termination				-	(21,803,023)
Change in net assets				<u>1,115,707</u>	<u>(27,691,483)</u>
Net assets – beginning				<u>679,128</u>	<u>20,807,344</u>
Net assets – ending				<u>\$ 1,794,835</u>	<u>\$ (6,884,139)</u>

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

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2011

	General	Children and Youth Services	Mental Health/Mental Retardation	Domestic Relations	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and temporary investments:							
Operating	\$ 323,352	\$ -	\$ 6,503,447	\$ 6,560,707	\$ 11,396,900	\$ 7,116,981	\$ 31,901,387
Other	-	13,457	552,931	-	-	114,652	681,040
Cash with fiscal agents	4,217	-	-	-	-	-	4,217
Investments	3,399	-	-	-	-	681,701	685,100
Restricted investments	328,172	-	-	-	-	-	328,172
Prepaid items	1,791,374	-	-	-	-	-	1,791,374
Receivables:							
Taxes	3,122,529	-	-	-	-	-	3,122,529
Less allowance for uncollectible taxes	(93,646)	-	-	-	-	-	(93,646)
Fines and costs	34,147,621	-	-	-	-	-	34,147,621
Less allowance for uncollectible fines and costs	(30,030,620)	-	-	-	-	-	(30,030,620)
Accounts	5,181,566	-	-	-	-	-	5,181,566
Due from other funds	5,727,621	-	-	-	-	-	5,727,621
Due from other governments	2,024,142	8,995,496	-	919,861	-	2,099,382	14,038,881
Advances to providers	-	-	-	-	-	5,142	5,142
Other	-	-	-	5,505	2,124	82,004	89,633
Total assets	\$ 22,529,727	\$ 9,008,953	\$ 7,056,378	\$ 7,486,073	\$ 11,399,024	\$ 10,099,862	\$ 67,580,017
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,123,982	\$ 2,162,520	\$ 1,438,478	\$ 4,151	\$ -	\$ 1,472,159	\$ 7,201,290
Contracts payable	-	-	-	-	1,418,472	2,502,149	3,920,621
Retainage payable	75,760	-	-	-	511,879	73,386	661,025
Due to other funds	-	4,733,688	-	-	-	993,933	5,727,621
Deferred revenue – taxes, fines and costs receivable	5,623,613	-	-	-	-	-	5,623,613
Unearned revenue	265,691	128,540	5,308,023	-	-	227,129	5,929,383
Payroll related accruals	3,269,536	367,325	309,877	145,655	-	149,667	4,242,060
Arbitrage payable	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	11,358,582	7,392,073	7,056,378	149,806	1,930,351	5,418,423	33,305,613
Fund balances:							
Non-spendable	1,791,374	-	-	-	-	-	1,791,374
Restricted -							
Health, education, and welfare	-	1,616,880	-	-	-	145,336	1,762,216
Capital projects	-	-	-	-	9,468,673	-	9,468,673
Roads and bridges	-	-	-	-	-	4,536,103	4,536,103
General government	563,895	-	-	-	-	-	563,895
Public safety	532,145	-	-	-	-	-	532,145
Judicial	1,764,763	-	-	7,336,267	-	-	9,101,030
Assigned -							
Postemployment benefits	6,518,968	-	-	-	-	-	6,518,968
Total fund balances	11,171,145	1,616,880	-	7,336,267	9,468,673	4,681,439	34,274,404
Total liabilities and fund balances	\$ 22,529,727	\$ 9,008,953	\$ 7,056,378	\$ 7,486,073	\$ 11,399,024	\$ 10,099,862	

Amounts reported for governmental activities in the statement of net assets 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)	259,066,878
Certain receivables are not available to pay for current-period expenditures and, therefore, are not recognized or deferred in the funds.	5,623,613
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. (Note 3)	(297,170,060)
Total net asset of governmental activities	\$ 1,794,835

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, 2011

	General	Children and Youth Services	Mental Health/Mental Retardation	Domestic Relations	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Real estate taxes	\$ 105,717,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,717,718
Intergovernmental	13,127,911	29,907,819	105,282,821	4,980,732	-	31,225,707	184,524,990
Departmental	18,089,788	2,310,783	135,523	-	-	31,305	20,567,399
Fines and costs	3,318,987	-	-	-	-	-	3,318,987
Investment earnings	126,282	32	3,431	11,528	80,237	7,273	228,783
Other	1,463,225	-	5,467	-	360,844	270,830	2,100,366
Health Choices revenues	-	-	1,575,092	-	-	-	1,575,092
Total revenues	141,843,911	32,218,634	107,002,334	4,992,260	441,081	31,535,115	318,033,335
EXPENDITURES							
Current:							
General government	29,707,283	-	-	-	2,982,229	-	32,689,512
Public safety	11,006,988	-	-	-	-	-	11,006,988
Roads and bridges	-	-	-	-	-	670,175	670,175
Health, education, and welfare:							
Drug and alcohol	-	-	-	-	-	4,325,385	4,325,385
Employment and training	-	-	-	-	-	9,434,147	9,434,147
Mental health/mental retardation	-	-	107,608,835	-	-	-	107,608,835
Office of aging	-	-	-	-	-	8,426,932	8,426,932
Children and youth	-	40,071,668	-	-	-	-	40,071,668
Other	197,693	-	-	-	-	-	197,693
Judicial	38,963,274	-	-	6,436,389	-	-	45,399,663
Corrections	23,107,431	-	-	-	-	-	23,107,431
Cultural and recreation	2,212,981	-	-	-	-	-	2,212,981
Community development	-	-	-	-	-	7,821,351	7,821,351
Capital outlay	3,517,933	99,354	277,036	18,495	15,248,703	1,945,236	21,106,757
Debt Service:							
Principal retirement	12,219,700	-	-	-	-	-	12,219,700
Interest and fiscal charges	9,212,924	-	-	-	1,344,752	-	10,557,676
Bond issuance costs	200,721	-	-	-	-	-	200,721
Total expenditures	130,346,928	40,171,022	107,885,871	6,454,884	19,575,684	32,623,226	337,057,615
Excess (deficiency) of revenues over (under) expenditures	11,496,983	(7,952,388)	(883,537)	(1,462,624)	(19,134,603)	(1,088,111)	(19,024,280)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	8,226,867	883,537	2,015,123	-	1,209,630	12,335,157
Transfers out	(12,335,157)	-	-	-	-	-	(12,335,157)
Discount on refunding bonds issued	(128,404)	-	-	-	-	-	(128,404)
Face amount of refunding bonds issued	10,000,000	-	-	-	-	-	10,000,000
Payment to refunded bond escrow agent	(9,670,875)	-	-	-	-	-	(9,670,875)
Total other financing (uses) sources	(12,134,436)	8,226,867	883,537	2,015,123	-	1,209,630	200,721
Net change in fund balances	(637,453)	274,479	-	552,499	(19,134,603)	121,519	(18,823,559)
Fund balances, January 1	11,808,598	1,342,401	-	6,783,768	28,603,276	4,559,920	53,097,963
Fund balances, December 31	\$ 11,171,145	\$ 1,616,880	\$ -	\$ 7,336,267	\$ 9,468,673	\$ 4,681,439	\$ 34,274,404

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, 2011

Net change in fund balances – total governmental funds	\$ (18,823,559)
The change in net assets 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 their 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)	
	13,417,340
Deferred 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.	(226,004)
The issuance of long-term debt (i.e., bonds, notes) 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 assets. (Note 3)	10,852,223
Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (Note 3)	(12,037)
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>(4,092,256)</u>
Change in net assets of governmental activities	<u>\$ 1,115,707</u>

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

County of Lancaster, Pennsylvania

Statement of Fiduciary Net Assets – Fiduciary Funds

December 31, 2011

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments-operating	\$ 3,501,254	\$ 12,813,866
Investments, at fair value:		
U.S. Government securities	15,375,401	–
U.S. Government agency-mortgage backed securities	15,315,874	–
Domestic corporate bonds	21,638,511	–
Mutual funds	23,486,579	–
Collateralized mortgage obligations	885,073	–
Domestic common stock	64,717,614	–
Real estate investment trust equity	7,712,019	–
International equity mutual funds	27,069,627	–
Total investments	176,200,698	–
Accrued employee contribution receivable	161,304	–
 Total assets	 <u>179,863,256</u>	 <u>12,813,866</u>
LIABILITIES		
Deposits and advances	–	2,753,237
Escrow liability	–	4,619,136
Other liabilities	296,141	836,646
Due to other governments	–	4,604,847
Total liabilities	<u>296,141</u>	<u>12,813,866</u>
 NET ASSETS		
Held in trust for pension benefits	 <u>\$ 179,567,115</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 Assets – Pension Trust Fund

For the Year Ended December 31, 2011

ADDITIONS

Contributions:

Employer	\$ 7,558,836
Plan members	4,392,243
Total contributions	<u>11,951,079</u>

Investment income:

Net depreciation in fair value of investments	(3,998,908)
Interest and dividends	4,969,648
Less investment expenses	<u>(601,332)</u>
Net investment income	<u>369,408</u>
Total additions	<u>12,320,487</u>

DEDUCTIONS

Benefits paid to plan members and beneficiaries	12,478,620
Refunds of contributions paid to plan members and beneficiaries	1,031,011
Administrative expenses	<u>145,344</u>
Total deductions	<u>13,654,975</u>
Change in net assets	(1,334,488)

Net assets held in trust for pension benefits, January 1	<u>180,901,603</u>
Net assets held in trust for pension benefits, December 31	<u>\$ 179,567,115</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, 2011

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 Statements No. 14 and No. 39. GASB Statements No. 14 and No. 39 define 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 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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 Statements No. 14 and No. 39. 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 substantially 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 Series of 2003, as discussed in Note 9.

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

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.

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

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 assets 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.

In the government-wide statement of net assets, 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 assets.

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

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)

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.

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 deferred revenues. 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. 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.

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)

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

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 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, Community Development, 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. These funds are restricted to provide support services to underprivileged juveniles.
- Mental Health and Mental Retardation Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. 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. 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.

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)

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
 - District Judge

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.

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

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.

D. New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 is effective for periods beginning after June 15, 2010. The County adopted this standard effective January 1, 2011, which resulted in a change in governmental fund balance classifications. See Note 2 for further explanation.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. GASB Statement No. 57 is effective for periods beginning after June 15, 2011. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 57 will have on the County's financial statements.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus." The Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. GASB Statement No. 59 is effective for reporting periods beginning after June 15, 2010. The County adopted this standard effective January 1, 2011; however, it did not have a significant impact 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 November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCAs)." The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner. GASB Statement No. 60 is effective for periods beginning after December 15, 2011 with the provisions generally required to be applied retroactively. The County is not engaged in any service concession arrangements as of December 31, 2011. If such agreements are entered into in the future, GASB Statement No. 60 will be appropriately applied.

In November 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB No. 14 and No. 34." This Statement improves guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. GASB Statement No. 61 is effective for periods beginning after June 15, 2012. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 61 will have on the County's financial statements.

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB Statement No. 62 is effective for periods beginning after December 15, 2011 with the provisions generally required to be applied retroactively. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 62 will have on the County's financial statements.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." GASB Statement No. 63 provides accounting and financial reporting requirements for deferred outflows of resources and deferred inflows of resources as introduced and defined in GASB's Concepts Statement No. 4, "Elements of Financial Statements". This Statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. New Accounting Pronouncements (continued)

GASB Statement No. 63 is effective for periods beginning after December 15, 2011. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 63 will have on the County's financial statements.

In June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53". GASB Statement No. 64 clarified whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. GASB Statement No. 64 is effective for periods beginning after June 15, 2011. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 64 will have on the County's financial statements.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This Statement reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. GASB Statement No. 65 is effective for periods beginning after December 15, 2012. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 65 will have on the County's financial statements.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". Statement No. 66 removes the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type, amending Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues". This requires governments to base their decisions about governmental fund type usage for risk financing activities on the guidance in Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement also amends Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB Statement No. 66 is effective for periods beginning after December 15, 2012. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 66 will have on the County's financial statements.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Assets

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 on investments 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 operating transfers by the General Fund at year end.

Investments

Investments are stated at fair value as provided by GASB Statement No. 31. Unrealized appreciation or depreciation on investments due to changes in fair value is recognized in individual fund operations each year.

Investments that are expected to be realized in cash within twelve months or less are considered to be temporary investments. Temporary investments are reported at fair value (typically using published market prices). Investments expected to be realized in cash after twelve months are considered to be long-term investments. Long-term investments are reported at fair value. 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, and domestic 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.

Prepays

The County uses the consumption approach for recording prepaid services. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Assets (continued)

Restricted Assets

Governmental Activities

The County had a restricted investment balance of \$328,172 representing amounts deposited in an irrevocable trust to pay future workers compensation claims.

Discretely Presented Component Unit

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash, in the amount of \$214,818, and restricted investments, in the amount of \$5,877,352, on the statement of net assets 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, 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 and Net Assets (continued)

Capital Assets (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

The County reports unearned revenue in its governmental funds. 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 governmental funds balance sheet and revenue is recognized.

Deferred Revenue

The County reports deferred revenue in its governmental funds. Deferred revenue 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.

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 assets.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Assets (continued)

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 self-insured unemployment compensation and employees' workers compensation programs. 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 manages the financial risk of unemployment benefits through retention of all liability exposure. The liability for claims is estimated using the average benefits paid for the past three claim 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 third party plan administrator. Claims are paid from the General Fund. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR).

Fund Balance

In 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for governmental funds.

The County's governmental fund financial statements reflect GASB 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.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Assets (continued)

Fund Balance (continued)

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 a formal Commissioner approved resolution 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 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.

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.

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).

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Assets (continued)

Fund Balance (continued)

Restricted Fund Balance (continued)

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.

Unrestricted Fund Balance

Unrestricted fund balance consists of the committed, assigned and unassigned fund balance categories, as applicable. County Commissioners have not taken action to commit fund balance.

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.

Assignments have been established in the general fund as follows:

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Assets (continued)

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 Assets. The change in fair value of the derivative is recorded as deferred inflows or deferred outflows or as adjustments to nonoperating revenue or expense.

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 Assets – Governmental Activities, Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *total fund balance – total governmental funds* and *total net assets – governmental activities* as reported in the government-wide statement of net assets. 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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

period and, therefore, are not reported as liabilities in the funds.” The detail of this \$297,170,060 difference is as follows:

General obligation bonds and notes payable	\$ 260,550,873
Less: Deferred charge on refundings (amortized as expense)	(3,939,428)
Less: Deferred charge for issuance costs (amortized as expense)	(2,327,743)
Plus: Issuance premium (amortized as income)	4,550,190
Accrued vacation and sick pay	5,014,862
Net pension obligation	1,296,059
Net OPEB obligation	24,709,471
Accrued interest payable	1,540,087
Deferred outflow from interest rate swap	(7,814,912)
Derivative instrument – interest rate swap/swaption liability	6,666,284
Borrowing payable	5,291,716
Unemployment Compensation	317,773
Workers’ Compensation	1,314,828
Net adjustment to <i>total fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 297,170,060

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, Changes in Fund Balances, and the Change in Net Assets – 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 assets 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 their estimated useful lives and reported as depreciation/ amortization expense.” The detail of this \$13,417,340 difference is as follows:

Capital outlay	\$ 17,489,938
Depreciation/amortization expense	(4,072,598)
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	\$ 13,417,340

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 Assets – Government-wide Statement of Activities (continued)

Another element of that reconciliation states that “the issuance of long-term debt (i.e., bonds, notes) 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 assets.” The detail of this \$10,852,223 difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (10,000,000)
Amortization of accretion	(1,038,352)
Principal repayments:	
General obligation debt	12,204,700
Repayment on installment purchase agreement	15,000
Payment to escrow agent for refunding	<u>9,670,875</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u>\$ 10,852,223</u>

Another element of that reconciliation states that, “governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.” The detail of this \$(12,037) difference is as follows:

Bond issuance costs	\$ 200,721
Bond discounts	128,404
Net deferred amounts on refunding and prepayments	<u>(341,162)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u>\$ (12,037)</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 Assets – Government-wide Statement of Activities (continued)

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 \$(4,092,256) difference is as follows:

Accrued vacation and sick pay	\$ (130,685)
Net pension obligation	327,195
Net OPEB obligation	(4,530,510)
Accrued interest payable	(73,304)
Amortization of deferred amounts on refunding	(179,656)
Amortization of issuance costs	(172,253)
Unemployment Compensation	281,859
Workers' Compensation	81,016
Amortization of net bond premiums	<u>304,082</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u>\$ (4,092,256)</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 and the Agricultural Land Preservation Fund. Project-length financial plans are adopted for the Capital Projects Fund.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

4. Budgets and Budgetary Accounting (continued)

The budgetary schedules for the General Fund and the Mental Health/Mental Retardation, Children and Youth Services, and Domestic Relations special revenue funds are located in required supplementary information. The budgetary schedules for the Employment and Training, 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, 2011, the County's bank balances, which include cash and temporary investments, totaled \$49,604,441. Of the bank balances, \$13,774,671 was covered by Federal depository insurance. 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.

Custodial Credit Risk

At December 31, 2011, the County's non-pension investments included \$1,013,272 invested in U.S. Government Agency securities, U.S. Treasury Strips, Mutual Funds, Money Market Funds and Certificates of Deposit. These investments are not insured, are not registered in the name of the County, and are held by the counterparty in the counterparty's name. 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Non-Pension Investments (continued)

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, 2011, the County's non-pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Non-pension Investments					
U.S. Government					
Agency	\$ 20,007	\$ 20,007	\$ -	\$ -	\$ -
U.S. Treasury Strips	681,701	-	361,790	149,934	169,977
Money Market Funds	<u>9,702</u>	<u>9,702</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-pension Investments -					
Debt Securities	711,410	<u>\$ 29,709</u>	<u>\$ 361,790</u>	<u>\$ 149,934</u>	<u>\$ 169,977</u>
Mutual Funds	121,713				
Certificates of Deposit	<u>180,149</u>				
Total Investments	<u>\$ 1,013,272</u>				

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Non-Pension Investments (continued)

Credit Risk

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2011:

	<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Investments			
	U.S. Government Agency	\$ 20,007	AA+
	Money Market Funds	9,702	AAA
	U.S. Treasury Strips	681,701	N/A
	Mutual Funds	121,713	N/A
	Certificates of Deposit	180,149	N/A
	Total Investments	<u>\$ 1,013,272</u>	

*expressed as Standard & Poor's quality ratings

Pension Investments

Pension investments by type were as follows at December 31, 2011:

	<u>Fair Value</u>
Investments	
	\$ 15,375,401
	15,315,874
	21,638,511
	885,073
	64,717,614
	23,486,579
	27,069,627
	7,712,019
	<u>\$ 176,200,698</u>

Additionally, the County maintains money market funds with a fair value of \$3,501,254, which are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Assets.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Credit Risk

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2011:

	<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Investments			
Corporate Bonds		\$ 172,017	AAA
Corporate Bonds		1,047,060	AA+
Corporate Bonds		554,358	AA
Corporate Bonds		654,020	AA-
Corporate Bonds		3,127,464	A+
Corporate Bonds		4,420,532	A
Corporate Bonds		5,689,874	A-
Corporate Bonds		2,611,407	BBB+
Corporate Bonds		2,680,028	BBB
Corporate Bonds		554,437	BBB-
Corporate Bonds		<u>127,314</u>	NR
Total Corporate Bonds		\$ 21,638,511	
Collateralized Mortgage Obligations		\$ 200,966	AAA
Collateralized Mortgage Obligations		274,136	A+
Collateralized Mortgage Obligations		<u>409,971</u>	NR
Total Collateralized Mortgage Obligations		\$ 885,073	
U.S. Government Agency		\$ 4,104,873	AA+
Total U.S. Government Agency		\$ 4,104,873	
U.S. Government Securities		15,375,401	N/A
U.S. Government Agency		11,211,001	N/A
Domestic Common Stock		64,717,614	N/A
Equity Mutual Funds		23,486,579	N/A
International Equity Mutual Funds		27,069,627	N/A
Real Estate Investment Trust Equity		<u>7,712,019</u>	N/A
Total Investments		<u>\$ 176,200,698</u>	

*expressed as Standard & Poor's quality ratings

Additionally, the County maintains money market funds with a fair value of \$3,501,254, which are rated AAA and reported as cash and temporary investments-operating in the Statement of Fiduciary Net Assets.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

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”, the third broad investment grade as determined by Moody’s, and by the insistence of the minimum quality of any single fixed income security to meet or exceed “Baa”, as determined by Moody’s.

Custodial Credit Risk

At December 31, 2011, the County’s pension investments were subject 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, 2011, 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	\$ 15,375,401	\$ 855,432	\$ 9,387,922	\$ 5,132,047	\$ –
U.S. Government Agency Corporate Bonds	15,315,874	1,061,213	3,327,777	2,321,348	8,605,536
Collateralized Mortgage Obligations	21,638,511	741,499	11,401,188	8,995,699	500,125
	<u>885,073</u>	<u>–</u>	<u>274,136</u>	<u>409,971</u>	<u>200,966</u>
Total Pension Investments – Debt Securities	53,214,859	<u>\$ 2,658,144</u>	<u>\$ 24,391,023</u>	<u>\$ 16,859,065</u>	<u>\$ 9,306,627</u>
Domestic Common Stock	64,717,614				
Equity Mutual Funds	23,486,579				
International Equity Mutual Funds	27,069,627				
Real Estate Investment Trust Equity	<u>7,712,019</u>				
Total Investments	<u>\$176,200,698</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 \$3,501,254, which have maturities of less than one year and are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Assets.

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, 2011, \$27,069,627 of the County's pension investments was held in international equity mutual funds. A percentage of the holdings within these funds are those of 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 22% 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, 2011, the Convention Center Authority's bank balance, which included cash, temporary investments and restricted cash, equaled \$963,389. Of the bank balance, \$413,495 was covered by Federal depository insurance at December 31, 2011. 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, 2011, the Convention Center Authority's investments included \$1,776,223 invested in money market funds and \$4,111,129 invested in guaranteed investment contracts.

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. The following is a list of the Authority's money market and fixed income investments and their related average maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Money Market Funds	\$ 1,776,223	\$ 1,776,223	\$ –	\$ –	\$ –
Guaranteed Investment Contracts	4,111,129	–	–	–	4,111,129
Total Investments	\$ 5,887,352	\$ 1,776,223	\$ –	\$ –	\$ 4,111,129

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Discretely Presented Component Unit

Investments (continued)

Credit Risk

At December 31, 2011, the Convention Center Authority's investment in money market funds were rated AAA by Standard & Poor's and the guaranteed investment contracts were unrated. The Convention Center Authority does not have a formal investment policy relative to managing credit risk.

Custodial Credit Risk

At December 31, 2011, the Convention Center Authority's investments were subject to custodial credit risk. All investments are held by the trustee in the Authority's name. The Convention Center Authority does not have a formal investment policy relative to managing custodial credit risk.

Concentration of Credit Risk

The Convention Center Authority places no limit on the amount it may invest in any one issuer. More than 5% of the Convention Center Authority's investments are held as follows as of December 31, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Guaranteed investment contracts:		
Citigroup Financial Product	\$ 4,111,129	69.83%

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

6. Property Taxes (continued)

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 2011 was 3.416 mills.

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land	\$ 5,275,585	\$ –	\$ –	\$ 5,275,585
Easements	89,174,375	2,979,784	–	92,154,159
Construction in progress	–	921,833	–	921,833
Total capital assets, not being depreciated/amortized	94,449,960	3,901,617	–	98,351,577
Capital assets, being depreciated/ amortized:				
Buildings and improvements	171,590,006	13,733,804	–	185,323,810
Improvements other than buildings	1,777,936	–	–	1,777,936
Furniture and equipment	37,291,245	2,155,133	3,209,400	36,236,978
Infrastructure	11,344,518	908,784	–	12,253,302
Total capital assets being depreciated/ amortized	222,003,705	16,797,721	3,209,400	235,592,026
Less accumulated depreciation/ amortization for:				
Buildings and improvements	50,330,198	4,550,097	–	54,880,295
Improvements other than buildings	467,491	60,141	–	527,632
Furniture and equipment	18,050,561	2,027,371	2,872,067	17,205,865
Infrastructure	1,955,877	307,056	–	2,262,933
Total accumulated depreciation/ amortization	70,804,127	6,944,665	2,872,067	74,876,725
Total capital assets, being depreciated/ amortized, net	151,199,578	9,853,056	337,333	160,715,301
Governmental activities capital assets, net	\$ 245,649,538	\$ 13,754,673	\$ 337,333	\$ 259,066,878

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 3,181,590
Public safety	1,586,485
Roads and bridges	307,056
Health, education, and welfare	81,562
Judicial	249,592
Corrections	1,302,858
Cultural and recreation	235,522
Total depreciation/amortization expense – governmental activities	<u>\$ 6,944,665</u>

As of December 31, 2011, the County had \$7,694,261 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

Discretely Presented Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated/ amortized:				
Land and improvements	\$ 1,579,621	\$ –	\$ –	\$ 1,579,621
Total capital assets, not being depreciated/amortized	1,579,621	-		1,579,621
Capital assets, being depreciated/ amortized:				
Building	75,062,414	5,962	9,241	75,059,135
Furniture and equipment	4,512,393	28,853	56,735	4,484,511
Total capital assets being depreciated/ amortized	79,574,807	34,815	65,976	79,543,646
Less accumulated depreciation/ amortization for:				
Building	3,092,616	1,963,275	–	5,055,891
Furniture and equipment	756,434	468,651	–	1,225,085
Total accumulated depreciation/ amortization	3,849,050	2,431,926	–	6,280,976
Total capital assets, being depreciated/ amortized, net	75,725,757	(2,397,111)	65,976	73,262,670
Capital assets, net	<u>\$ 77,305,378</u>	<u>\$ (2,397,111)</u>	<u>\$ 65,976</u>	<u>\$ 74,842,291</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

8. 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, 2011 amounted to \$3,513,706. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2012	\$ 3,153,846
2013	2,586,480
2014	2,336,668
2015	2,089,860
2016	2,103,736
2017-2021	6,662,374
2022-2026	112,500
2027-2031	40,000
Total	<u>\$ 19,085,464</u>

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, 2011 was \$135,990,124.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

General obligation bonds and notes consisted of the following at December 31, 2011:

4.00% – 5.50% Interest bearing General Obligation Notes, Series A of 2001 in the principal amount of \$16,430,000 to finance the County's capital projects as well as a partial advance refunding of Series A of 2000, dated December 15, 2001, principal payable annually, ranging in amounts \$5,000 to \$1,300,000 from November 1, 2012 to November 1, 2021.	\$ 6,945,000
Capital Appreciation Notes, Series B of 2001 in the principal amount of \$13,344,115 to finance the County's capital projects, dated December 20, 2001, principal payable annually and semi-annually, ranging in amounts from \$648,957 to \$2,214,842 from May 1, 2012 to May 1, 2019.	19,057,673
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 \$5,000 to \$2,439,000 from October 25, 2012 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%.	25,005,000
4.40% – 4.70% General Obligation Bonds, Series A of 2002 in the principal amount of \$7,345,000 to finance certain capital projects dated December 15, 2002, principal payable annually, varying in amounts from \$5,000 to \$3,700,000 from November 1, 2012 to November 1, 2020.	7,305,000
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
3.50% – 4.75% General Obligation Bonds, Series of 2003 in the principal amount of \$23,305,000 to finance certain capital projects dated January 1, 2003, principal payable annually, varying in amounts from \$580,000 to \$1,395,000 from November 1, 2012 to November 1, 2032.	19,290,000
2.85% – 5.25% General Obligation Bonds, Series A of 2003 in the principal amount of \$23,715,000 to partially refund Series A of 2000, dated October 15, 2003, principal payable annually, varying in amounts from \$3,850,000 to \$4,930,000 from May 1, 2012 to May 1, 2015.	18,135,000
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
4.40% Interest bearing installment purchase agreement in the amount of \$150,000, dated April 30, 2003, to finance the purchase of an agricultural easement, principal payable annually in the amount of \$15,000 from January 20, 2012 to January 20, 2013.	30,000
4.00% – 5.00% General Obligation Bonds, Series A of 2004 in the principal amount of \$27,300,000 to finance certain capital projects dated May 1, 2004, principal payable annually, varying in amounts from \$1,170,000 to \$2,110,000 from November 1, 2012 to November 1, 2023.	10,620,000
Variable rate General Obligation Bonds, Series of 2005 in the principal amount of \$23,775,000 to finance certain capital projects dated April 14, 2005, principal payable annually, varying in amounts from \$720,000 to \$1,465,000 from March 1, 2012 to March 1, 2030. The Interest Mode the bonds were issued in was a weekly mode. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. The interest on the bonds will never exceed 25%.	20,000,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

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 \$715,000 to \$1,635,000 from March 1, 2012 to March 1, 2031.	\$ 21,560,000
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 \$995,000 to \$1,865,000 from May 1, 2012 to May 1, 2026.	20,535,000
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 \$82,700 to \$1,932,600 from November 1, 2012 to November 1, 2021.	9,769,200
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 \$545,000 to \$2,785,000 from November 1, 2012 to November 1, 2033.	37,555,000
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 \$1,415,000 to \$1,805,000 from November 1, 2012 to November 1, 2022.	17,355,000
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.	9,425,000
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 \$1,405,000 to \$1,980,000 from November 1, 2023 to November 1, 2026.	7,165,000
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 \$50,000 to \$1,695,000 from November 1, 2012 to November 1, 2027.	<u>10,000,000</u>
Total general obligation bonds and notes payable	<u>\$ 260,550,873</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

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

	Principal	Interest	Total
2012	\$ 14,046,676	\$ 8,614,161	\$ 22,660,837
2013	14,384,026	8,333,842	22,717,868
2014	14,751,770	7,977,646	22,729,416
2015	15,159,415	7,590,592	22,750,007
2016	14,983,353	8,174,481	23,157,834
2017-2021	73,504,633	32,066,963	105,571,596
2022-2026	64,715,000	15,894,842	80,609,842
2027-2031	46,376,000	4,941,990	51,317,990
2032-2036	2,630,000	159,513	2,789,513
	<u>\$ 260,550,873</u>	<u>\$ 93,754,030</u>	<u>\$ 354,304,903</u>

On December 16, 2011, the County issued General Obligation Bonds, Series of 2011, in the amount of \$10,000,000 to partially refund General Obligation Notes Series A of 2001. Principal is payable annually, ranging in amounts from \$50,000 to \$1,695,000 from November 1, 2012 to November 1, 2027.

The refunding of the 2001A General Obligation Note resulted in a \$1,528,720 reduction to payments and an economic gain of \$1,169,244.

The remaining \$1,038,352 of the 2011 additions to general obligation bonds and notes payable represent 2011 accretion on the capital appreciation general obligation notes dated December 20, 2001.

Proceeds of the General Obligation Note, Series of 2007 and General Obligation Bonds, Series of 2011 were used to advance refund a portion of the County's General Obligation Bonds, Series A of 2004 and General Obligation Notes, Series A of 2001, respectively. As of December 31, 2011, \$18,455,000 of these bonds outstanding is classified as defeased.

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, 2011, the following changes occurred in long-term liabilities:

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 271,167,221	\$ 11,038,352	\$ 21,654,700	\$ 260,550,873	\$ 14,046,676
Deferred amounts on refundings	(4,119,084)	(235,875)	(415,531)	(3,939,428)	(415,531)
Net premium (discount) on bonds payable	4,982,676	(128,404)	304,082	4,550,190	304,082
Accrued vacation and sick pay	4,884,177	393,985	263,300	5,014,862	263,300
Net pension obligation	1,623,254	–	327,195	1,296,059	–
Net OPEB obligation	20,178,960	6,105,052	1,574,541	24,709,471	–
Unemployment compensation	599,632	380,742	518,639	461,735	143,962
Workers' compensation	1,395,844	455,216	536,232	1,314,828	314,828
Governmental activities long-term liabilities	<u>\$ 300,712,680</u>	<u>\$ 18,009,068</u>	<u>\$ 24,763,158</u>	<u>\$ 293,958,590</u>	<u>\$ 14,657,317</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 are 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 the 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 will be held by the bank until the mandatory purchase date of March 1, 2013, at which time the bonds are 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 may cause the bonds to be remarketed to the bank or to new investors at any of the interest rate options provided in the agreement.

Under the agreement, the interest rate was converted from the weekly rate to the index interest rate. The bonds will 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 is 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 will increase to 175 basis points on the Series of 2003 bonds and 190 basis points on the Series of 2007 bonds. The applicable spread can be reduced if the Convention Center Authority is able to accomplish certain milestones as set forth in the agreement. At December 31, 2011, the index interest rate on the Series of 2003 bonds and the Series of 2007 bonds was 1.132 percent and 1.432 percent, respectively.

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 the interest payment date prior to the mandatory purchase date upon 60 days written notice to the bank.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

The amount of outstanding Hotel Room Rental Tax Revenue Bonds, Series of 2003 and Series of 2007 at December 31, 2011 was \$63,590,000. The Series of 2003 will amortize from December 1, 2013 through December 1, 2042. The Series of 2007 will amortize from December 1, 2013 through December 1, 2047.

Debt service requirements are as follows:

	Principal	Interest	Total
2012	\$ -	\$ 3,347,898	\$ 3,347,898
2013	-	3,458,538	3,458,538
2014	-	3,458,538	3,458,538
2015	370,000	3,456,866	3,826,866
2016	410,000	3,436,632	3,846,632
2017 – 2021	2,860,000	16,789,804	19,649,804
2022 – 2026	4,530,000	15,836,472	20,366,472
2027 – 2031	6,735,000	14,372,868	21,107,868
2032 – 2036	9,635,000	12,237,301	21,872,301
2037 – 2041	13,000,000	9,226,993	22,226,993
2042 – 2046	19,975,000	4,619,929	24,594,929
2047 – 2047	6,075,000	304,612	6,379,612
	<u>\$ 63,590,000</u>	<u>\$ 90,546,451</u>	<u>\$ 154,136,451</u>

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Revenue bonds payable	\$ 63,590,000	\$ -	\$ -	\$ 63,590,000	\$ -

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 third party plan administrator. The required retention amounts are accrued in a trust fund in accordance with 34 Pa. Code Section 125.10. The Bureau of Workers' Compensation issued an exemption permit renewing the County's self-insurance status on February 1, 2011.

The County is also self-insured for unemployment compensation. The liability for claims is estimated at the average of the benefits paid for the past three claim years.

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, 2011 and 2010 were as follows:

	Reserve Balance as of January 1, 2011	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2011
Unemployment Compensation	\$ 599,632	\$ 380,742	\$ 518,639	\$ 461,735
Workers' Compensation	1,395,844	455,216	536,232	1,314,828
Total Unemployment Compensation and Workers' Compensation	<u>\$ 1,995,476</u>	<u>\$ 835,958</u>	<u>\$ 1,054,871</u>	<u>\$ 1,776,563</u>
	Reserve Balance as of January 1, 2010	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2010
Unemployment Compensation	\$ 387,908	\$ 665,359	\$ 453,635	\$ 599,632
Workers' Compensation	1,196,219	564,469	364,844	1,395,844
Total Unemployment Compensation and Workers' Compensation	<u>\$ 1,584,127</u>	<u>\$ 1,229,828</u>	<u>\$ 818,479</u>	<u>\$ 1,995,476</u>

11. Interfund Balances

Individual fund receivable and payable balances at December 31, 2011 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 5,727,621	\$ -
Children and Youth Services Fund	-	4,733,688
Nonmajor Governmental Funds	-	993,933
Total	<u>\$ 5,727,621</u>	<u>\$ 5,727,621</u>

The balance due to the General Fund from the Children and Youth Services Fund and the nonmajor governmental funds generally resulted from cash deficits in the respective funds.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

12. Interfund Transfers

Interfund transfers for the year ended December 31, 2011 consisted of the following:

	Interfund Transfers-In	Interfund Transfers-Out
General Fund	\$ -	\$ 12,335,157
Children and Youth Services Fund	8,226,867	-
Mental Health/Mental Retardation Fund	883,537	-
Nonmajor Governmental Funds	3,224,753	-
Total	<u>\$ 12,335,157</u>	<u>\$ 12,335,157</u>

Transfers are utilized to use unrestricted revenues collected in the General 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, 2011, \$2,079,038 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.

The County Commissioners rejected the wage provisions of an interest arbitration award for the Prison correctional officers bargaining unit as advisory within the meaning of the Public Employees Relations Act for years 2010 and 2011. The union filed two unfair labor practice charges with the Pennsylvania Labor Relations Board (PLRB) which found the interest arbitration awards to be binding for both years 2010 and 2011. The County appealed both cases to the Pennsylvania Commonwealth Court. The Commonwealth Court ruled against the County and upheld the interest arbitration award for 2010, and the County filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court, which Petition is currently pending. The appeal of the PLRB decision with respect to 2011 is currently pending in Pennsylvania Commonwealth Court. The

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

estimated cost of implementing the 2010 wage provisions of the award is approximately \$715,000. The estimated cost of implementing the 2011 wage provisions of the award is approximately \$1,400,000. It is the County's best judgment, including that of outside counsel, based on the latest available information to the County that there is a reasonable likelihood that the County will prevail on the merits. The County cannot, and does not, assure or guarantee that it will ultimately prevail in this matter.

On December 15, 2003, the County 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 be paid by the County equals, to the extent the Convention Center Authority has failed to provide necessary funding as required by the Convention Center Authority's debt service reserve fund note, an amount not to exceed the lesser of \$1,506,960 or 50% of the required reserve amount in any fiscal year. The Convention Center Authority debt service reserve fund has a required reserve amount equaling \$2,610,270; thus, the County's replenishment guarantee equaled \$1,305,135 at December 31, 2011.

As of December 31, 2011, 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. At December 31, 2011, \$10,415,000 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, 2011, the County's guarantee equaled a maximum annual principal amount of \$1,099,996.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Gain Contingencies

\$500,000 Agreement Dated March 9, 2005

On March 9, 2005, the Lancaster County Redevelopment Authority (the Redevelopment Authority) borrowed \$500,000 from the County to finance a portion of the costs to construct a public stadium facility (the project) located in Lancaster County. Under the terms of the agreement of the same date between the Redevelopment Authority and the County relative to the \$500,000 borrowing, interest and principal are to be payable from available excess revenues of the project, if any, commencing on the fifth anniversary on the agreement. Payment of principal and interest relative to this agreement are subordinated to any and all existing and future indebtedness of the Redevelopment Authority related to the project. In the event the Redevelopment Authority defaults on payments with respect to any indebtedness to which the \$500,000 borrowing dated March 9, 2005 has been subordinated, no future payments are to be made by the Redevelopment Authority to the County relative to the \$500,000 borrowing dated March 9, 2005 subsequent to such default.

In connection with the \$500,000 borrowing dated March 9, 2005, the County recorded a note receivable in the amount of \$500,000. Subsequent to March 9, 2005, an allowance for doubtful collections equaling \$500,000, attributable to the respective borrowing, was recorded; this resulted in a net note receivable balance of \$0. Because the Redevelopment Authority has been enabled to default on repayment of the \$500,000 borrowing dated March 9, 2005, in part or in whole, in the event the Redevelopment Authority does not generate excess revenues through the project as defined by the associated agreement, by having to meet other potential obligations of other persons or entities at the time payment of principal and interest of the \$500,000 borrowing dated March 9, 2005 is due, or by defaulting on payments with respect to any indebtedness to other persons or entities, the County has elected to write off the respective \$500,000 receivable balance and has charged a \$500,000 expense to the general government line item within the General Fund.

Any collections by the County of principal and interest attributable to the \$500,000 borrowing dated March 9, 2005 are contingent upon the Redevelopment Authority's ability to generate excess revenues as defined by the respective agreement, its ability to meet existing obligations of other creditors at the time principal and interest payments are due, and its ability to remain out of default on payments with respect to any indebtedness to which the \$500,000 borrowing dated March 9, 2005 has been subordinated. As a result of having expensed the \$500,000 note receivable, any potential collections by the County on the \$500,000 borrowing dated March 9, 2005 are considered contingent gains.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Gain Contingencies (continued)

\$500,000 Agreement Dated March 29, 2005

On March 29, 2005, the Redevelopment Authority borrowed \$500,000 from the County to finance, on a short-term basis, a portion of the costs to construct a public stadium facility located in Lancaster County. Principal was to be paid in full 120 days from the date of the note, resulting in an original due date of July 27, 2005. Approval has been given by the County to alter the repayment provisions of the borrowing to provide for repayment consistent with the terms of the borrowing dated March 9, 2005. However, the first request submitted by the Redevelopment Authority to extend the due date relative to this indebtedness was dated December 23, 2005, well after the original due date of July 27, 2005, which gives rise to the likelihood that the County will not seek sanctions against the Redevelopment Authority for not having repaid the borrowing in a timely fashion.

In connection with the \$500,000 borrowing dated March 29, 2005, the County recorded a note receivable in the amount of \$500,000. Subsequent to March 29, 2005, an allowance for doubtful collections equaling \$500,000, attributable to the respective borrowing, was recorded; this resulted in a net note receivable balance of \$0. The County has since elected not to enforce the repayment clause of the associated agreement, whereby the Redevelopment Authority was to repay the principal amount of \$500,000 in full on July 27, 2005, has further elected to write off the \$500,000 receivable balance attributable to the March 29, 2005 agreement, and has charged a \$500,000 expense to the general government line item within the General Fund. As a result of having expensed the \$500,000 note receivable, any potential collections by the County on the \$500,000 borrowing dated March 29, 2005 are considered contingent gains.

16. Postretirement Healthcare 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 \$24,709,471 and \$4,530,511, respectively, in governmental activities.

The County, through its substantive commitment to provide other post-employment 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 five years and are currently

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Postretirement Healthcare Benefits (continued)

Description (continued)

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.

Funding Policy

Premiums under the Plan for post-employment 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 2011, contribution rates for Plan members under 65 equaled \$23.84 per participant per month. Contribution rates for Plan members 65 and over equaled \$70 per participant per month. For the year ended December 31, 2011, Plan members receiving benefits paid \$367,501, which was used to offset the County's total outlays to insurance carriers equaling \$1,942,043 for current year premiums due. The net outlay from the County, which equaled \$1,574,542, 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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Postretirement Healthcare Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

amount actually contributed to the Plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 6,464,983
Interest on net OPEB obligation	807,158
Adjustment to annual required contribution	<u>(1,167,089)</u>
Annual OPEB cost	6,105,052
Contributions made	<u>(1,574,541)</u>
Increase in net OPEB obligation	4,530,511
Net OPEB obligation – beginning of year	<u>20,178,960</u>
Net OPEB obligation – end of year	<u><u>\$24,709,471</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 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
12/31/09	\$ 5,714,523	25.13%	\$ 16,047,848
12/31/10	\$ 5,650,079	26.88%	\$ 20,178,960
12/31/11	\$ 6,105,052	25.79%	\$ 24,709,471

Funding Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$67,857,280, resulting in an unfunded actuarial accrued liability (UAAL) of \$67,857,280. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$78,838,153, and the ratio of the UAAL to the covered payroll equaled 86.1%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Postretirement Healthcare Benefits (continued)

Funding Status and Funding Progress (continued)

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.

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, 2011, 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 12% initially, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Employee Retirement Plan (Pension Trust Fund)

The County maintains a single-employer contributory defined benefit pension plan (the 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.

Description of Plan

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.

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2011, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,098
Terminated Plan members enrolled but not yet receiving benefits	169
Active Plan members	<u>1,767</u>
Total members	<u><u>3,034</u></u>

The Plan provides retirement, death, and disability 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 .833% to 1.25% (depending on the date the employee entered the Plan) of the employee's high three-year salary times years of service.

Cost-of-living adjustments (COLA) are provided at the discretion of the Lancaster County Employees' Retirement Board.

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 \$56,489,502 as of December 31, 2011, 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)

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

Description of Plan (continued)

The County is required to contribute to the Plan at an actuarially determined rate. The Act establishes the contribution requirements of the County and may be amended by the General Assembly of the Commonwealth of Pennsylvania.

The Plan's investments are held in a bank-administered trust fund. The Retirement Board authorizes the Pension Trust Fund to invest the following asset target allocations:

Domestic Equity	51%
International Equity	17%
Bonds	30%
Cash	2%

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.

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 2011, all administrative costs totaling \$145,344 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

Summary of Significant Accounting Policies

The Plan's 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)

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

Summary of Significant Accounting Policies (continued)

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 sufficient 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 obligation below.

The net pension obligation and the annual required contribution were determined as part of an actuarial valuation at December 31, 2011. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5%, (c) 3.0% inflation rate, and (d) no postretirement benefit increases. The amortization of the unfunded actuarial accrued liability is over a 30 year period. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes.

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	\$ 7,304,873
Interest on net pension obligation	121,744
Adjustment to annual required contribution	<u>(198,939)</u>
Annual pension cost	7,227,678
Contributions made	<u>7,554,873</u>
Decrease in net pension obligation	(327,195)
Net pension obligation beginning of year	<u>1,623,254</u>
Net pension obligation, end of year	<u>\$ 1,296,059</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 7,031,786	106%	\$ 2,526,285
2010	\$ 7,096,969	113%	\$ 1,623,254
2011	\$ 7,227,678	105%	\$ 1,296,059

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the Plan was 79.2% funded. The actuarial accrued liability for benefits was \$239,432,154, and the actuarial value of assets was \$189,541,657, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,890,497. The covered payroll (annual payroll of active employees covered by the Plan) was \$76,433,494, and the ratio of the UAAL to the covered payroll was 65.3%.

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. However, because 2007 was the year of transition for GASB Statement No. 50, requirements of GASB Statement No. 50 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of years preceding 2007.

Legally Required Reserves

At December 31, 2011, the County has a balance of \$56,489,502 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, 2011. Since those accumulations represent the present value of future benefits as of December 31, 2011, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$27,954,744 in the County Annuity Reserve Account as of December 31, 2011. 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Legally Required Reserves (continued)

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, 2011 amounted to \$89,883,874.

Thus, the Retired Members' Reserve Account is always fully funded.

18. Derivative Instruments

Objectives of the Interest Rate Swaps and Swaptions

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 swaptions associated with the general obligation debt series listed below. The intent of the swaptions 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

Fair value for the interest rate swap is calculated using the zero-coupon method, which calculates future net settlement payments required by the swap, assuming 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 fair value of an interest rate swaption includes intrinsic and time value. The intrinsic value of the swaption is estimated using the zero-coupon method as described above. The time value is equal to the option value minus the 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)

18. 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, 2011, 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 12/31/2011	Counterparty Credit Rating*
GON 2002A	1/1/2002	10/25/2030	Pay-fixed/ receive- variable swap	5.195%	60% LIBOR +30.3bp	<u>\$25,005,000</u>	<u>\$3,000,000</u>	Deferred Outflows	<u>\$(2,603,442)</u>	Debt	<u>\$(10,152,480)</u>	A+ / AA-

*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 \$1,965,217.

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 becomes 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, 2011. At December 31, 2011, the 1-Month LIBOR rate equaled 0.29530% and SIFMA equaled 0.10%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. 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 associated 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, 2011 is limited only to those swap and swaptions (if exercised) with negative fair values; the County would have to pay the respective amounts in order to terminate the associated swap or swaptions (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. The County can terminate the swaption associated with the GOB 2003 Debt Series without cause with certain limitations.

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 12/31/2011	Counterparty Credit Rating*
GOB 2001A	**	11/1/2027	Pay-variable/ receive-fixed swaption	SIFMA	3.90%	\$16,380,000	\$ 870,000	Investment Earnings	\$ 316,237	Investment	\$ (658,645)	A+ / AA-
GOB 2002A	**	11/1/2020	Pay-variable/ receive-fixed swaption	SIFMA	3.80%	7,305,000	395,000	Investment Earnings	157,190	Investment	\$(156,611)	A+ / AA-
GOB 2003	**	11/1/2032	Pay-variable/ receive-fixed swaption	SIFMA	3.95%	19,290,000	1,150,000	Investment Earnings	283,739	Investment	(990,264)	AA- / AA
						<u>\$42,975,000</u>	<u>\$2,415,000</u>		<u>\$757,166</u>		<u>\$(1,805,520)</u>	

* Standard & Poor's and Fitch credit ratings

**Effective date not applicable since none of the swaptions has been exercised as of December 31, 2011.

The unamortized portion of the up-front premium received by the County related to the swaptions or investment derivatives is considered a borrowing for financial reporting purposes and is recorded as a liability in the government-wide financial statements in the amount of \$3,326,534.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Derivative Instruments (continued)

Credit Risk

Because the investment derivatives all have a negative fair value, the County is currently not exposed to credit risk. However, should interest rates change and the fair values of the swaptions becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value, if the swaptions were exercised.

Interest Rate Risk

Existing swaptions, if exercised, would result in the County receiving a fixed interest rate in exchange for paying a floating rate equal to the SIFMA Index. The risk that the SIFMA Index rises above the fixed swap rate over the term of the swaptions increases the County's exposure to interest rate risk.

There were no derivative instruments reclassified from hedging derivative instruments to investment derivatives instruments during the year ended December 31, 2011.

Swap Payments and Associated Debt

Using rates as of December 31, 2011, 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 Swap, Net	Total
	Principal	Interest		
2012	\$ 5,000	\$ 247,540	\$ 1,178,942	\$ 1,431,482
2013	126,000	247,268	1,177,643	1,550,911
2014	177,000	245,926	1,171,254	1,594,180
2015	187,000	244,155	1,162,821	1,593,976
2016	288,000	242,119	1,153,117	1,683,236
2017-2021	6,582,000	1,063,562	5,065,314	1,2710,876
2022-2026	8,674,000	695,078	3,310,356	1,2679,434
2027-2031	8,966,000	211,768	1,008,520	1,0186,288
Total	<u>\$ 25,005,000</u>	<u>\$ 3,197,416</u>	<u>\$ 15,227,967</u>	<u>\$ 43,430,383</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Derivative Instruments (continued)

Discretely Presented Component Unit

Hotel Room Rental Tax Revenue Bonds, Series of 2003 and 2007

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 agreement mature on December 1, 2042 (Series of 2003) and December 1, 2047 (Series of 2007), and the swap's notional amount of \$63,590,000 equals the total bond issuance. 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 agreement was entered into at the same time the bonds were issued, March 2007. Prior to October 3, 2011, under the swap agreement, 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. Conversely, the bonds variable-rate is based on the index interest rate.

Pursuant to the swap contracts, the Convention Center Authority pays or receives to/from the counterparty a monthly net swap payment. For the year ended December 31, 2011, the Authority paid \$1,449,277 and \$869,891 fixed and received \$61,295 and \$36,959 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)

18. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

Hotel Room Rental Tax Revenue Bonds, Series of 2003 and 2007 (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

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, 2011 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 had negative fair values of \$12,496,248 and \$9,306,775 for the Series of 2003 Bonds and Series of 2007 Bonds, respectively. As such, the deferred outflows were charged to investment loss on swap termination.

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

Associated Debt Series	Notional Amount	January 1, 2011 – Fair Value	Change in Fair Value Prior to Termination	Value at Termination Date	Amortization of Swap Borrowing	Change in Fair Value Subsequent to Termination	December 31, 2011 – Fair Value
Series of 2003 Bonds	\$39,670,000	\$(6,553,488)	\$(5,942,760)	\$(12,496,248)	\$100,776	\$(1,639,777)	\$(14,035,249)
Series of 2007 Bonds	23,920,000	(4,507,127)	(4,799,639)	(9,306,775)	64,630	(1,546,902)	(10,789,047)
		<u>\$(11,060,625)</u>	<u>\$(10,742,398)</u>	<u>\$(21,803,023)</u>	<u>\$165,406</u>	<u>\$(3,186,679)</u>	<u>\$(24,824,296)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

Hotel Room Rental Tax Revenue Bonds, Series of 2003 and 2007 (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, 2011, current period changes in fair value from the swap are accounted for as an investment and are recorded on the statement of activities as change in fair value of interest rate swap. The fair value of the outstanding swap as of December 31, 2011 is reported on the statement of net assets as a combination of interest rate swap liability and swap borrowing.

Credit Risk

As of December 31, 2011, 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, 2011, the counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's, and AA- by Fitch.

Basis Risk

Basis risk is the risk that the interest rate paid by the Convention Center Authority on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Convention Center Authority is not exposed to basis risk, as the variable rate paid to bondholders is based on the same rate received from the counterparty.

At December 31, 2011, the index interest rate on the Series 2003 and 2007 Hotel Room Rental Tax Revenue Bonds was 1.132% and 1.432%, respectively, whereas 67% of one-month LIBOR was 0.19%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

Hotel Room Rental Tax Revenue Bonds, Series of 2003 and 2007 (continued)

Termination Risk

The Convention Center Authority or counterparty may terminate the swap if the other party fails to perform under the terms of the agreements. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the Convention Center Authority would be liable to the counterparty for a payment equal to the swap's fair value.

19. Negative Net Assets

Discretely Presented Component Unit

The Convention Center Authority's negative net assets, as shown on the December 31, 2011 statement of net assets, are 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.

On October 3, 2011, the Authority, as a part of its bond restructuring, modified terms to their existing interest rate swap agreement. These changes were deemed significant and, according to GASB standards, the interest rate swap agreement was terminated and a new interest rate swap agreement was put in place. The mark-to-market value at the time of termination was \$21,803,023, which is included in the statement of activities as an investment loss on swap termination and statement of net assets as a swap borrowing. The new interest rate swap agreement has been deemed to be ineffective and any changes in the mark-to-market value will flow through the statement of activities.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Subsequent Event

In April of 2012, the County issued General Obligation Bonds, Series of 2012, in the amount of \$55,900,000. These bonds are obligations of the County that bear interest at fixed rates ranging from 0.650% to 5.000%, with a final maturity date of November 1, 2032. The proceeds of the bonds were used to pay a portion of the costs of various capital projects of the County, currently refund the County's General Obligation Notes Series A and B of 2001, advance refund the County's General Obligation Bond Series A of 2002 and to pay related expenses of issuing the bonds.

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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
1/1/2009	\$ -	\$ 58,127,406	\$ 58,127,406	–	\$ 78,717,769	73.8%
1/1/2010	-	61,707,741	61,707,741	–	79,444,845	77.7%
1/1/2011	-	67,857,280	67,857,280	–	78,838,153	86.1%

County of Lancaster, Pennsylvania

Employee Retirement Plan

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2006	\$ 5,578,535	100%
2007	4,859,915	100%
2008	3,333,575	120%
2009	7,171,189	104%
2010	7,216,063	111%
2011	7,304,873	103%

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
12/31/2007	\$ 175,412,278	\$ 185,818,519	\$ 10,406,241	94.4%	\$ 73,915,189	14.1%
12/31/2008	159,134,908	199,653,516	40,518,608	79.7%	78,717,769	51.5%
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%

Because 2007 was the year of transition for GASB Statement No. 50, requirements of GASB Statement No. 50 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of years preceding 2007.

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress for 2007 and 2008 has been prepared using the entry age actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 14,490,290	\$ 18,058,792	\$ 14,261,768	\$ (3,797,024)
Real estate taxes	105,393,335	105,393,335	105,737,161	343,826
Departmental	19,735,518	19,799,606	18,594,900	(1,204,706)
Fines and costs	2,905,444	2,905,444	3,101,598	196,154
Interest	304,000	304,000	126,301	(177,699)
Indirect reimbursement	2,652,655	2,652,655	3,165,276	512,621
Other	1,303,126	1,496,929	1,445,843	(51,086)
Total revenues	<u>146,784,368</u>	<u>150,610,761</u>	<u>146,432,847</u>	<u>(4,177,914)</u>
EXPENDITURES				
Current:				
General government	44,573,537	44,773,292	36,406,611	8,366,681
Public safety	11,487,341	11,420,491	11,087,662	332,829
Health, education, and welfare:				
Other	272,158	272,158	434,983	(162,825)
Judicial	39,721,121	40,092,976	39,017,474	1,075,502
Corrections	24,057,609	24,056,395	23,047,487	1,008,908
Cultural and recreation	1,799,604	1,866,613	2,179,390	(312,777)
Capital outlay	1,960,940	5,275,571	3,442,173	1,833,398
Debt service:				
Principal retirement	12,204,700	12,204,700	12,219,700	(15,000)
Interest and fiscal charges	9,665,058	9,665,058	9,212,924	452,134
Total expenditures	<u>145,742,068</u>	<u>149,627,254</u>	<u>137,048,404</u>	<u>12,578,850</u>
Excess of revenues over expenditures	1,042,300	983,507	9,384,443	8,400,936
OTHER FINANCING USES				
Transfers out	(13,271,661)	(13,271,661)	(12,335,157)	936,504
Total other financing uses	<u>(13,271,661)</u>	<u>(13,271,661)</u>	<u>(12,335,157)</u>	<u>936,504</u>
Net change in fund balances	<u>\$ (12,229,361)</u>	<u>\$ (12,288,154)</u>	<u>(2,950,714)</u>	<u>\$ 9,337,440</u>
Net increase in due from other funds			(556,641)	
Fund balances, January 1, cash basis			4,166,495	
Fund balance, December 31, cash basis			<u>659,140</u>	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			3,028,883	
Fines and costs, net			4,117,001	
Accounts			5,181,566	
Due from other funds			5,727,621	
Due from other governments			2,024,142	
Prepaid expenses			1,791,374	
Accounts payable			(2,123,982)	
Retainage payable			(75,760)	
Deferred revenue – taxes, fines and costs receivable			(5,889,304)	
Payroll related accruals			<u>(3,269,536)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 11,171,145</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 31,781,171	\$ 31,781,171	\$ 28,740,778	\$ (3,040,393)
Departmental	1,713,195	1,815,195	2,524,679	709,484
Interest	518	518	32	(486)
Total revenues	<u>33,494,884</u>	<u>33,596,884</u>	<u>31,265,489</u>	<u>(2,331,395)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth	42,452,885	42,479,885	39,963,238	2,516,647
Capital outlay	79,255	154,255	99,354	54,901
Total expenditures	<u>42,532,140</u>	<u>42,634,140</u>	<u>40,062,592</u>	<u>2,571,548</u>
Deficiency of revenues under expenditures	(9,037,256)	(9,037,256)	(8,797,103)	240,153
OTHER FINANCING SOURCES				
Transfers in	8,991,701	8,991,701	8,011,059	(980,642)
Net change in fund balances	<u>\$ (45,555)</u>	<u>\$ (45,555)</u>	<u>(786,044)</u>	<u>\$ (740,489)</u>
Net increase in due to other funds			790,306	
Fund balances, January 1, cash basis			9,195	
Fund balance, December 31, cash basis			<u>13,457</u>	
Differences from modified accrual basis:				
Due from other governments			8,995,496	
Accounts payable			(2,162,520)	
Unearned revenue			(128,540)	
Payroll related accruals			(367,325)	
Due to other funds			<u>(4,733,688)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 1,616,880</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Basis – Mental Health/Mental Retardation Fund

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 22,537,832	\$ 23,087,832	\$ 25,595,740	\$ 2,507,908
Departmental	1,121,788	1,121,788	1,710,615	588,827
Interest	56,000	56,000	3,431	(52,569)
Other	–	–	6,641	6,641
Total revenues	<u>23,715,620</u>	<u>24,265,620</u>	<u>27,316,427</u>	<u>3,050,807</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	24,896,038	25,152,607	24,556,568	596,039
Capital outlay	3,926	297,357	277,036	20,321
Total expenditures	<u>24,899,964</u>	<u>25,449,964</u>	<u>24,833,604</u>	<u>616,360</u>
Excess (deficiency) of revenues over (under) expenditures	(1,184,344)	(1,184,344)	2,482,823	3,667,167
OTHER FINANCING SOURCES				
Transfers in	1,138,106	1,138,106	883,537	(254,569)
Net change in fund balances	<u>\$ (46,238)</u>	<u>\$ (46,238)</u>	<u>3,366,360</u>	<u>\$ 3,412,598</u>
Fund balances, January 1, cash basis			<u>3,690,018</u>	
Fund balance, December 31, cash basis			<u>7,056,378</u>	
Differences from modified accrual basis:				
Accounts payable			(1,438,478)	
Unearned revenue			(5,308,023)	
Payroll related accruals			(309,877)	
Fund balances 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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,026,387	\$ 4,026,387	\$ 4,995,799	\$ 969,412
Departmental	80,000	80,000	–	(80,000)
Interest	15,000	15,000	11,528	(3,472)
Total revenues	<u>4,121,387</u>	<u>4,121,387</u>	<u>5,007,327</u>	<u>885,940</u>
EXPENDITURES				
Current:				
Judicial	6,385,376	6,607,957	6,436,089	171,868
Capital outlay	7,946	18,498	18,495	3
Total expenditures	<u>6,393,322</u>	<u>6,626,455</u>	<u>6,454,584</u>	<u>171,871</u>
Deficiency of revenues under expenditures	(2,271,935)	(2,505,068)	(1,447,257)	1,057,811
OTHER FINANCING SOURCES				
Transfers in	2,250,352	2,250,352	<u>2,015,123</u>	(235,229)
Transfers out				-
Net change in fund balances	<u>\$ (21,583)</u>	<u>\$ (254,716)</u>	<u>567,866</u>	<u>\$ 822,582</u>
Fund balances, January 1, cash basis			<u>5,992,841</u>	
Fund balance, December 31, cash basis			<u>6,560,707</u>	
Differences from modified accrual basis:				
Due from other governments			919,861	
Other receivables				
Other receivables			5,505	
Accounts payable			(4,151)	
Payroll related accruals			<u>(145,655)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 7,336,267</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 Perspective Differences

The County's fund structure for budgetary purposes differs from its fund structure for GAAP reporting purposes.

General Fund revenues per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 146,432,847
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	<u>(4,588,936)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances – government funds	<u>\$ 141,843,911</u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 137,048,404
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	<u>(6,701,476)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances – government funds	<u>\$ 130,346,928</u>

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County of Lancaster, Pennsylvania

Combining and Individual Fund Statements and Schedules

The following nonmajor governmental funds include both special revenue funds used to account for revenues that are legally restricted to expenditures for particular purposes and the Debt Service Fund.

Employment and Training Fund

This fund is used to account for amounts received from various federal and state sources. These funds are restricted to operate programs wherein job training and employment opportunities are provided for the economically disadvantaged, unemployed, or under employed citizens of Lancaster County. These funds are passed through to the Lancaster County Workforce Investment Board.

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 Conservation Fund

This fund is used to account for amounts paid as easements to farmers within the County in efforts to preserve agricultural land.

Community Development Block Grant Fund

This fund is used to account for amounts received from various federal and state sources. These funds are 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.

Debt Service Fund

This fund is used to account for accumulation of resources to pay principal and interest on County general obligation bonds and notes payable.

County of Lancaster, Pennsylvania
 Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2011

	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
ASSETS								
Cash and temporary investments:								
Operating	\$ -	\$ 355,872	\$ -	\$ 4,569,841	\$ 1,805,664	\$ -	\$ 385,604	\$ 7,116,981
Other	-	114,652	-	-	-	-	-	114,652
Investments	-	-	-	-	681,701	-	-	681,701
Due from other governments	312,006	181,866	1,065,559	539,951	-	-	-	2,099,382
Advances to providers	-	5,142	-	-	-	-	-	5,142
Other receivables	64,057	-	-	3,163	14,784	-	-	82,004
Total assets	\$ 376,063	\$ 657,532	\$ 1,065,559	\$ 5,112,955	\$ 2,502,149	\$ -	\$ 385,604	\$ 10,099,862
LIABILITIES								
Liabilities:								
Accounts payable	\$ -	\$ 271,047	\$ 431,069	\$ 384,439	\$ -	\$ -	\$ 385,604	\$ 1,472,159
Contracts payable	-	-	-	-	2,502,149	-	-	2,502,149
Retainage payable	-	-	-	73,386	-	-	-	73,386
Due to other funds	376,063	-	617,870	-	-	-	-	993,933
Unearned revenue	-	108,102	-	119,027	-	-	-	227,129
Payroll related accruals	-	133,047	16,620	-	-	-	-	149,667
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	376,063	512,196	1,065,559	576,852	2,502,149	-	385,604	5,418,423
FUND BALANCES								
Restricted								
Health, education, and welfare	-	145,336	-	-	-	-	-	145,336
Roads and bridges	-	-	-	4,536,103	-	-	-	4,536,103
Total fund balances	-	145,336	-	4,536,103	-	-	-	4,681,439
Total liabilities and fund balances	\$ 376,063	\$ 657,532	\$ 1,065,559	\$ 5,112,955	\$ 2,502,149	\$ -	\$ 385,604	\$ 10,099,862

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2011

	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
REVENUES								
Intergovernmental	\$ 9,352,188	\$ 7,626,043	\$ 3,819,299	\$ 2,606,826	\$ -	\$ -	\$ 7,821,351	\$ 31,225,707
Departmental	-	31,305	-	-	-	-	-	31,305
Interest	-	-	467	6,806	-	-	-	7,273
Other	-	2,783	256,397	11,650	-	-	-	270,830
Total revenues	<u>9,352,188</u>	<u>7,660,131</u>	<u>4,076,163</u>	<u>2,625,282</u>	<u>-</u>	<u>-</u>	<u>7,821,351</u>	<u>31,535,115</u>
EXPENDITURES								
Current:								
Roads and bridges	-	-	-	670,175	-	-	-	670,175
Health, education, and welfare:								
Drug and alcohol	-	-	4,325,385	-	-	-	-	4,325,385
Employment and training	9,434,147	-	-	-	-	-	-	9,434,147
Office of aging	-	8,426,932	-	-	-	-	-	8,426,932
Judicial	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	7,821,351	7,821,351
Capital outlay	-	6,256	1,450	1,937,530	-	-	-	1,945,236
Total expenditures	<u>9,434,147</u>	<u>8,433,188</u>	<u>4,326,835</u>	<u>2,607,705</u>	<u>-</u>	<u>-</u>	<u>7,821,351</u>	<u>32,623,226</u>
(Deficiency) excess of revenues (under) over expenditures	(81,959)	(773,057)	(250,672)	17,577	-	-	-	(1,088,111)
OTHER FINANCING SOURCES								
Transfers in	81,959	876,999	250,672	-	-	-	-	1,209,630
Total other financing sources	<u>81,959</u>	<u>876,999</u>	<u>250,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,209,630</u>
Net change in fund balances	-	103,942	-	17,577	-	-	-	121,519
Fund balances, January 1	-	41,394	-	4,518,526	-	-	-	4,559,920
Fund balances, December 31	<u>\$ -</u>	<u>\$ 145,336</u>	<u>\$ -</u>	<u>\$ 4,536,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,681,439</u>

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,393,557	\$ 7,393,557	\$ 9,352,188	\$ 1,958,631
Other revenues	–	–	–	–
Total revenues	<u>7,393,557</u>	<u>7,393,557</u>	<u>9,352,188</u>	<u>1,958,631</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Employment and training	7,394,361	7,394,361	8,582,612	(1,188,251)
Capital outlay	55,000	55,000	–	55,000
Total expenditures	<u>7,449,361</u>	<u>7,449,361</u>	<u>8,582,612</u>	<u>(1,133,251)</u>
Excess (deficiency) of revenues over (under) expenditures	(55,804)	(55,804)	769,576	825,380
OTHER FINANCING SOURCES				
Transfers in	–	–	81,959	–
Net change in fund balances	<u>\$ (55,804)</u>	<u>\$ (55,804)</u>	<u>851,535</u>	<u>\$ 825,380</u>
Net decrease in due to other funds			(851,535)	
Fund balances, January 1, cash basis			–	
Fund balance, December 31, cash basis			–	
Differences from modified accrual basis:				
Other receivables			64,057	
Due from other governments			312,006	
Due to other funds			(376,063)	
Fund balances 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 – Office of Aging Special Revenue Fund

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,743,519	\$ 8,035,625	\$ 7,489,892	\$ (545,733)
Departmental	29,557	29,557	31,305	1,748
Other	118,528	118,528	2,783	(115,745)
Total revenues	<u>7,891,604</u>	<u>8,183,710</u>	<u>7,523,980</u>	<u>(659,730)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Office of Aging	8,656,724	8,941,950	8,434,859	507,091
Capital outlay	–	6,880	6,256	624
Total expenditures	<u>8,656,724</u>	<u>8,948,830</u>	<u>8,441,115</u>	<u>507,715</u>
Deficiency of revenues under expenditures	(765,120)	(765,120)	(917,135)	(152,015)
OTHER FINANCING SOURCES				
Transfers in	730,608	730,608	876,999	146,391
Net change in fund balances	<u>\$ (34,512)</u>	<u>\$ (34,512)</u>	<u>(40,136)</u>	<u>\$ (5,624)</u>
Fund balances, January 1, cash basis			<u>510,660</u>	
Fund balance, December 31, cash basis			<u>470,524</u>	
Differences from modified accrual basis:				
Due from other governments			181,866	
Advances to providers			5,142	
Accounts payable			(271,047)	
Unearned revenue			(108,102)	
Payroll related accruals			<u>(133,047)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 145,336</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,887,607	\$ 3,887,607	\$ 2,738,554	\$ (1,149,053)
Departmental	213,548	213,648	256,397	42,749
Interest			467	467
Total revenues	<u>4,101,155</u>	<u>4,101,255</u>	<u>2,995,418</u>	<u>(1,105,837)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,414,567	4,413,117	4,351,682	61,435
Capital outlay	–	1,450	1,450	–
Total expenditures	<u>4,414,567</u>	<u>4,414,567</u>	<u>4,353,132</u>	<u>61,435</u>
Deficiency of revenues under expenditures	(313,412)	(313,312)	(1,357,714)	(1,044,402)
OTHER FINANCING SOURCES				
Transfers in	308,895	308,895	250,672	(58,223)
Net change in fund balances	<u>\$ (4,517)</u>	<u>\$ (4,417)</u>	<u>(1,107,042)</u>	<u>\$ (1,102,625)</u>
Net increase in due to other funds			617,870	
Fund balances, January 1, cash basis			<u>489,172</u>	
Fund balance, December 31, cash basis			<u>–</u>	
Differences from modified accrual basis:				
Due from other governments			1,065,559	
Accounts payable			(431,069)	
Due to other funds			(617,870)	
Payroll related accruals			<u>(16,620)</u>	
Fund balances 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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive
	Original	Final		
REVENUES				
Intergovernmental	\$ 915,000	\$ 915,000	\$ 2,069,837	\$ 1,154,837
Interest	30,000	60,000	6,806	(53,194)
Other	–	–	11,650	11,650
Total revenues	<u>945,000</u>	<u>975,000</u>	<u>2,088,293</u>	<u>1,113,293</u>
EXPENDITURES				
Current:				
Roads and bridges	440,935	440,935	334,228	106,707
Capital outlay	3,464,761	3,464,761	1,864,144	1,600,617
Total expenditures	<u>3,905,696</u>	<u>3,905,696</u>	<u>2,198,372</u>	<u>1,707,324</u>
Net change in fund balances	<u>\$ (2,960,696)</u>	<u>\$ (2,930,696)</u>	<u>(110,079)</u>	<u>\$ 2,820,617</u>
Fund balances, January 1, cash basis			<u>4,679,920</u>	
Fund balance, December 31, cash basis			<u>4,569,841</u>	
Differences from modified accrual basis:				
Notes receivable			3,163	
Due from other governments			539,951	
Accounts payable			(384,439)	
Retainage payable			(73,386)	
Unearned revenue			(119,027)	
Fund balances at December 31, modified accrual basis			<u>\$ 4,536,103</u>	

County of Lancaster, Pennsylvania

Combining Statement of Changes in Assets and Liabilities –
Agency Funds

For the Year Ended December 31, 2011

	Balance, January 1, 2011	Additions	Deletions	Balance, December 31, 2011
ASSETS				
Cash and temporary investments – operating	\$ 12,052,531	\$ 147,885,009	\$ 147,123,674	\$ 12,813,866
Total assets	<u>\$ 12,052,531</u>	<u>\$ 147,885,009</u>	<u>\$ 147,123,674</u>	<u>\$ 12,813,866</u>
LIABILITIES				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	\$ 451,083	\$ 2,123,073	\$ 1,363,507	\$ 1,210,649
Civil debt held	–			–
Sheriff's office	2,233,067	11,300,466	12,013,337	1,520,196
All others	22,894	24,520	25,022	22,392
Total deposits and advances	<u>2,707,044</u>	<u>13,448,059</u>	<u>13,401,866</u>	<u>2,753,237</u>
Escrow liability:				
Bail escrow	263,829	241,818	120,460	385,187
Child support	25,293	1,558,951	1,544,606	39,638
County prison	1,958,108	4,083,389	3,681,989	2,359,508
Court restitution	1,323,681	7,864,016	7,883,858	1,303,839
All others	671,343	242,639	383,018	530,964
Total escrow	<u>4,242,254</u>	<u>13,990,813</u>	<u>13,613,931</u>	<u>4,619,136</u>
Other liabilities:				
Other liabilities	897,905	7,936,930	7,998,189	836,646
Total other liabilities	<u>897,905</u>	<u>7,936,930</u>	<u>7,998,189</u>	<u>836,646</u>
Due to other governments:				
Fines and costs	4,143,421	81,225,842	80,819,087	4,550,176
All others	61,907	31,283,365	31,290,601	54,671
Total due to other governments	<u>4,205,328</u>	<u>112,509,207</u>	<u>112,109,688</u>	<u>4,604,847</u>
Total liabilities	<u>\$ 12,052,531</u>	<u>\$ 147,885,009</u>	<u>\$ 147,123,674</u>	<u>\$ 12,813,866</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	116
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	120
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	125
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.	
Demographic and Economic Information	131
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	133
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.	
Miscellaneous Information	138
These schedules contain principal officials, salaries, amounts of surety bonds and insurance information.	

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

Table 1

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ (26,195,664)	\$ (34,213,431)	\$ (20,256,861)	\$ (4,430,120)	\$ (5,172,999)	\$ (7,039,956)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693
Restricted	27,612,661	29,718,106	26,528,425	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062
Unrestricted (deficit)	18,890,663	12,908,586	3,586,150	8,158,113	12,801,777	1,436,715	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)
Total governmental activities net assets	<u>\$ 20,307,660</u>	<u>\$ 8,413,261</u>	<u>\$ 9,857,714</u>	<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>
Business-type activities (1)										
Invested in capital assets, net of related debt	\$ 9,163,933	\$ 8,604,169	\$ 8,270,016	\$ 1,252,446	\$ 1,117,343	\$ 994,375	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,031,672	(429,695)	(47,598)	(378,075)	4,672,829	(588,879)	-	-	-	-
Total business-type activities net assets	<u>\$ 10,195,605</u>	<u>\$ 8,174,474</u>	<u>\$ 8,222,418</u>	<u>\$ 874,371</u>	<u>\$ 5,790,172</u>	<u>\$ 405,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Invested in capital assets, net of related debt	\$ (17,031,731)	\$ (25,609,262)	\$ (11,986,845)	\$ (3,177,674)	\$ (4,055,656)	\$ (6,045,581)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693
Restricted	27,612,661	29,718,106	26,528,425	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062
Unrestricted (deficit)	19,922,335	12,478,891	3,538,552	7,780,038	17,474,606	847,836	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)
Total primary government net assets	<u>\$ 30,503,265</u>	<u>\$ 16,587,735</u>	<u>\$ 18,080,132</u>	<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>

(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 Assets
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 50,532,411	\$ 51,126,152	\$ 41,754,884	\$ 51,954,353	\$ 52,426,879	\$ 68,609,628	\$ 56,939,439	\$ 57,904,194	\$ 63,863,797	\$ 57,284,051
Public Safety	581,174	1,469,344	1,795,340	2,201,133	2,360,548	2,536,633	10,277,194	12,180,651	12,145,608	12,543,485
Roads and bridges	137,182	-	513,691	167,029	623,252	493,225	446,693	528,189	632,719	939,766
Health, education, and welfare	88,706,421	97,528,144	100,939,636	107,626,232	104,177,809	113,385,735	117,363,995	97,621,458	81,796,132	158,356,532
Judicial	28,051,821	28,218,966	31,308,099	33,702,922	35,604,068	41,188,766	43,561,664	41,496,484	42,298,718	43,118,281
Corrections	15,398,863	15,493,466	16,780,827	17,648,560	18,730,110	20,515,725	23,554,777	23,427,298	23,975,680	24,834,919
Cultural and recreation	2,235,843	2,227,827	2,824,566	2,735,472	3,073,281	3,063,646	3,298,512	3,009,056	2,953,256	2,492,561
Community development	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351
Interest on long-term debt	2,803,356	4,605,619	5,609,294	6,751,272	8,916,410	9,163,174	9,444,280	9,240,379	9,506,172	10,774,790
Total governmental activities expenses	193,283,647	205,879,951	207,239,195	228,623,392	231,776,989	263,334,682	271,658,045	250,993,797	242,776,811	318,165,736
Business-type activities:										
Conestoga View (1)	29,480,306	32,127,025	32,802,281	21,980,881	-	-	-	-	-	-
911 Operations (2)	6,573,322	7,094,938	7,269,133	7,676,205	8,210,597	8,663,494	-	-	-	-
Total business-type activities expenses	36,053,628	39,221,963	40,071,414	29,657,086	8,210,597	8,663,494	-	-	-	-
Total primary government expenses	\$ 229,337,275	\$ 245,101,914	\$ 247,310,609	\$ 258,280,478	\$ 239,987,586	\$ 271,998,176	\$ 271,658,045	\$ 250,993,797	\$ 242,776,811	\$ 318,165,736
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,637,670	\$ 4,522,798	\$ 4,119,087	\$ 5,697,547	\$ 6,340,408	\$ 3,228,878	\$ 9,423,946	\$ 10,398,692	\$ 6,905,007	\$ 6,238,767
Public Safety	90,218	52,102	114,912	498,421	244,403	191,522	3,307,766	3,844,511	6,817,662	7,494,676
Roads and bridges	-	-	-	-	-	-	15,630	30,834	48,098	11,650
Health, education, and welfare	-	-	-	-	-	-	3,340,383	3,051,371	3,688,636	3,939,160
Judicial	7,877,017	7,439,657	5,652,376	7,054,409	8,094,287	6,463,143	8,902,090	2,134,151	6,992,023	7,701,804
Corrections	334,116	133,682	93,158	79,513	78,224	95,800	162,781	91,985	132,581	145,236
Cultural and recreation	258,041	254,042	449,495	272,849	261,701	245,924	292,330	257,520	281,093	323,385
Operating grants and contributions:										
General government	3,565,740	236,193	1,756,407	3,101,614	4,552,280	2,817,224	4,054,521	2,656,338	9,897,518	10,673,602
Public Safety	77,236	296,731	221,398	206,750	100,646	175,821	182,036	189,997	149,797	252,359
Roads and bridges	859,969	837,765	840,401	856,450	770,553	917,369	1,220,200	903,181	1,153,429	2,606,826
Health, education, and welfare	86,438,124	96,322,725	100,036,433	105,469,003	102,399,525	109,220,515	115,332,557	97,393,712	80,837,880	156,460,780
Judicial	5,080,469	7,049,416	7,686,720	7,510,499	7,867,386	6,399,328	10,076,920	9,471,170	10,355,686	8,672,125
Corrections	86,207	30,406	31,580	33,611	1,093	88,113	37,905	38,200	29,904	33,715
Cultural and recreation	422,760	4,000	26,837	1,440	2,560	122,981	299,427	69,777	7,814	-
Community development	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	113,564,143	122,389,950	126,741,662	136,618,525	136,577,698	134,344,788	163,419,983	136,117,537	132,901,857	212,575,436
Business-type activities:										
Charges for services:										
Conestoga View (1)	29,315,165	30,592,095	32,297,938	21,845,148	-	-	-	-	-	-
911 Operations (2)	4,127,764	4,143,411	4,057,163	3,838,005	13,031,358	1,492,312	-	-	-	-
Total business-type activities program revenues	33,442,929	34,735,506	36,355,101	25,683,153	13,031,358	1,492,312	-	-	-	-
Total primary government program revenues	\$ 147,007,072	\$ 157,125,456	\$ 163,096,763	\$ 162,301,678	\$ 149,609,056	\$ 135,837,100	\$ 163,419,983	\$ 136,117,537	\$ 132,901,857	\$ 212,575,436
Net (expense) revenue										
Governmental activities	\$ (79,719,504)	\$ (83,490,001)	\$ (80,497,533)	\$ (92,004,867)	\$ (95,199,291)	\$ (128,989,894)	\$ (108,238,062)	\$ (114,876,260)	\$ (109,874,954)	\$ (105,590,300)
Business-type activities	(2,610,699)	(4,486,457)	(3,716,313)	(3,973,933)	4,820,761	(7,171,182)	-	-	-	-
Total primary government net expense	\$ (82,330,203)	\$ (87,976,458)	\$ (84,213,846)	\$ (95,978,800)	\$ (90,378,530)	\$ (136,161,076)	\$ (108,238,062)	\$ (114,876,260)	\$ (109,874,954)	\$ (105,590,300)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 61,239,937	\$ 66,630,867	\$ 76,856,854	\$ 84,055,960	\$ 86,237,553	\$ 94,673,936	\$ 102,490,521	\$ 103,588,540	\$ 104,918,937	\$ 105,576,248
Departmental revenues	5,104,104	6,095,325	7,506,553	5,603,378	8,995,014	14,546,868	-	-	-	-
Unrestricted investment earnings	1,755,276	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613	808,284	596,083	1,129,759
Transfers	(1,338,163)	(2,458,876)	(3,756,622)	4,892,962	-	(1,531,737)	-	-	-	-
Total governmental activities	66,761,154	71,595,602	81,941,986	97,172,181	100,888,077	113,126,448	104,663,134	104,396,824	105,515,020	106,706,007
Business-type activities:										
Unrestricted investment earnings	10,525	6,450	7,635	14,302	95,040	254,769	-	-	-	-
Transfers	1,338,163	2,458,876	3,756,622	(4,892,962)	-	1,531,737	-	-	-	-
Gain on sale of capital assets	-	-	-	1,504,546	-	-	-	-	-	-
Total business-type activities	1,348,688	2,465,326	3,764,257	(3,374,114)	95,040	1,786,506	-	-	-	-
Total primary government	\$ 68,109,842	\$ 74,060,928	\$ 85,706,243	\$ 93,798,067	\$ 100,983,117	\$ 114,912,954	\$ 104,663,134	\$ 104,396,824	\$ 105,515,020	\$ 106,706,007
Change in Net Assets										
Governmental activities	\$ (12,958,350)	\$ (11,894,399)	\$ 1,444,453	\$ 5,167,314	\$ 5,688,786	\$ (15,863,446)	\$ (3,574,928)	\$ (10,479,436)	\$ (4,359,934)	\$ 1,115,707
Business-type activities	(1,262,011)	(2,021,131)	47,944	(7,348,047)	4,915,801	(5,384,676)	-	-	-	-
Total primary government	\$ (14,220,361)	\$ (13,915,530)	\$ 1,492,397	\$ (2,180,733)	\$ 10,604,587	\$ (21,248,122)	\$ (3,574,928)	\$ (10,479,436)	\$ (4,359,934)	\$ 1,115,707

(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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund										
Reserved	\$ 1,189,348	\$ 125,895	\$ 97,911	\$ 67,667	\$ 35,097	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,844,605	9,047,754	10,913,739	17,143,130	18,820,499	21,099,796	19,268,220	14,622,230	11,808,598	-
Nonspendable	-	-	-	-	-	-	-	-	-	1,791,374
Restricted:										
General government	-	-	-	-	-	-	-	-	-	563,895
Public safety	-	-	-	-	-	-	-	-	-	532,145
Judicial	-	-	-	-	-	-	-	-	-	1,764,763
Assigned:										
Postemployment benefits	-	-	-	-	-	-	-	-	-	6,518,968
Unassigned	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 9,033,953</u>	<u>\$ 9,173,649</u>	<u>\$ 11,011,650</u>	<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>
All other governmental funds										
Reserved	\$ 2,089,178	\$ 1,721,796	\$ 3,426,433	\$ 4,676	\$ 7,334	\$ 5,041	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special revenue funds	15,750,826	13,454,145	10,354,642	12,522,948	13,329,552	9,818,532	9,461,818	10,651,056	12,686,089	-
Capital projects funds	8,968,283	5,113,875	23,906,508	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
Capital projects	-	-	-	-	-	-	-	-	-	9,468,673
Roads and bridges	-	-	-	-	-	-	-	-	-	4,536,103
Judicial	-	-	-	-	-	-	-	-	-	7,336,267
Total all other governmental funds	<u>\$ 26,808,287</u>	<u>\$ 20,289,816</u>	<u>\$ 37,687,583</u>	<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>
Total fund balances of all governmental funds	<u>\$ 35,842,240</u>	<u>\$ 29,463,465</u>	<u>\$ 48,699,233</u>	<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>

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.

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

Table 4

	2002	2003	2004	2005	2006	2007	2008 *	2009	2010	2011
Revenues										
Taxes	\$ 60,953,442	\$ 67,106,816	\$ 75,693,294	\$ 83,776,893	\$ 86,408,680	\$ 94,489,341	\$ 101,960,944	\$ 103,589,945	\$ 104,555,174	\$ 105,717,718
Intergovernmental	101,367,081	109,987,669	116,312,634	123,015,786	121,558,675	124,119,521	134,833,834	114,423,465	106,097,860	184,524,990
Departmental	15,494,862	14,186,879	13,767,339	14,367,287	18,495,875	20,103,239	21,956,938	21,226,755	21,536,881	20,567,399
Fines and costs	3,532,836	3,610,638	3,423,118	2,727,025	2,556,259	2,697,688	2,877,665	3,029,434	2,773,058	3,318,987
Interest	1,755,276	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613	808,284	619,667	228,783
Other	932,256	581,403	674,277	962,363	221,893	547,399	978,544	1,083,974	1,173,930	2,100,366
Health Choices revenues	72,421	168,922	734,008	793,991	868,381	1,047,296	991,961	1,040,023	1,614,230	1,575,092
Total revenues	184,108,174	196,970,613	211,939,871	228,263,226	235,765,273	248,441,865	265,772,499	245,201,880	238,370,800	318,033,335
Expenditures										
General government	39,542,400	38,000,997	33,486,730	45,348,382	34,278,385	31,244,732	31,288,375	37,092,850	41,312,324	32,689,512
Public safety (1)	254,174	647,582	769,267	1,100,204	1,234,268	1,366,272	10,606,865	10,625,757	10,558,753	11,006,988
Roads and bridges	205,939	520,417	486,841	—	498,963	409,115	285,188	317,157	388,008	670,175
Health, education and welfare	96,783,827	106,647,314	110,168,966	117,227,436	114,611,618	125,716,956	130,287,274	111,699,460	93,528,376	170,064,660
Judicial	28,803,044	29,933,955	32,874,042	34,996,763	37,036,579	42,402,361	45,236,178	43,939,778	44,800,940	45,399,663
Corrections	14,041,578	14,118,091	15,459,196	16,640,060	17,407,351	19,225,889	22,169,692	22,096,860	22,725,580	23,107,431
Cultural and recreation	2,117,355	2,112,098	2,702,712	2,486,594	2,850,927	2,845,631	3,076,031	2,801,692	2,484,440	2,212,981
Community development	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351
Capital outlay	9,955,828	17,264,521	4,361,693	12,958,119	20,910,986	35,371,682	19,793,861	22,922,212	14,459,028	21,106,757
Debt service (2):										
Principal	1,920,000	4,745,000	5,855,000	7,575,944	7,815,000	9,105,000	9,340,300	8,984,000	10,841,800	12,219,700
Interest and fiscal charges	2,700,128	4,505,001	5,154,688	6,663,917	8,657,602	9,313,790	9,488,089	8,469,097	9,755,340	10,557,676
Bond issuance costs	288,909	684,877	460,269	352,037	611,008	48,179	146,729	548,199	296,556	200,721
Total expenditures	201,449,758	224,390,286	217,492,262	251,185,875	251,777,319	281,427,757	288,490,073	275,083,150	256,755,874	337,057,615
Excess (deficiency) of revenues over (under) expenditures	(17,341,584)	(27,419,673)	(5,552,391)	(22,922,649)	(16,012,046)	(32,985,892)	(22,717,574)	(29,881,270)	(18,385,074)	(19,024,280)
Other financing sources (uses)										
Transfers in	9,553,080	11,640,302	10,995,250	19,538,119	13,013,439	16,017,815	12,974,525	14,251,429	12,403,303	12,335,157
Transfers out	(10,891,243)	(14,099,178)	(14,751,872)	(14,645,157)	(13,013,439)	(17,549,552)	(12,974,525)	(14,251,429)	(12,403,303)	(12,335,157)
Refunding bonds issued	28,260,000	37,660,000	5,005,000	—	—	10,000,000	—	40,042,574	—	10,000,000
Payment to refunded bond escrow agent	(28,245,174)	(37,581,596)	(5,160,255)	—	—	(9,951,821)	—	(43,467,406)	—	(9,670,875)
Premium on refunding bonds issued	181,626	318,760	1,400,036	—	—	—	—	3,973,031	—	—
Bonds issued (includes premiums)	7,345,000	23,305,000	27,300,000	23,775,000	51,590,169	—	8,800,000	25,000,000	34,180,463	—
Bond discount	(116,414)	(202,390)	—	—	—	—	—	—	—	(128,404)
Total other financing sources (uses)	6,086,875	21,040,898	24,788,159	28,667,962	51,590,169	(1,483,558)	8,800,000	25,548,199	34,180,463	200,721
Net change in fund balances	\$ (11,254,709)	\$ (6,378,775)	\$ 19,235,768	\$ 5,745,313	\$ 35,578,123	\$ (34,469,450)	\$ (13,917,574)	\$ (4,333,071)	\$ 15,795,389	\$ (18,823,559)
Debt service as a percentage of noncapital expenditures	2.4%	4.5%	5.2%	6.0%	7.1%	7.5%	7.0%	6.9%	8.5%	7.2%

(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.

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
2002	\$ 25,908,504,500	\$ 2,534,790,200	\$ 23,373,714,300	2.613	\$ 23,373,714,300	100%
2003	26,407,814,800	2,544,307,300	23,863,507,500	2.847	23,863,507,500	100%
2004	31,214,117,500	2,964,915,500	28,249,202,000	3.205	28,249,202,000	100%
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%

Source: County of Lancaster, Assesment 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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Direct Rate:	2.6130	2.8470	3.2050	2.9620	2.9620	3.1890	3.4160	3.4160	3.4160	3.4160
City rate:										
Lancaster	7.5900	8.2400	8.2400	7.6700	8.1700	8.8200	9.1800	9.6400	12.0400	12.0400
Borough rates:										
Adamstown	2.1800	2.1800	2.1800	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.5000
Akron	1.6500	1.6500	1.6500	1.4850	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Christiana	4.0000	4.0000	4.0000	3.8190	3.8190	3.8190	4.5000	4.5000	4.5000	4.5000
Columbia	5.4000	6.1500	6.1500	5.7600	6.2600	6.2600	7.7500	8.0000	8.0000	8.0000
Denver	1.7500	1.9300	2.5000	2.1850	2.1850	2.4000	2.5200	2.5200	2.5200	2.7500
East Petersburg	2.3220	2.3220	2.6550	2.5320	1.7690	1.7690	2.6570	1.8940	1.8940	1.8940
Elizabethtown	3.1000	3.1000	3.4000	3.0800	3.5800	3.8300	3.8300	4.2000	4.2000	5.0000
Ephrata	1.5870	1.5870	1.5870	1.5040	1.5040	1.8800	1.8800	1.8800	1.8800	1.8800
Lititz	1.5000	1.5000	1.5000	1.3600	1.3600	1.6000	1.6000	1.6000	1.6000	2.1000
Manheim	2.5000	2.5000	2.7500	2.3500	2.6000	2.6000	2.8500	2.9000	3.0000	3.5000
Marietta	3.5000	3.5000	4.5000	4.0000	4.2500	4.2500	4.5000	4.5000	4.5000	5.5000
Millersville	3.0000	3.0000	4.5000	4.3300	4.6000	4.6500	4.8500	4.8500	4.8500	5.2400
Mount Joy	2.6000	2.6000	2.6000	2.6000	3.1000	3.1000	3.3000	3.4000	4.2000	4.2000
Mountville	1.1500	1.1500	1.2500	1.1300	1.2000	1.4000	2.5000	2.5000	2.6000	2.6000
New Holland	1.5000	2.0000	2.0000	1.9500	2.2500	2.2500	2.2500	2.4800	2.4800	2.4800
Quarryville	2.9000	2.9000	2.9000	2.7500	2.7500	2.7500	3.7500	3.7500	4.7500	4.7500
Strasburg	2.0000	2.0000	2.1000	1.7300	1.9300	2.0300	2.1300	2.4300	2.8300	2.8300
Terre Hill	2.8000	2.8000	4.2000	3.2000	3.2000	3.7000	3.7000	4.2000	4.2000	4.2000
Township rates:										
Bart	0.7000	0.7000	0.7000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Brecknock	0.3000	0.3333	0.3333	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690
Caernarvon	0.2000	0.2000	0.2000	0.1500	0.1000	0.1000	0.0750	0.0750	0.0150	0.0150
Clay	0.6348	0.6348	0.6348	0.5220	0.7569	0.7569	1.3000	1.3000	1.3000	1.3000
Colerain	0.6000	0.6000	0.6000	0.5570	0.6120	0.6120	0.6120	0.6120	0.6120	0.6120
Conestoga	0.8070	0.8070	0.8070	0.6930	0.6930	0.6930	0.6930	0.6930	0.6930	0.6930
Drumore	0.2000	0.2000	0.2000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Earl	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.2500	1.2500	1.2500
East Cocalico	1.2500	1.2500	1.5000	1.3750	1.3750	1.6250	1.6250	1.6250	1.6250	1.6250
East Donegal	1.5000	1.7500	2.2500	2.1470	2.3970	2.3970	2.7000	2.9500	2.9500	2.9500
East Drumore	0.4000	0.4000	0.4000	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900
East Earl	0.8000	0.8000	1.0000	0.8800	1.0000	1.3000	1.4000	1.6000	1.6000	1.6000
East Hempfield	1.2000	1.2000	1.2000	1.0200	0.5100	0.5100	0.8200	0.9200	1.1200	1.1200
East Lampeter	0.8300	0.9500	0.9500	0.8220	0.9450	1.1400	1.1400	1.1400	1.4620	1.4620
Eden	0.0700	0.0700	0.0700	0.6000	0.6000	0.6000	0.6000	0.6000	0.7000	0.7000
Ephrata	1.5000	1.5000	1.5000	1.2700	1.2700	1.2700	1.2700	1.2700	1.2700	1.3700
Fulton	0.2200	0.2200	0.2200	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100
Lancaster	0.4000	0.7000	0.7000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Leacock	0.5000	1.5000	0.5000	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300
Little Britian	0.4200	0.4200	0.4200	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.)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Manheim	2.2000	2.2000	2.2000	1.9000	1.9000	1.9000	1.9000	1.9000	1.9000	2.2300
Manor	0.9000	0.9000	0.9000	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800
Mount Joy Part (2)	1.4500	1.4500	1.4500	1.2200	1.0817	1.0830	1.0810	1.2114	1.3500	1.3500
Mount Joy Part (3)	1.4500	1.4500	1.4500	1.2200	1.0817	1.0830	1.0810	1.2114	1.3500	1.3500
Paradise	1.5000	1.5000	1.5000	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200
Penn	0.7500	0.7500	1.0000	0.8100	0.8120	0.8120	0.8120	0.8120	0.8120	0.8120
Pequea	1.7000	1.7000	1.7000	1.5500	1.5500	1.5500	1.5500	1.5500	1.5500	1.7000
Providence	0.2200	0.2200	0.2200	0.1930	0.1930	0.1930	0.1930	0.1580	0.1580	0.1580
Sadsbury	0.7500	0.7500	0.8500	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000
Salisbury	0.2300	0.2300	0.2300	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800
Strasburg	0.5000	0.5000	0.5000	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400
Upper Leacock	1.3100	1.3100	1.5000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000
Warwick	0.3304	0.3304	0.3304	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740
West Cocalico	1.5000	1.5000	1.6000	1.4330	1.4330	1.4330	1.5000	1.6000	1.8500	2.0000
West Donegal	1.5000	1.5000	1.5000	1.3503	1.3503	1.3503	1.3503	1.3503	1.6000	1.6000
West Earl	1.0000	1.0000	1.0000	1.3900	1.3900	1.3900	1.3900	1.3900	1.3900	1.3900
West Hempfield	0.2000	0.2000	0.2000	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.6800
West Lampeter	0.7000	0.7000	0.7000	0.5990	0.5990	0.5990	0.5990	0.6500	0.7500	0.9000
School district rates:										
Cocalico	15.3600	17.3600	15.3600	16.4200	17.0000	17.9300	18.9100	19.8400	20.5500	20.8900
Columbia Borough	17.0000	19.0000	20.0000	18.7700	18.7700	20.6600	23.0000	24.3570	24.3570	25.3700
Conestoga Valley	11.8100	12.4600	12.8600	11.5100	11.9600	12.3670	12.8490	13.2660	13.2730	14.0480
Donegal	14.1100	14.5300	14.9000	13.6100	16.2000	16.2000	18.7300	19.4500	20.1690	20.1690
Eastern Lancaster County	11.5100	12.1500	12.5000	11.0600	11.1500	11.7142	12.2142	12.5979	13.0877	13.4470
Elizabethtown Area	13.0000	13.0000	13.5000	12.1340	14.3500	15.3394	16.1816	16.5861	17.2700	17.5800
Ephrata Area	16.4400	16.4400	17.2900	15.5300	16.5300	17.2000	18.0900	18.5200	19.0200	19.0200
Hempfield	14.2900	14.7900	15.0900	14.1590	15.4180	15.9409	16.8814	17.3878	17.9789	18.2660
Lampeter-Strasburg	15.0400	15.6400	16.5400	15.0800	15.9600	16.6000	17.3300	17.8000	18.4620	18.7573
Lancaster	18.4700	18.4700	18.4700	19.3800	20.4400	20.4400	20.4400	23.2600	24.2130	24.6972
Manheim Central	15.6200	15.6200	16.0900	14.5600	15.2400	15.2400	15.2400	15.8500	16.2500	16.2500
Manheim Township	13.9300	14.8800	15.6200	14.1000	14.7300	15.2300	15.9000	16.5500	17.0299	17.2680
Octorara Area	18.8500	20.3000	20.4200	20.1200	23.1100	23.1100	27.3700	27.6800	27.6800	28.3700
Penn Manor	14.6700	14.6700	14.6700	14.0700	14.7300	15.3100	15.9100	15.9100	16.4600	16.6900
Pequea Valley	13.9000	14.5000	15.0000	13.2000	14.6000	15.1000	15.7430	15.7430	16.3333	20.4080
Solanco	8.2500	8.2500	8.6000	8.2475	8.6351	9.0496	9.6378	10.1582	10.5442	10.8500
Warwick	14.6000	16.1000	17.7000	15.2000	15.8000	15.8000	16.7000	17.4000	17.6600	17.9000

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.

County of Lancaster, Pennsylvania
Principal Property Taxpayers
December 31, 2011

Table 7

Taxpayer	2011			2002		
	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%	\$ 146,740,200	2	0.63%
High Properties Et Al	119,617,500	2	0.38%	158,625,600	1	0.68%
Willow Valley Retirement	109,067,800	3	0.35%	49,628,600	10	0.21%
Lancaster General Foundation	104,001,900	4	0.33%	77,280,400	5	0.33%
Willow Valley Manor	85,540,300	5	0.27%			
High Properties	84,619,300	6	0.27%			
Dart Container Corp of PA	70,589,200	7	0.23%	56,048,800	7	0.24%
Granite Properties	63,520,200	8	0.20%	50,899,000	9	0.22%
Garden Spot Village Inc	58,374,000	9	0.19%			
Rockvale Group	58,186,700	10	0.19%	52,607,100	8	0.23%
Willow Valley Association Inc				83,385,700	3	0.36%
PECO Energy Company				78,883,400	4	0.34%
Armstrong Cork Co				72,427,000	6	0.31%
Total	<u>\$ 892,600,100</u>		<u>2.85%</u>	<u>\$ 826,525,800</u>		<u>3.54%</u>

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
2002	\$ 60,580,539	\$ 701,889	\$ 61,282,428	\$ 59,551,180	97.17%	\$ 1,657,148	\$ 61,208,328	99.88%
2003	66,544,976	878,410	67,423,386	65,227,229	96.74%	1,472,215	66,699,444	98.93%
2004	76,404,957	342,171	76,747,128	74,129,754	96.59%	1,549,926	75,679,680	98.61%
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%

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

Notes:

(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	Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds & Notes	Lease Rental Bond Debt				
2002	\$129,684,581	\$ 573,000	\$ 664,945	\$ 130,922,526	0.96%	\$ 273.94
2003	151,950,075	949,000	392,401	153,291,476	1.08%	318.30
2004	174,728,072	934,000	102,939	175,765,011	1.16%	362.10
2005	192,883,456	919,000	94,200	193,896,656	1.23%	396.61
2006	237,706,173	904,000	86,245	238,696,418	1.45%	483.86
2007	230,282,253	889,000	922,876	232,094,129	1.35%	466.09
2008	230,717,789	874,000	1,118,669	232,710,458	1.27%	463.23
2009	246,155,571	859,000	—	247,014,571	1.34%	486.47
2010	270,323,222	844,000	—	271,167,222	1.43%	522.03
2011	259,721,873	829,000	—	260,550,873	*	497.62

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
Ratios of General and Lease Rental 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)
2002	\$ 129,684,581	\$ 9,391,894	\$ 120,292,687	0.51%	\$ 251.70
2003	151,950,075	6,778,720	145,171,355	0.61%	301.44
2004	174,728,072	3,986,246	170,741,826	0.60%	351.75
2005	192,883,456	1,796,517	191,086,939	0.66%	390.86
2006	237,706,173	850,916	236,855,257	0.80%	480.12
2007	230,282,253	-	230,282,253	0.76%	462.46
2008	230,717,789	-	230,717,789	0.76%	459.26
2009	246,155,571	-	246,155,571	0.80%	484.78
2010	270,323,222	-	270,323,222	0.87%	520.41
2011	259,721,873	-	259,721,873	0.83%	496.04

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, 2011

Table 11

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Lancaster	\$ 260,550,873	100%	\$ 260,550,873
Overlapping:			
City of Lancaster	\$ 221,576,407	100%	\$ 221,576,407
School Districts:			
Cocalico	\$ 27,155,209	100%	\$ 27,155,209
Columbia Borough	22,264,749	100%	22,264,749
Conestoga Valley	34,427,226	100%	34,427,226
Donegal	57,250,000	100%	57,250,000
Eastern Lancaster County	24,535,733	100%	24,535,733
Elizabethtown Area	47,855,000	100%	47,855,000
Ephrata Area (as of 6/30/11)	55,965,327	100%	55,965,327
Hempfield	77,026,132	100%	77,026,132
Lampeter-Strasburg	45,658,859	100%	45,658,859
Lancaster	149,975,614	100%	149,975,614
Manheim Central	41,107,475	100%	41,107,475
Manheim Township	135,296,196	100%	135,296,196
Octorara	75,585,000	100%	75,585,000
Penn Manor	36,562,954	100%	36,562,954
Pequea Valley	32,127,592	100%	32,127,592
Solanco	10,136,786	100%	10,136,786
Warwick	99,400,000	100%	99,400,000
Total School Districts			\$ 972,329,852
Municipal Authorities:			
Adamstown Borough	\$ 654,148	100%	\$ 654,148
Akron Borough	437,213	100%	437,213
Bainbridge Water Authority	119,269	100%	119,269
Blue Ball Water Authority	76,821	100%	76,821
Christiana Borough Authority	84,965	100%	84,965
Columbia Borough	2,440,396	100%	2,440,396
Columbia Municipal Authority	12,904,000	100%	12,904,000
Earl Township Sewer Authority	1,905,304	100%	1,905,304
East Donegal Township Water Authority	266,127	100%	266,127
East Earl Sewer Authority	713,643	100%	713,643
East Lampeter Sewer Authority	12,979,892	100%	12,979,892
East Lampeter Township	7,668,000	100%	7,668,000
Ephrata Area Joint Authority	3,660,000	100%	3,660,000
Ephrata Borough Authority	15,440,000	100%	15,440,000
Ephrata Township Sewer Authority	2,199,771	100%	2,199,771
Georgetown Area Sewer Authority	87,378	100%	87,378
Lancaster Area Sewer Authority	64,620,000	100%	64,620,000
Lancaster County Hospital Authority (as of 6/30/11)	656,718,957	100%	656,718,957
Lancaster County Solid Waste Management Authority	47,443,704	100%	47,443,704

(Continued)

County of Lancaster, Pennsylvania
Direct and Overlapping Governmental Activities Debt
As of December 31, 2011

Table 11 (Cont.)

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lancaster-Lebanon Joint Authority	\$ 720,000	100%	\$ 720,000
Lancaster Parking Authority	28,625,000	100%	28,625,000
Leacock Township Sewer Authority	2,237,020	100%	2,237,020
Leola Sewer Authority	1,674,904	100%	1,674,904
Manheim Borough Authority	19,815,295	100%	19,815,295
Manheim Township	14,745,000	100%	14,745,000
Manheim Township Authority	3,770,000	100%	3,770,000
Marietta-Donnegal Joint Authority	5,330,729	100%	5,330,729
Mount Joy Borough Authority	19,384,270	100%	19,384,270
Mount Joy Township Authority	14,115,000	100%	14,115,000
Mountville Borough Authority	346,000	100%	346,000
New Holland Borough Authority	395,068	100%	395,068
Northern Lancaster County Sewer Authority	1,651,979	100%	1,651,979
Paradise Township Sewer Authority	2,190,000	100%	2,190,000
Penn Township	8,780,000	100%	8,780,000
Quarryville Borough	1,900,000	100%	1,900,000
Redevelopment Authority (as of 6/30/11)	30,750,239	100%	30,750,239
Sadsbury Township Municipal Authority	1,505,000	100%	1,505,000
Suburban Lancaster Sewer Authority	31,375,000	100%	31,375,000
Warwick Township Municipal Authority	11,745,000	100%	11,745,000
West Cocalico Township Authority	468,290	100%	468,290
West Donegal Township Authority	3,660,000	100%	3,660,000
West Earl Sewer Authority	6,585,000	100%	6,585,000
West Earl Water Authority	1,555,309	100%	1,555,309
Total Municipalities			<u>\$ 1,043,743,691</u>
Total Overlapping Debt			<u>\$ 2,237,649,950</u>
Total direct and overlapping debt			<u>\$ 2,498,200,823</u>

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

* - Data not available.

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Borrowing base revenues (1):				
Two years prior	\$ 100,212,634	\$ 105,046,643	\$ 114,988,835	\$ 126,410,082
Prior year	105,046,643	114,988,835	126,410,082	131,266,881
Current year	114,988,835	126,410,082	131,266,881	129,499,678
Total borrowing base revenues	<u>\$ 320,248,112</u>	<u>\$ 346,445,560</u>	<u>\$ 372,665,798</u>	<u>\$ 387,176,641</u>
Average borrowing base revenues	\$ 106,749,371	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
Net Nonelectoral Debt Limit:				
Average borrowing base revenues	\$ 106,749,371	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
Debt limit percentage	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>320,248,112</u>	<u>346,445,558</u>	<u>372,665,798</u>	<u>387,176,641</u>
Total amount of debt applicable to debt limit	<u>130,257,581</u>	<u>151,950,075</u>	<u>174,728,072</u>	<u>192,883,456</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 189,990,531</u>	<u>\$ 194,495,483</u>	<u>\$ 197,937,726</u>	<u>\$ 194,293,185</u>
Total net debt applicable to the limit as a percentage of debt limit	40.67%	43.86%	46.89%	49.82%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit				
Average borrowing base revenues		\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
Debt limit percentage		400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit		<u>461,927,413</u>	<u>496,887,732</u>	<u>516,235,520</u>
Less: Non-electoral Debt and Lease Rental Debt		<u>152,899,075</u>	<u>175,662,072</u>	<u>193,802,456</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity		<u>\$ 309,028,338</u>	<u>\$ 321,225,660</u>	<u>\$ 322,433,064</u>
Total net debt applicable to the limit as a percentage of debt limit		33.10%	35.35%	37.54%

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

The County of Lancaster did not incur lease rental debt until the year 2003

(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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Borrowing base revenues (1):						
	\$ 131,266,881	\$ 129,499,678	\$ 123,748,612	\$ 122,530,609	\$ 129,828,387	\$ 130,291,338
	129,499,678	123,748,612	122,530,609	129,828,387	130,291,338	132,014,815
	123,748,612	122,530,609	129,828,387	130,291,338	132,014,815	133,405,844
Total borrowing base revenues	<u>\$ 384,515,171</u>	<u>\$ 375,778,899</u>	<u>\$ 376,107,608</u>	<u>\$ 382,650,334</u>	<u>\$ 392,134,540</u>	<u>\$ 395,711,997</u>
Average borrowing base revenues	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999
Net Nonelectoral Debt Limit:						
Average borrowing base revenues	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999
Debt limit percentage	300%	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>384,515,171</u>	<u>375,778,899</u>	<u>376,107,608</u>	<u>382,650,334</u>	<u>392,134,540</u>	<u>395,711,997</u>
Total amount of debt applicable to debt limit	<u>237,706,173</u>	<u>230,282,253</u>	<u>230,717,789</u>	<u>246,155,571</u>	<u>270,323,221</u>	<u>259,721,873</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 146,808,998</u>	<u>\$ 145,496,646</u>	<u>\$ 145,389,819</u>	<u>\$ 136,494,763</u>	<u>\$ 121,811,319</u>	<u>\$ 135,990,124</u>
Total net debt applicable to the limit as a percentage of debt limit	61.82%	61.28%	61.34%	64.33%	68.94%	65.63%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit						
Average borrowing base revenues	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999
Debt limit percentage	400%	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>512,686,895</u>	<u>501,038,532</u>	<u>501,476,811</u>	<u>510,200,445</u>	<u>522,846,053</u>	<u>527,615,996</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>238,610,173</u>	<u>231,171,253</u>	<u>231,591,789</u>	<u>247,014,571</u>	<u>271,167,221</u>	<u>260,550,873</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 274,076,722</u>	<u>\$ 269,867,279</u>	<u>\$ 269,885,022</u>	<u>\$ 263,185,874</u>	<u>\$ 251,678,832</u>	<u>\$ 267,065,123</u>
Total net debt applicable to the limit as a percentage of debt limit	46.54%	46.14%	46.18%	48.42%	51.86%	49.38%

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)
2002	478,078	\$ 14,119,153	\$ 29,533	36.8	85,836	3.8%
2003	481,803	14,672,734	30,454	37.0	86,364	3.5%
2004	485,676	15,513,013	31,941	37.1	85,996	3.4%
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	*	*	*	85,537	6.2%

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, 2011

Table 14

Employer (1)	2011			2002		
	Employees (2)	Rank (1)	Percentage of Total County Employment	Employees (2)	Rank (1)	Percentage of Total County Employment
Lancaster General Hospital	7,154	1	3.29%	5,021	1	2.27%
R.R. Donnelley & Sons Company	2,696	2	1.24%	3,505	2	1.58%
County of Lancaster	1,983	3	0.91%	2,704	3	1.22%
Ephrata Community Hospital Inc	1,875	4	0.86%	1,526	7	0.69%
School District of Lancaster	1,584	5	0.73%	1,430	8	0.65%
Manheim Remarketing Inc	1,557	6	0.72%	1,884	5	0.85%
Turkey Hill Co Inc	1,545	7	0.71%			
Masonic Villages	1,503	8	0.69%			
Dart Container Corporation	1,453	9	0.67%			
QVC Network Inc	1,447	10	0.67%			
Armstrong World Industries Inc				2,598	4	1.17%
High Industries Inc				*	6	*
Weis Markets Inc				*	9	*
CNH Global				*	10	*
Total	<u>22,797</u>			<u>*</u>		
Total Employees in County	<u>217,497</u>	(1)		<u>221,351</u>	(1)	

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

* - Data not available.

Note: Mutual Assistance Group has been removed from the list, as it is not a business of its own.

County of Lancaster, Pennsylvania
Full-time County Government Employees by Function
Last Ten Fiscal Years

Table 15

Function/Program:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
General government	263	269	261	264	266	262	275	284	259	263
Public safety	6	6	6	7	8	9	104	101	98	103
Roads and bridges	–	3	3	4	4	–	–	–	–	–
Health, education, and welfare	347	363	379	378	387	392	403	396	376	354
Judicial	541	545	556	556	576	584	609	612	588	605
Corrections	306	300	306	295	303	292	304	297	291	294
Cultural and recreation	32	32	33	35	35	34	32	14	14	15
Total governmental activities	1,495	1,518	1,544	1,539	1,579	1,573	1,727	1,704	1,626	1,634
Business-type activities										
Conestoga View	466	475	472	–	–	–	–	–	–	–
911 Operations	91	92	93	93	93	93	–	–	–	–
Total business type activities	557	567	565	93	93	93	–	–	–	–
Total	2,052	2,085	2,109	1,632	1,672	1,666	1,727	1,704	1,626	1,634

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	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
General Election Information:										
Registered voters	274,270	278,540	311,934	293,329	299,412	303,184	326,501	313,604	317,635	301,562
Votes cast	127,765	76,609	221,251	72,708	151,843	71,099	228,857	59,665	151,428	49,946
Percent of votes cast	46.58%	27.50%	70.93%	24.79%	50.71%	23.45%	70.09%	19.03%	47.67%	16.56%
Property transfers recorded	14,584	16,499	15,708	15,445	14,643	13,370	11,334	10,773	10,414	9,879
9-1-1 calls	****	****	****	****	****	****	214,723	211,932	222,253	236,810
County ordinances approved	96	83	76	99	92	115	124	71	26	26
Municipal ordinances reviewed	392	394	410	387	384	397	345	266	177	184
Judicial										
Estates and wills probated	1,747	1,654	1,685	1,764	1,716	1,650	1,784	1,672	1,708	1,717
Marriage licenses issued	3,313	3,155	3,131	3,098	3,235	3,254	3,215	3,057	3,218	3,298
Child adoptions	202	199	199	206	265	243	254	244	258	242
Child relinquishments	93	111	105	101	128	151	139	137	156	175
Criminal cases filed	5,999	5,972	5,999	5,975	6,027	6,105	6,004	6,038	5,867	5,901
Criminal cases disposed **	4,470	4,883	4,548	4,204	4,827	5,053	4,985	5,133	5,483	5,125
Civil suits filed	6,727	7,118	7,051	6,428	8,732	8,851	10,093	9,984	9,913	10,845
Civil judgments filed	3,418	3,405	3,861	3,776	3,999	4,216	4,661	9,235	6,266	7,031
Divorces filed	1,330	1,219	1,257	1,268	1,299	1,280	1,207	1,238	1,389	1,428
Protection from abuse cases filed	1,223	1,255	1,141	1,161	1,239	1,372	1,265	1,331	1,261	1,169
Naturalizations	217	201	205	279	290	255	288	157	197	166
Real estate executions (mortgage foreclosures) filed	730	702	796	764	779	685	702	1,104	1,082	632
District judge case filings	117,549	107,174	117,162	106,307	108,947	114,071	118,566	106,159	104,838	105,574
Domestic relations active cases	19,570	20,136	19,523	18,935	18,477	18,439	18,004	17,628	17,760	18,050
New juvenile probation cases	1,809	1,967	1,865	1,783	1,822	1,853	1,692	1,385	1,212	1,239
Juvenile probation placement days	77,194	71,951	75,142	70,574	64,278	61,395	56,796	49,170	48,276	48,359
New adult probation and parole cases	3,320	*	3,256	3,049	2,850	2,276	2,977	2,986	3,337	3,418
Corrections										
Average daily population	1,012	1,097	1,078	1,141	1,200	1,186	1,156	1,155	1,144	1,144
Annual admissions	5,336	5,641	5,793	5,888	6,169	6,137	6,040	6,152	5,739	6,263
Culture and Recreation										
Pool attendance	46,769	32,666	28,438	35,632	30,950	27,372	31,345	25,339	30,749	25,739

Note: * Data not available.

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

**** 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	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Health, education, and welfare										
Employment and Training										
Customers served	772	907	1,874	2,078	2,341	5,573	5,549	8,452	7,551	5,710
Drug and Alcohol:										
Information and referral contacts	*	544	581	604	796	1,009	946	1,055	864	852
Inpatient non-hospital detox clients	732	584	607	482	341	340	366	386	357	447
Inpatient non-hospital rehab clients	334	396	418	435	385	373	406	275	222	381
Inpatient non-hospital halfway house clients	78	102	103	87	69	73	38	16	14	7
Inpatient hospital detox clients	1	3	3	6	2	3	2	2	1	1
Partial hospitalization clients	76	55	56	53	33	26	24	36	37	61
Outpatient drug free clients	1,679	1,521	1,388	1,645	1,869	1,902	2,009	2,055	1,998	1,421
Methadone maintenance clients	16	14	14	14	17	21	24	24	34	20
Intensive outpatient clients	38	87	105	134	169	163	223	245	217	197
Website visitors	*	*	*	45,168	46,428	114,065	198,017	254,655	111,751	146,411
Mental Health:										
Emergency/crisis intervention hours	*	*	1,728	2,832	3,276	7,974	8,771	9,658	3,633	3,589
Community residential days	*	24,347	24,614	28,385	26,933	27,135	29,487	30,543	30,942	48,463
Community employment hours	*	36,670	41,283	40,131	39,116	38,444	38,009	38,967	38,282	4,760
Service case management clients	*	1,552	1,888	2,114	4,185	3,026	1,825	3,580	3,924	3,924
Day treatment hours	*	5,547	4,144	4,774	5,235	5,083	4,804	5,066	4,942	2,214
Outpatient hours	*	2,299	2,691	2,919	3,384	3,730	3,708	3,486	3,572	6,744
Family based hours	*	1,056	879	996	747	795	825	1,081	1,035	1,556
Psychiatric rehab hours	*	42,759	37,928	33,578	37,611	35,569	34,413	35,047	29,424	27,406
Social rehab hours	*	21,462	28,311	29,000	30,008	28,338	29,183	29,393	25,622	44,950
Drop-in-Center hours	*	*	*	31,759	44,112	43,413	32,739	54,100	18,666	41,321
Host home days	*	*	338	397	282	359	184	123	-	-
Supported housing hours	*	10,915	7,682	7,907	6,705	6,789	6,635	6,857	8,122	17,085
Mental Retardation:										
Specialized support hours	*	3,933	7,719	6,550	13,300	14,907	17,034	14,284	10,314	9,704
Transportation trips	*	83,915	92,401	109,435	109,160	101,621	112,938	109,477	6,692	4,734
Employment hours	90,560	11,914	85,134	69,639	59,408	54,581	54,417	57,783	3,455	5,301
Residential services clients	*	355	317	364	367	372	382	394	237	610
Early intervention clients	*	949	767	1,083	1,068	1,092	1,137	1,127	2,314	2,470
Pre-Vocational hours	284,107	340,400	312,215	326,325	344,844	28,514	362,132	394,605	2,679	18,845
Respite clients	*	182	249	227	251	381	370	362	274	235
Home & community service hours	*	69,085	75,410	143,152	171,516	57,140	119,447	117,936	5,463	96,959
Family driven clients	305	268	120	63	86	96	122	110	162	58
Community habilitation hours	148,269	204,729	183,061	189,866	191,311	14,655	184,147	193,238	164,889	8,672
Adult day services hours	*	*	6,414	14,664	14,854	1,332	17,692	14,652	8,072	3,821
Community habilitation hours	*	*	176,647	175,202	176,457	13,323	166,455	178,586	156,817	4,852

Note: * Data not available.

(Continued)

County of Lancaster, Pennsylvania
Operating Indicators by Function
Last Ten Fiscal Years

Table 16 (Cont.)

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Health Choices ***										
Inpatient psychiatric:										
Members served	375	726	823	860	942	920	881	921	971	948
Days of service	3,655	8,928	10,318	9,044	9,693	10,914	13,013	12,372	12,433	12,784
Outpatient psychiatric:										
Members served	2,472	4,148	4,998	6,036	7,012	7,342	7,942	9,462	10,164	10,724
Units of service	22,456	56,394	74,581	98,508	94,869	99,492	168,441	183,870	218,594	178,870
Inpatient drug and alcohol:										
Members served	48	52	29	15	29	24	34	18	12	22
Days of service	427	388	310	121	256	154	230	180	103	117
Non-hospital drug and alcohol:										
Members served	99	275	322	402	552	545	683	880	664	763
Days of service	2,811	8,509	10,556	14,021	21,878	25,469	27,905	26,324	29,060	31,060
Outpatient drug and alcohol:										
Members served	377	695	888	1,033	1,171	1,180	1,283	1,747	1,760	1,874
Units of service	15,844	17,903	21,789	22,966	24,567	25,860	82,681	124,039	149,004	153,361
Behavioral health rehabilitation:										
Members served	580	856	905	1,186	1,171	1,530	1,863	2,136	2,276	2,484
Units of service	240,334	482,221	510,494	531,850	973,211	1,213,010	1,532,542	1,841,423	1,987,384	2,210,853
Residential treatment facility:										
JCAHO:										
Members served	88	161	168	139	131	117	121	156	137	110
Days of service	7,831	33,325	32,042	24,150	21,787	22,753	24,531	35,184	23,994	22,231
Non JCAHO:										
Members served	2	5	7	7	9	5	9	8	7	13
Days of service	122	713	1,226	721	953	1,046	1,014	690	1,744	2,662
Office of Aging:										
Case management clients	1,476	1,275	1,262	539	897	935	1,030	990	1,077	1,012
Protective services clients	642	745	784	470	506	617	735	888	898	983
Transportation clients	1,597	722	702	752	713	732	700	544	407	470
Meals provided	172,174	153,679	158,138	155,805	161,850	163,813	157,551	146,855	147,358	140,724
In-home services clients	623	530	569	498	547	561	612	540	581	534
Adult day care clients	105	111	122	102	137	130	76	61	69	44
PDA Waiver clients	62	75	118	152	165	162	161	184	235	236
Children and Youth:										
Children served	3,928	4,833	5,231	5,035	4,585	4,825	4,408	4,459	4,366	4,870
Placement days	193,563	199,417	190,920	201,963	180,047	173,186	164,437	175,903	185,369	190,217
Child abuse reports	680	650	682	632	649	797	845	809	1,001	881
Intake reports	819	845	1,124	1,103	910	996	1,206	1,291	1,221	1,300
Business-type										
911 Operations										
9-1-1 calls	192,877	204,603	204,604	210,518	217,333	217,895	****	****	****	****

Sources: various county departments.

Note: * Data not available.

*** Health Choices did not become operational until 2002/2003.

**** 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

Function/Program:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
General government										
Motor vehicles	4	4	5	5	5	5	5	5	6	9
Office buildings	4	4	5	4	4	4	2	2	2	2
Public safety										
Motor vehicles	4	4	4	6	7	7	20	17	17	25
Office buildings	–	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	7	7	9	9	9	9	9	8	8	12
Health, education, and welfare										
Motor vehicles	7	7	7	8	7	8	8	8	6	6
Office buildings	1	1	1	–	–	–	–	–	–	3
Judicial										
Motor vehicles	39	43	50	56	62	63	70	67	70	114
Office buildings	1	1	1	1	1	1	3	3	3	3
Corrections										
Motor vehicles	6	6	7	8	9	5	4	7	7	7
Office buildings	3	3	3	2	2	2	2	2	2	2
Cultural and recreation										
Number of parks	8	8	8	8	8	8	8	8	9	9
Park acreage	2,003	2,028	2,028	2,028	2,028	2,053	2,053	2,053	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	36	38	38	39	44	42	45	46	45	54
Office buildings	4	4	4	4	4	4	4	4	4	4
Storage buildings	6	6	6	7	7	7	8	8	8	8
Tenant Properties	4	4	4	4	4	4	5	5	5	5
Business-type Activities										
Conestoga View (1)										
Motor vehicles	21	22	21	–	–	–	–	–	–	–
Office buildings	1	1	1	–	–	–	–	–	–	–
911 Operations (2)										
Motor vehicles	4	3	7	6	6	7	–	–	–	–

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

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

(2) 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, 2011

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Scott F. Martin, Commissioner	\$ 92,174	\$ 7,500
Dennis P. Stuckey, Commissioner	91,174	7,500
Craig E. Lehman, Commissioner	91,174	7,500
Joshua G. Parsons, Clerk of Courts	79,359	11,000
Keith J. Greiner, Controller	79,359	100,000
Stephen Diamantoni, Coroner	79,359	15,000
Andrea McCue, Chief Clerk	101,209	7,500
Craig W. Stedman, District Attorney	163,602	(1)
Debra A. Frantz, Jury Commissioner	7,860	(1)
Kathleen A. Harrison, Jury Commissioner	7,649	(1)
Randall O. Wenger, Prothonotary	79,359	200,000
Bonnie L. Bowman, Recorder of Deeds	79,359	385,000
MaryAnn Gerber, Register of Wills	81,359	25,000
Mark S. Reese, Sheriff	79,359	60,000
Craig A. Ebersole, Treasurer	79,359	627,000
30 bonded tax collectors	\$.75 per parcel collected	51,718,205 (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 2010.
Bonds are valid for the tax collector's term, 2010-2014.

County of Lancaster, Pennsylvania
Schedule of Insurance In-Force
December 31, 2011

Table 19

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %		Liability Limit	
National Fire Insurance of Hartford (CNA)	MNP419707281	02/01/11-02/01/12	\$ 107,222	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 Injury Each Person Limit	
					\$ 1,000,000	Advertising Injury Each Person Limit	
				\$ 1,000,000	Each Event Limit		
			Included	Employee Benefit Plans Administration Liability	\$ 100,000	Premises Damage Limit	
				Employee Benefit Plans Administration Liability Ded. – \$1,000	\$ 1,000,000	Each Employee	
					\$ 1,000,000	Aggregate	
			Included	Sexual Abuse Liability	Included	Sexual Abuse Total Limit	
Indian Harbor Insurance Co (XL Ins Co)	LEI9517167	02/01/11-02/01/12	\$ 250,370	Law Enforcement Liability	\$ 1,000,000	Total Limit	
				Law Enforcement Deductible – \$100,000	\$ 1,000,000	Each Wrongful Act Limit	
National Union Fire Ins Co (Chartis)	15050592	02/01/11-02/01/12	\$ 50,665	Public Entity Management Liability – Claims Made	\$ 1,000,000	Aggregate	
				Included	Public Entity Management Liability Deductible – \$100,000		Included
				Employment Practices Liability – Claims Made			
				Each Wrongful Employment Practice Offense Limit			
				Employment Practices Liability Deductible – \$100,000			
				(IS Included under the Umbrella)			
National Fire Insurance of Hartford (CNA)	MNA419708737	02/01/11-02/01/12	\$ 42,468	Commercial Auto	\$ 1,000,000	Combined Single Limit	
						\$ 35,000	Uninsured/Underinsured Motorists
Lexington	21430625	02/01/11-02/01/12	\$ 180,025	Umbrella Excess Liability	\$ 10,000,000	General Aggregate	
					Umbrella Excess Liability Deductible - \$10,000	\$ 10,000,000	Each Occurrence
Great American Ins Co	MAC5259991	02/01/11-02/01/12	\$ 161,779	Special Form: \$25,000 deductible,	\$ 226,972,619	Total Limit, Schedule of Bridges On File With Carrier	
				Building and Contents			
				Boiler & Machinery	\$ 226,972,619		
				Property Includes Covered Bridges with Buildings	\$ 7,676,100		
					\$ 2,500,000		Per Occurrence Limit No Flood for Bridges
					\$ 2,500,000		Annual Aggregate Limit No Flood for Bridges
				Commercial Property Coverages	\$ 15,000,000		Per Occurrence Limit
					\$ 15,000,000		Annual Aggregate
				Computers	\$ 19,049,653		
					Included in Hardware		
					\$ 272,750		
					\$ 8,977,426		
	\$ 3,872,575						
	\$ 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, 2011

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	SP2T44PA	01/01/11-01/01/12	\$ 47,132	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	103269075	02/01/11-02/01/12	\$ 5,983	Public Employees Blanket Bond, Deductible \$2,500	\$	1,000,000 Per Loss Limit
FOSTER CARE PROFESSIONALS (1): Foster Parent Liability Ins.	FPL – 127	07/01/11-06/30/12	\$ 12,150	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.