

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended December 31, 2002

PREPARED BY THE CONTROLLER'S OFFICE

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George D. Alspach

COVER PHOTOGRAPH
Historic Fulton Opera House

COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2002

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Letter of Transmittal	1
GFOA Certificate of Achievement	9
Organizational Chart.....	10
List of Principal Officials	11

FINANCIAL SECTION

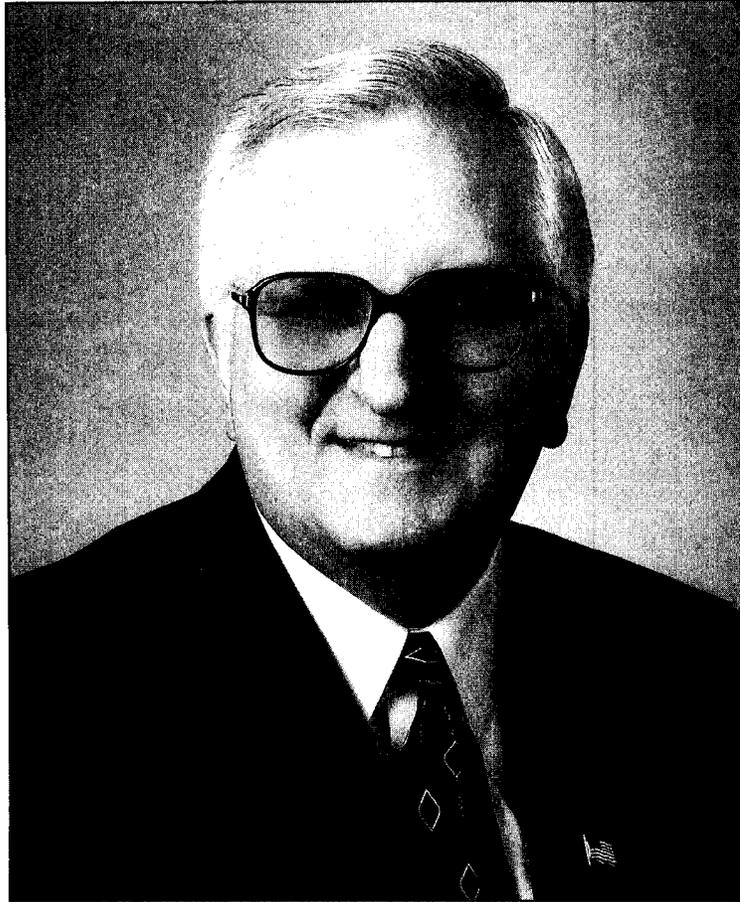
Report of Independent Auditors.....	13
Management's Discussion and Analysis	15
Basic Financial Statements	31
Government-wide Financial Statements:	
Statement of Net Assets.....	32
Statement of Activities	33
Fund Financial Statements:	
Balance Sheet – Governmental Funds	34
Reconciliation of the Governmental Funds, Fund Balance to the Governmental Activities, Net Assets Balance	34
Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Fund Net Assets – Enterprise Funds	37
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	38
Statement of Cash Flows – Enterprise Funds	39
Statement of Fiduciary Net Assets – Fiduciary Funds.....	40
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund.....	41
Notes to Financial Statements.....	43
Required Supplementary Information	81
Schedule of Employer Contributions.....	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – General Fund	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Children and Youth Services Fund.....	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Mental Health/Mental Retardation Fund.....	85
Notes to Required Supplementary Information	86

COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2002

TABLE OF CONTENTS (Continued)

	<u>Page No.</u>
Combining and Individual Fund Statements and Schedules	87
Combining Balance Sheet – Nonmajor Governmental Funds	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	89
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis Domestic Relations Special Revenue Fund	90
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis Employment and Training Special Revenue Fund	91
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis Office of Aging Special Revenue Fund	92
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis Drug and Alcohol Special Revenue Fund	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis Liquid Fuels Special Revenue Fund	94
 STATISTICAL SECTION	
General Governmental Expenditures by Function – Table 1	96
General Governmental Revenues by Source – Table 2	97
Property Tax Levies and Collections – Table 3	98
Assessed and Estimated Actual Value of Taxable Property – Table 4	99
Property Tax Rates, Direct and Overlapping Governments – Table 5	100
Principal Taxpayers – Table 6	102
Computation of Legal Debt Margin – Table 7	103
Ratio of General Obligation Bonded Debt to Assessed Value and General Obligation Bonded Debt Per Capita – Table 8	104
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Table 9	105
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds – Table 10	106
Demographic Statistics – Table 11	108
Property Value, Construction, and Bank Deposits – Table 12	110
Salaries and Surety Bonds of Principal Officials – Table 13	111
Miscellaneous Statistics – Table 14	112
Schedule of Insurance In-Force – Table 15	113

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DENNIS STUCKEY
Controller

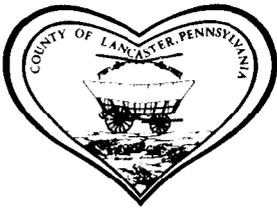
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LANCASTER COUNTY

CONTROLLER'S OFFICE

50 NORTH DUKE STREET
PO BOX 83480
LANCASTER, PA 17608-3480
TELEPHONE: 717-299-8262

DENNIS P. STUCKEY
Controller



June 20, 2003

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, 2002, 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 an 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 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 2002 will be completed during September 2003. 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, 2001, 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 require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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, incorporated in 1729, is located in south central Pennsylvania, approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. Lancaster County occupies a land area of 946 square miles and serves a population of 478,561. A third class county since 1962, it consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships.

The County of Lancaster operates under the elected board of commissioners form of government. Three county commissioners are elected every four years and may be reelected. 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 some policy-making powers, the commissioners serve as the managers and administrators of county government, award contracts, determine the rate for any salary increases for county officials, and name residents to boards, commissions, and authorities. The county commissioners are responsible for preparing the annual county budget. The commissioners appoint a county administrator to assist them with administrative obligations and a chief clerk, who keeps records and accounts of all commissioner activities. Also assisting them are a number of officials elected for four-year terms, who fill the so-called row offices, and numerous appointed administrators, deputies, and directors.

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. Lancaster County currently enjoys a favorable economic environment and local indicators point to continued stability. The region is home to more than 11,000 companies representing every economic sector. With an even mix of manufacturing, service and retail sectors, the corporate community continues to grow, prosper and diversify. Convenient access to major East Coast markets, competitive utility rates, low cost of living and the balanced diversity of the business community make Lancaster County a desirable place to locate and expand a business. The county's unemployment rate of 3.8% remains consistently lower than both the state and national averages of 5.7% and 5.8% respectively.

Agriculture continues to play a vital role in the strength and durability of the county's economy. Lancaster County produces more agricultural products and yields more food than any other non-irrigated county in the nation. The county continues to be first in agricultural receipts (non-irrigated) among all U.S. counties.

Major Initiatives

For the Year

- * After years of discussion and planning, the Lancaster County Emergency Training Center is under construction. The facility is being constructed on an abandoned industrial complex and revitalizes an otherwise unproductive and unsightly property. This "state of the art" facility will significantly impact the safety of our residents by providing standardized training for County police, fire, EMA, Haz Mat and other public service agencies.
- * The Lancaster County Youth Intervention Center officially opened on March 9, 2002. Consisting of both a juvenile detention program and a juvenile shelter program, it replaces the old Barnes Hall Detention Center.
- * Lancaster Employment and Training Agency (LETA) created a new division called LifeWork Dynamics. Its mission is to provide a high-quality, cost-effective alternative to individuals who are ineligible for LETA's federally funded programs. A combination of seventeen free and fee-based training curriculums has been created.

Workshops range from six different introductory computer classes to subject areas such as Career Assessment, Job Searching Skills and Budgeting and Goal Setting. Several additional topics are in the development stage.

- * In conjunction with the Lancaster Lebanon IU 13 school program, the Prison obtained a second adult basic education instructor. The Prison now has one instructor for male inmates and one for female inmates. The number of females enrolled in the adult basic education program has doubled.
- * The Parks Department opened two new trailheads at Money Rocks Park and Conewago Recreation Trail. They also entered into an agreement to perform a Natural Resource Inventory at Speedwell Forge County Park that will be used to develop a Master Plan for the 415-acre regional park.
- * Conestoga View replaced its contract therapy department with an in-house therapy program run by County employees. The new program has enhanced services while providing cost savings to the County.
- * Children and Youth Agency implemented the "Family Alternatives" Program. Targeting primarily first time mothers whose infants test positive for drug exposure at birth, the program provides in-home case management services.
- * Lancaster County created the Grow Lancaster Fund. This million-dollar small-business lending program was funded through a partnership with the National Development Council to provide additional financing for new or expanding businesses in the County.

For the Future

- * The Prison is working on establishing a database to track various data relating to the inmate population. Previously nonexistent, the database would allow for the tracking of a wide range of data including average age, recidivism and parole violations of the prisoners.
- * The Parks Department plans to acquire lands formally associated with the New Holland Water Authority. This acquisition, in conjunction with The Lancaster County Conservancy, will result in the preservation of over 797 acres of wooded land and more than double the size of Money Rocks Park. Partial funding for this project has been made by PA-DCNR in the amount of \$700,000.
- * Plans are underway for the Lancaster County Court to create a technologically advanced courtroom. Components planned for the high-tech courtroom include an evidence display presentation system, interactive video conferencing, audio enhancement, digital audio recording, bench and counsel table data and real-time transcript access and system control from the judge's bench. This type of integrated multimedia system will improve adjudicative accuracy in addition to increasing the speed of case disposition.

- * Children and Youth Agency is exploring the possibility of working with a consultant to begin archiving client records in an electronic format. Currently, paper records take up a great deal of space and the Agency is hesitant to destroy files because of the historic value they provide when working with extended families. Electronic archiving will allow the Agency unlimited ability to preserve and retain these records indefinitely.
- * The Health Insurance Portability and Accountability Act (HIPAA), scheduled for implementation in 2003, will place restrictions on the use, sharing and storage of medical information. This mandate will effect many departments within the County as well as businesses and organizations with which we do business. The County has established a HIPAA Executive Committee to help with the implementation process and to train all employees affected by HIPAA policies and procedures. This will be an on-going process.

Departmental Focus

Each year the government focuses on the efforts and accomplishments of a particular department. This year, the Youth Intervention Center was selected for this purpose.

The Youth Intervention Center was officially opened on March 9, 2002 replacing the old Barnes Hall Detention Center. The new facility is comprised of two entities, the Juvenile Detention Program with a 72-bed capacity and the Juvenile Shelter Program with a 24-bed capacity. It is the largest combination Detention/Shelter facility among third class counties and the third largest facility in the state behind only Allegheny and Philadelphia Counties. It is important to note that Lancaster County has both the highest juvenile population growth rate and the highest juvenile population per capita in the state. The Center serves both males and females between the ages of ten and eighteen awaiting court review for disposition, adjudication, or other court action.

The Detention Center provides temporary safe and secure care for alleged and adjudicated delinquent juveniles awaiting disposition of the Court. The Center works to stabilize the residents by structuring their stay with educational and psycho-educational activities. The school program teaches the basic academic curriculum while fostering a positive attitude towards school and learning. The psycho-educational programming includes fatherhood initiative programs, drug and alcohol groups, victimization awareness groups, and self-esteem and anger management classes. Educational, mental health, and drug and alcohol assessments play an integral part at the center. An adolescent therapist and caseworkers develop reports for the Courts from these assessments.

Shelter Care provides temporary and emergency care for alleged and adjudicated dependent and delinquent juveniles. The Shelter helps children and their families by offering a supervised setting providing professional therapeutic activities and supportive services that will help them grow emotionally, physically, and intellectually. The hope is to touch the lives of the children served so that they may achieve their full potential and

become productive members of society. The children must be referred by Children and Youth and/or Juvenile Probation and are awaiting Court review.

The Shelter uses an intense case management approach to identify needs and provide appropriate resources and services such as home visits, employment counseling, schooling, mental health and medical services, and family therapy. As with the Detention Center, the Shelter provides psycho-educational programming such as drug and alcohol groups, victimization awareness groups, and self-esteem and anger management classes. Educational, mental health, and drug and alcohol assessments are also an integral part at the Shelter. The assessments are used by an adolescent therapist and two caseworkers to develop reports for the Courts.

A director runs the Youth Intervention Center with a program director for each entity reporting directly to him. An operations manager oversees the staffing of the three-shift, twenty-four hour facility. Five full-time supervisors along with eighteen full-time and twelve part-time youth care workers support the Detention Program. The Shelter Program has four full-time supervisors with twelve full-time and eight part-time youth care workers. The Lancaster City School District provides educational services to the Intervention Center by sub-contracting five schoolteachers and five para-educators for the full school term, including a summer session with Intermediate Unit Thirteen. The administration area has a secretary, clerical supervisor, personnel analyst and fiscal technician who all support the daily operations of the facility. The Center provides medical services to residents during their detainment with two licensed practical nurses on duty as well as providing twenty-four hour on-call physician services.

The facility also has a gymnasium to address the physical needs of the residents as well as having a full-time recreational coordinator to facilitate their recreational needs. Two case managers, who report to a licensed adolescent therapist, meet the resident's emotional and mental health needs. Other support functions include two building custodians, a training coordinator, and a security coordinator with three full-time and three part-time security officers providing twenty-four hour support.

A focal point for 2003 will be to create gender specific programs for both Detention and Shelter. A high priority is being put on this endeavor since female's physical, emotional, mental, and spiritual growth varies drastically from males and there is a high female population at the Center. Over the past decade, there has been a significant increase in the female juvenile population who demonstrates more aggressive behaviors and has increased alcohol and/or drug dependency issues.

To maximize the use of the Youth Intervention Center and utilize the unused portion of the building (two full pods), efforts will be undertaken to study the best possible use for this area while requiring minimal cost. With further analysis and planning, it is felt that this space can be used for some type of continuum of care programs that would benefit the County.

Cash management policies and practices. Temporarily idle cash was invested by the Treasurer in repurchase agreements and certificates of deposit using numerous competitive agents, including banks and brokerage houses in the State, to actively maximize the County's rate of return.

Risk management. The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workmen's Compensation Act of 1915 as Reenacted and Amended. The liability is recorded as estimated by the plan administrator. The required retention amounts are accrued in a trust fund in accordance with 34 Pa. Code Section 125.10, as a liability of the general fund. The Bureau of Workers' Compensation uses a loss development analysis system to project a self-insurer's outstanding liability for the purpose of setting the required amount of the self-insurer's security or funding. Loss development analysis is an actuarial technique of projecting the ultimate cost of a group of claims by analyzing the past changes in value of similar claims as they mature. The Bureau issued an exemption permit renewing the County's self-insurance status on February 8, 2002. In addition, the County is in compliance with state requirements that mandate training courses designed to minimize accident-related losses.

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

Beginning in 1994, the commissioners elected to self-insure several medical insurance plans available to eligible retirees and full-time employees. Claims against the self-insured plans are reviewed and processed by a third party administrator. Re-insurance is maintained to limit liability for large specific and/or aggregate claims. Liability is calculated as the uninsured portion of all incurred claims over the expected claim level as determined by the insurer. Additional information on the County of Lancaster's risk management activity can be found in Note 11 of the notes to the financial statements.

Pension and other postemployment benefits. The County maintains a single-employer contributory defined benefit pension plan with mandatory membership for all full-time County employees. Participants in the Plan contribute 5 percent of their gross pay, with an option of an additional contribution of up to 10 percent of their gross pay. On December 31, 2002, total membership of the Lancaster County Employees' Retirement System was 2,911. The funding policy of this system provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate enough assets to pay benefits when due. During 2002, the County contributed \$473,937. Additional information on the County of Lancaster's pension arrangements and postemployment benefits can be found in Note 18 in the notes to the financial statements.

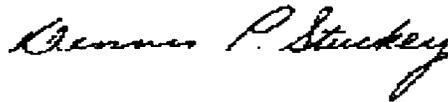
Awards and Acknowledgements

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, 2001. 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 cursive script that reads "Dennis P. Stuckey". The signature is written in black ink and is positioned above the printed name.

Dennis P. Stuckey

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, 2001

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.

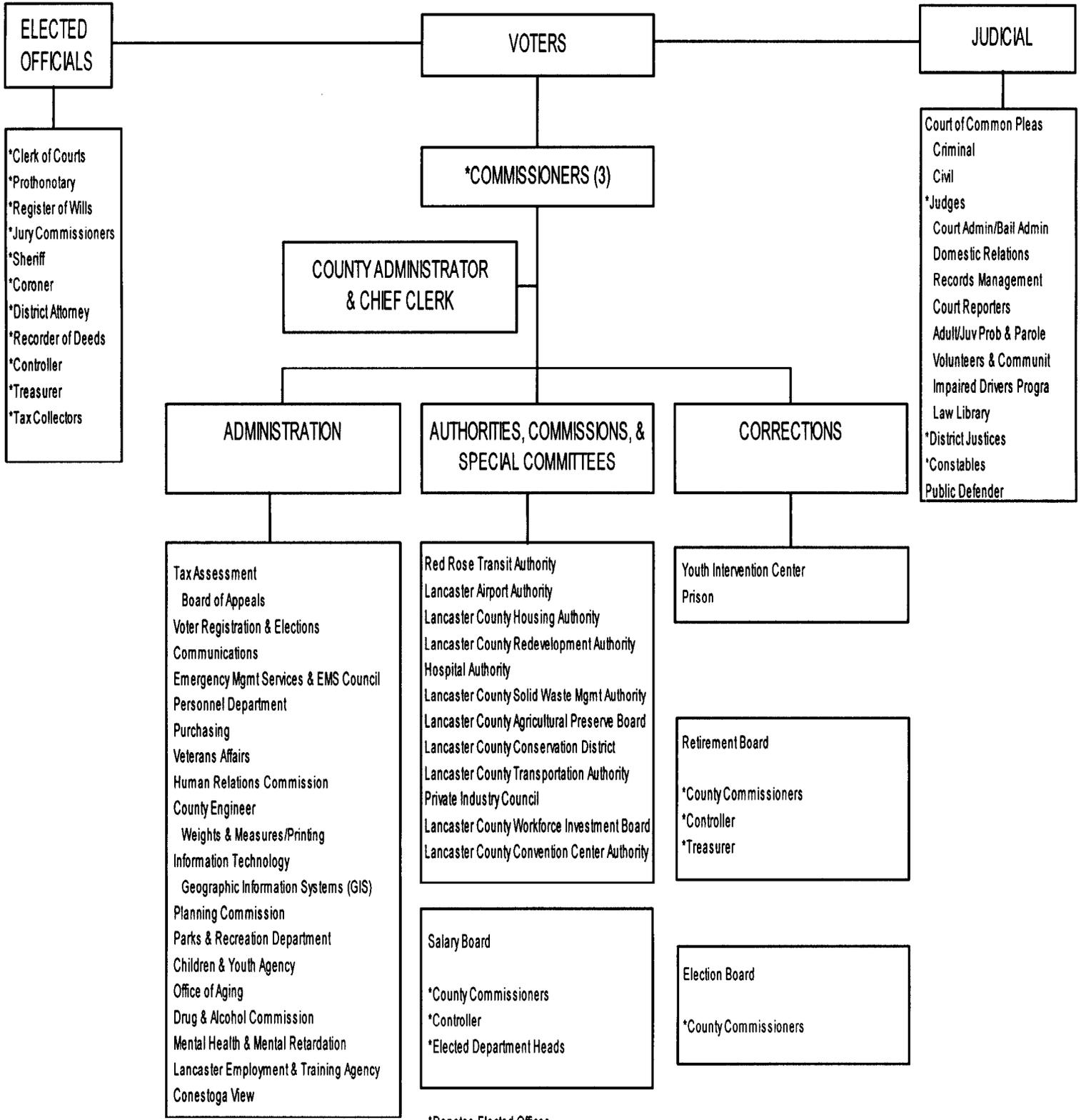


William Robert Haste
President

Jeffrey R. Emmer
Executive Director

LANCASTER COUNTY ORGANIZATIONAL CHART

3RD CLASS COUNTY



*Denotes Elected Offices

COUNTY OF LANCASTER, PENNSYLVANIA
LIST OF PRINCIPAL OFFICIALS

December 31, 2002

COMMISSIONERS

Paul R. Thibault, Chairman
Howard "Pete" Shaub, Vice-Chairman
Ron Ford

PROTHONOTARY

Robert H. Getz

RECORDER OF DEEDS

Stephen J. McDonald

CLERK OF COURT OF COMMON PLEAS

Dale Denlinger, Acting Clerk of Courts

JUDGES OF COURT OF COMMON PLEAS

Michael A. Georgelis, President Judge
Paul K. Allison
David L. Ashworth
James P. Cullen
Louis J. Farina
Leslie Gorbey
Wayne G. Hummer, Jr.
Henry S. Kenderdine, Jr.
Joseph C. Madenspacher
Michael J. Perezous
Lawrence F. Stengel
Wilson Bucher, Senior Judge
D. Richard Eckman, Senior Judge

CONTROLLER

Dennis P. Stuckey

TREASURER

Gregory A. Sahd

REGISTER OF WILLS

Donna S. Reinaker

JURY COMMISSIONERS

Judith Saylor
Linda Schwanger

DISTRICT ATTORNEY

Donald R. Totaro

SHERIFF

Terry Bergman

CORONER

Barry D. Walp

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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 business-type 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, 2002, 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 of Lancaster'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 discretely presented component unit is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1F to the financial statements, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" as of January 1, 2002.

The management's discussion and analysis, required supplementary schedule of employer contributions for the County of Lancaster, Pennsylvania Employee Retirement Plan 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, and Mental Health/Mental Retardation Fund on pages 83 through 85 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Lancaster's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst & Young LLP

June 20, 2003

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, 2002. 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, 2002.

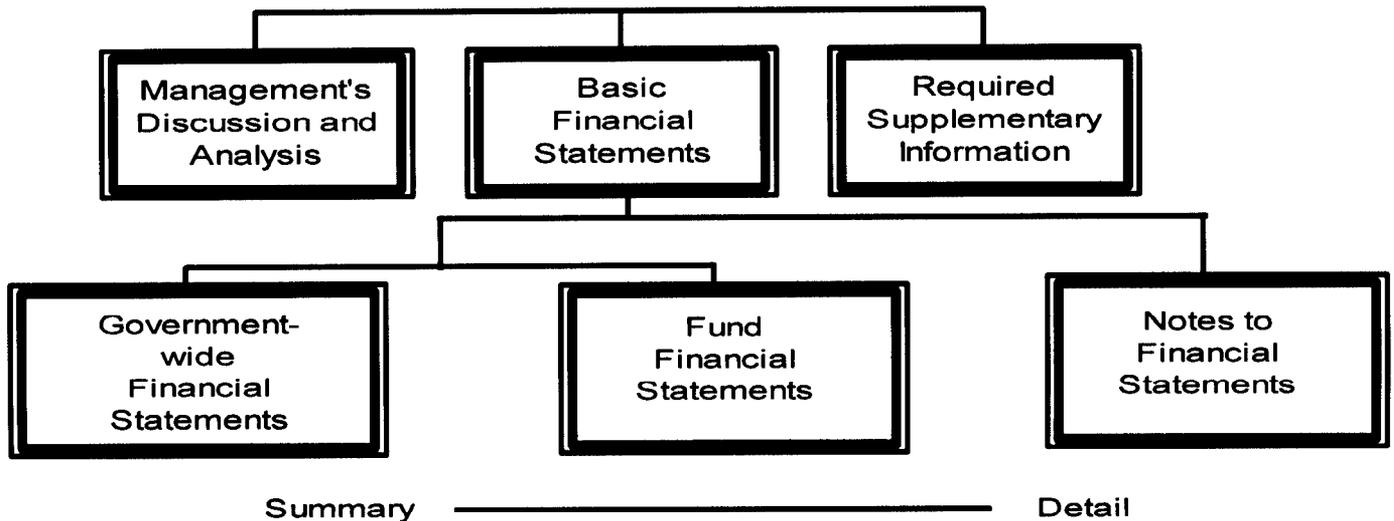
FINANCIAL HIGHLIGHTS

- ◆ The County's real property tax rate was maintained at 2.613 mills.
- ◆ As of December 31, 2002, Lancaster County had \$18.6 million in net assets restricted for easements, net of accumulated amortization and related debt.
- ◆ The County's net assets decreased \$14.2 million in 2002, or 31.8%.
- ◆ The County's unrestricted net assets were \$19.9 million at December 31, 2002.
- ◆ The County's bond rating is Aaa
- ◆ At December 31, 2002, the County had \$130.3 million of general obligation debt outstanding. This represents an increase of \$8.1 million, or 6.6%, from the previous year.
- ◆ Buildings and improvements saw a sharp increase due to the completion and opening of the County's new Youth Intervention Center in March of this 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), a section that presents combining and individual fund statements and schedules and budgetary comparison schedules for the general fund and each major budgeted special revenue fund. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

REQUIRED COMPONENTS OF THE COMPREHENSIVE
ANNUAL FINANCIAL REPORT



The first two basic 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.
- ◆ *Enterprise fund financial statements* offer short-term and long-term financial information about the activities the County operates like a business.
- ◆ *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.

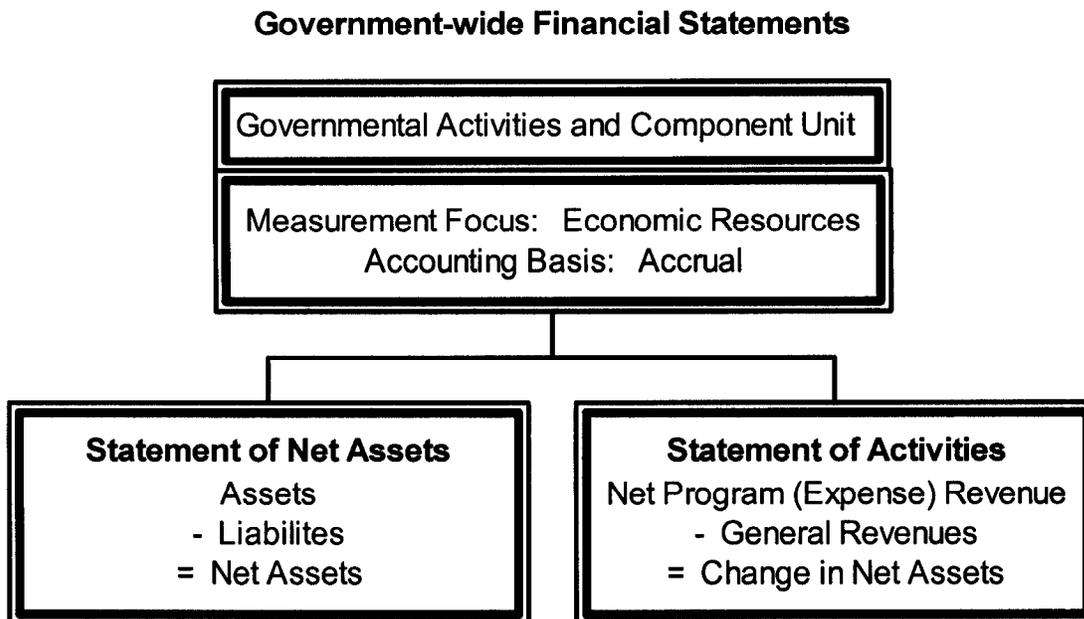
The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding the County's budget for the general fund and each major budgeted special revenue fund. In addition to these

required elements, a section is included with combining and individual fund statements that provide particulars about non-major governmental funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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



The statement of net 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 three categories:

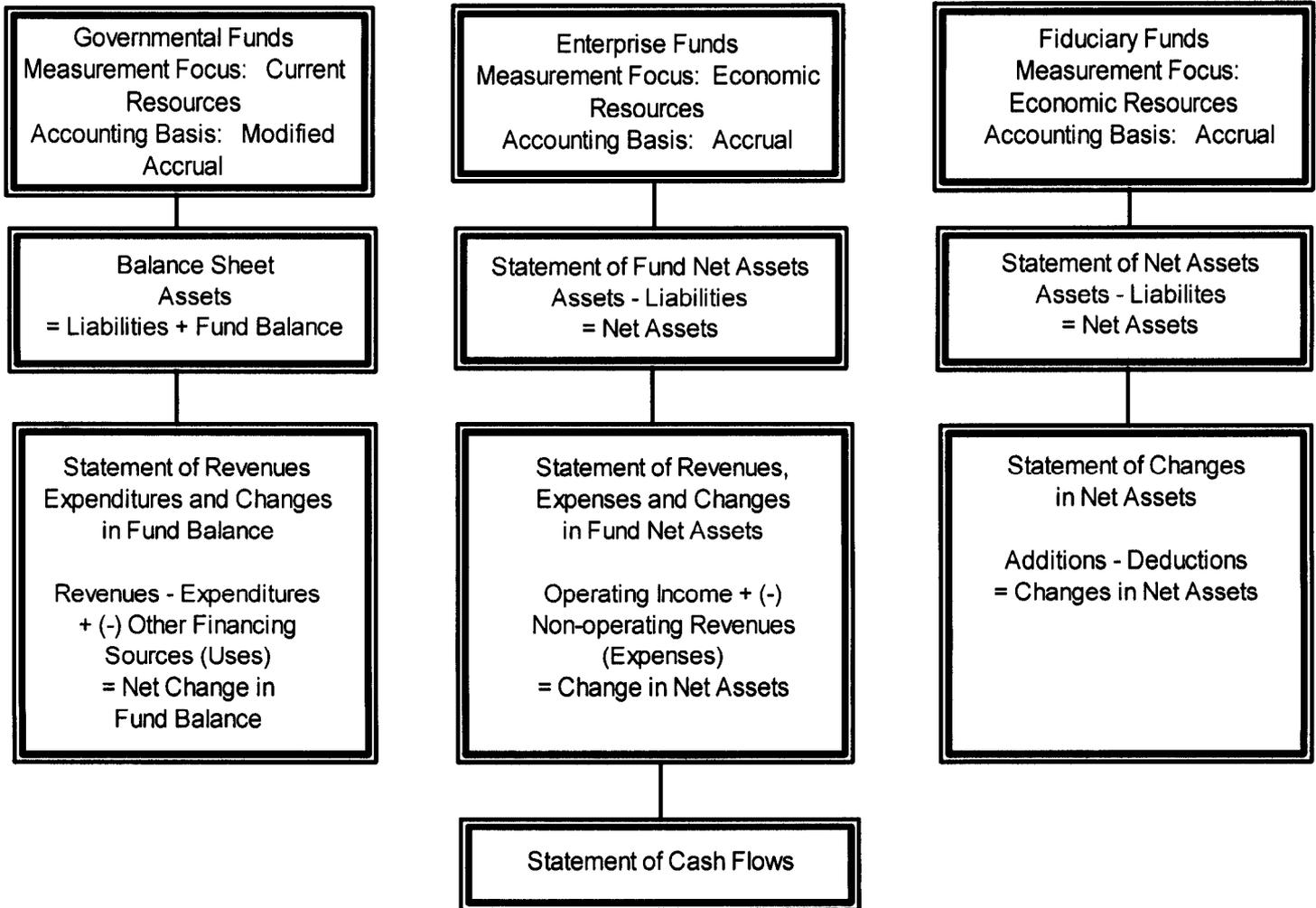
- ◆ *Governmental activities* – Most of the County’s basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Business-type activities* – The County charges fees to customers to help cover the costs of certain services it provides.
- ◆ *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 footnotes.

Fund Financial Statements



The County has three kinds 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, capital projects fund and debt service fund. The County also maintains seven non-major special revenue funds that are combined into a single aggregated presentation. Because this information does not encompass the additional long-term focus

of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between fund and government-wide financial the statements.

- ◆ *Enterprise funds* – Used to report the same functions presented as business type activities in the government-wide financial statements that provide services for the County’s other programs and activities. The County reports two enterprise funds – for the Conestoga View Nursing Home and all emergency telephone operations. Both funds are considered major funds.
- ◆ *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 is used for its 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 presented for the pension trust fund only. 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

This is the first year that the County has presented its financial statements using the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB Statement #34), “Basic Financial Statements - and Management’s Discussion and Analysis (MD&A) – for State and Local Governments”. Because this reporting model significantly changes both the recording and presentation of financial data, the County has not restated prior fiscal years for the purpose of providing comparative information for MD&A. In future years when prior year information is available, a comparative analysis of financial data will be included in this report.

NET ASSETS:

The County's net assets as of December 31, 2002 are presented below:

	Governmental Activities		Business-Type Activities	
Capital assets, net	\$	80.2	\$	9.2
Other assets		105.5		5.2
Total assets		185.7		14.4
Other liabilities		26.3		1.8
Long-term liabilities		139.1		2.4
Total liabilities		165.4		4.2
Net assets:				
Invested in capital assets, net of related debt		(26.2)		9.2
Restricted		27.6		-
Unrestricted		18.9		1.0
Total net assets	\$	20.3	\$	10.2

Net assets of the County's governmental activities decreased by 39.0% to \$20.3 million, mainly the result of the issuance of \$7,345,000 in general obligation bonds. Of this amount, \$(26.2) million represents the balance of capital related debt in excess of net capital assets, while \$27.6 million is restricted for various purposes. The County has an unrestricted net assets balance of \$18.9 million as of the end of the year.

Net assets of the business-type activities decreased 11 percent to \$10.2 million. Of this amount, \$9.2 million represents the net balance of long-term capital assets, net in excess of related debt. The unrestricted net assets balance as of the end of the year is \$1.0 million.

INFRASTRUCTURE ASSETS:

Lancaster County's total assets stand at \$200.1 million as of December 31, 2002. Of this amount, \$89.4 million is accounted for by capital assets, which includes some infrastructure and construction in progress. Historically, infrastructure (roads, bridges, etc.) have not been reported or depreciated in governmental financial statements.

GASB Statement #34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statement, as applicable. However, GASB Statement #34 does allow the reporting of infrastructure in two stages. Prospective reporting of infrastructure is required during the first year of implementation of GASB Statement #34 (Stage #1). Retroactive reporting of projects acquired or finished prior to the first year of implementation is allowed at a later date (Stage #2). The County elected to implement both Stage #1 and #2 during the current fiscal year.

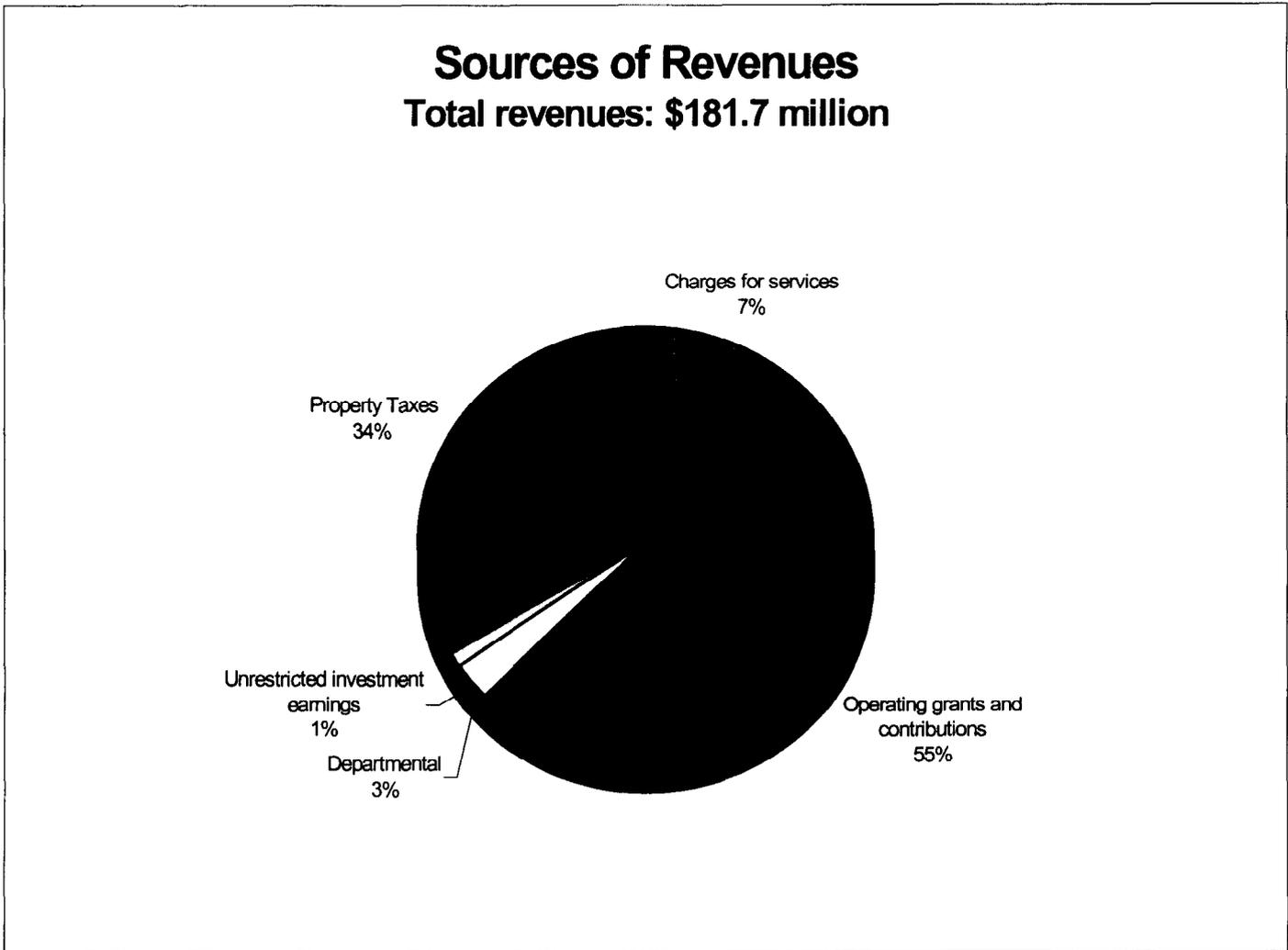
The following table presents the County's changes in net assets for the fiscal year ended December 31, 2002:

Table A-2			
County's Changes in Net Assets as of December 31, 2002			
(amounts in millions)			
	Governmental	Business-Type	
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 12.2	\$ 33.4	
Operating grants and Contributions	101.4	-	
General revenues:			
Property taxes	61.2	-	
Other taxes			
Departmental revenues	5.1	-	
Unrestricted investment Earnings	1.8	-	
Total revenues	181.7	33.4	
Expenses:			
General government	50.5	-	
Public safety	0.6	-	
Roads and bridges	0.1	-	
Health, education, and welfare	88.7	-	
Judicial	28.1	-	
Corrections	15.4	-	
Cultural and recreation	2.2	-	
Community development	4.8	-	
Interest on long-term debt	2.8	-	
Conestoga View	-	29.5	
911 operations	-	6.6	
Total expenses	193.2	36.1	
Decrease in net assets before transfers	(11.5)	(2.7)	
Transfers	(1.4)	1.4	
Change in Net Assets	(12.9)	(1.3)	
Net assets - beginning	33.2	11.5	
Net assets - ending	\$ 20.3	\$ 10.2	

The decrease in the governmental activities net assets was mainly the result of the issuance of general obligation bonds totaling \$7,345,000. The decrease in the business-type activities net assets was the result of a \$.7 million decrease in Conestoga View and a \$.6 million decrease in 911 operations. Neither decrease was the result of any specific major occurrence but the accumulation of minor changes in the normal course of operation in both funds.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the sources of revenues for the fiscal year ended December 31, 2002:



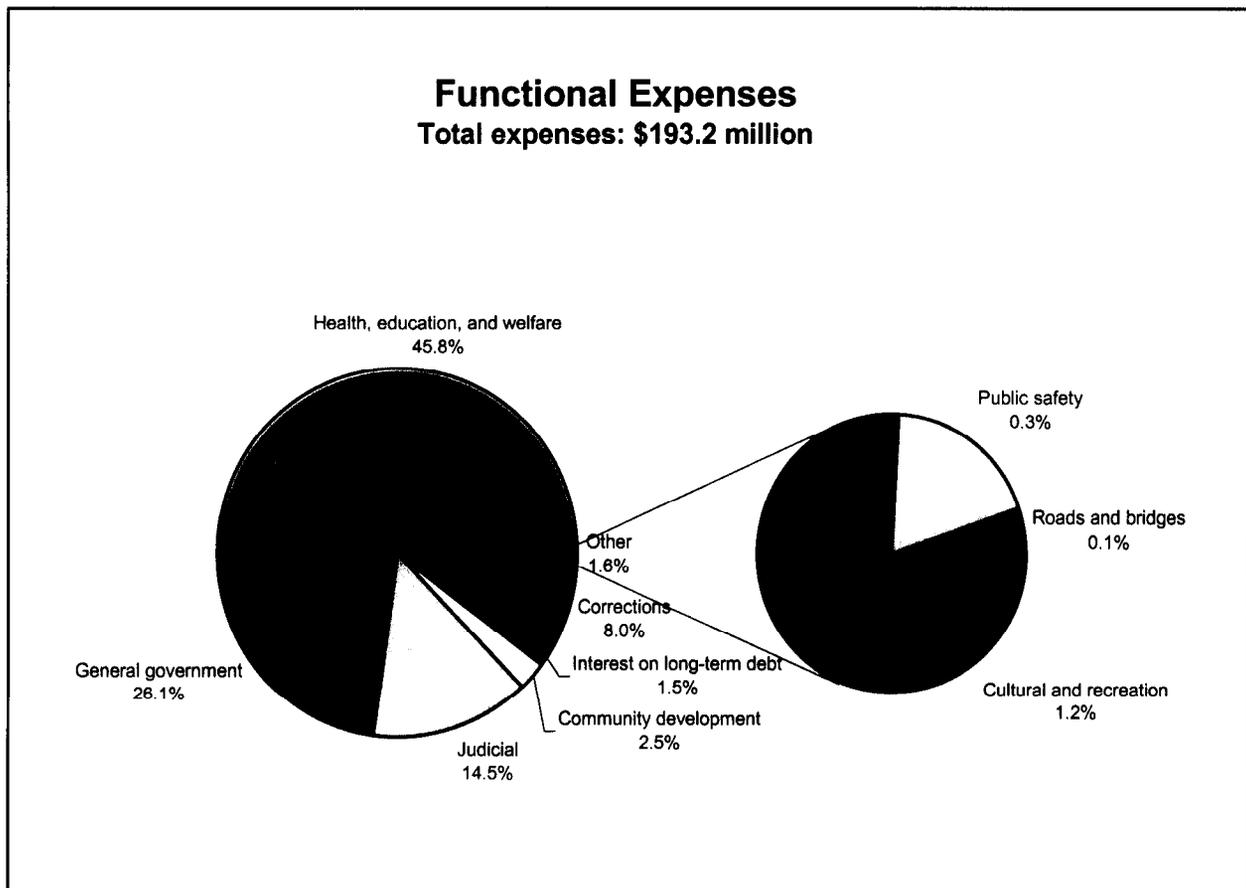
Total government-wide revenues of \$181.7 million were derived primarily from operating grants and contributions, representing 55% of the total. Property taxes made up the second largest source of revenue at 34%, followed by charges for services at 7%, departmental revenue at 3% and unrestricted investment earnings at 1%.

BUSINESS-TYPE ACTIVITIES:

Total business-type revenues of \$33,442,929 were derived from charges for sales and services, \$29,315,165 coming from Conestoga View and \$4,127,764 coming from 911 operations.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the fiscal year ended December 31, 2002:



Total expenses for all programs in 2002 were \$193.2 million. The expenses cover a wide range of services, with the largest being health, education and welfare at 45.8%. The second largest program area was general government at 26.1%, followed by judicial at 14.5%, corrections at 8.0%, community

development at 2.5%, other (cultural and recreation, public safety and roads and bridges) at 1.6%, and interest on long-term debt at 1.5%.

BUSINESS-TYPE ACTIVITIES:

Total expenses in 2002 were \$36,053,628. Conestoga View comprised \$29,480,306 or 81.8% of the total, incurring depreciation expense of \$796,813. The balance of \$28,683,493 was spent on nursing home operations. 911 operations comprised \$6,573,322 or 18.2% of the total, incurring depreciation expense of \$185,992. The balance of \$6,387,330 was spent on public safety operations.

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, Children and Youth Services special revenue fund, Mental Health/Mental Retardation special revenue fund, Capital Projects fund, and Debt Service 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, unreserved/undesignated 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, 2002, the General Fund reported a fund balance of \$9.0 million, which was a \$2.3 million or 34.3% increase over the previous year's balance of \$6.7 million, \$1.2 million being reserved for advances and loans receivable. Revenues increased from \$80.7 million to \$85.6 million, a \$4.9 million or 6.0% increase. Property taxes increased by \$3.0 million as a result of normal growth in the County's tax base. New grant funding resulted in a \$1.8 million increase in intergovernmental revenues. Expenditures decreased from \$80 million to \$74.5 million as reported, which was a \$5.5 million or 6.9% decrease. The decrease was mainly the result of a reporting change, which now classifies 911 operations as a business-type activity.

The fund balance in Children and Youth Services special revenue fund increased to \$1.9 million at December 31, 2002, from \$1.7 million, a \$.2 million or 11.8% increase. Revenues increased from \$28.3 million to \$31.1 million, an increase of \$2.8 million or 9.9%. Expenditures increased from \$34 million to \$37.1 million, a \$3.1 million or 9.1% increase. All of these increases were the result of normal growth within the fund's programs.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund increased to \$45.3 million from \$39.1 million, an increase of \$9.3 or 15.9%. Expenditures increased from \$40.4 million to \$46.0 million, a \$5.6 million or 13.9% increase. The increases were the result of increased funding within existing grants as well as the receipt of new grant funding.

The fund balance in the Capital Projects fund at December 31, 2002, was \$9.0 million, down from \$23.8 million the previous year. This represents a decrease of \$14.8 million or 62.2%. Revenues decreased to \$.3 million from \$1.4 million the previous year, a decrease of \$1.1 million or 78.6%. Expenditures decreased to \$21.6 million, a decrease of \$10.6 million or 32.9% from the amount spent in the previous year of \$32.2 million. These decreases were the result of the completion of the County's new Youth Intervention Center the previous year.

The Debt Service fund is set up to fund debt service interest payments. The fund balance at December 31, 2002, was \$9.4 million, an increase of \$.6 million or 6.8% compared with the previous year's fund balance of \$8.8 million. This change was the result of market fluctuation on the funds investments.

ENTERPRISE FUNDS:

The County's enterprise funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of Conestoga View, the County's nursing home, at the end of the year amounted to \$9.1 million and those for the 911 emergency telephone operations amounted to \$1.1 million. The change in net assets for each fund was (\$.7) and (\$.6) respectively. Other factors concerning the finances of these two funds mirror those highlighted in the analysis of the County's business-type activities.

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 \$89.6 million to \$90.4 million, an increase of \$.8 million or .9%. Actual revenues received totaled \$89.9

million or 99.4% of the final budget. Intergovernmental revenues fell \$2.7 million short of the final budgeted amounts.

The County's original operating expenditure budget, excluding transfers, increased from \$88.2 million to \$89.1 million, an increase of \$.9 million or 1.0%. Actual expenditures were \$88.5 million or 99.3% of the final budget.

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, 2002, net of accumulated depreciation, amounted to \$89.4 million. This represented an increase of \$3.3 million or 3.8% over the previous years total of \$86.1 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, assets under capital lease, construction in progress, and infrastructure. The following is a summary of capital assets at December 31, 2002:

Summary of Capital Assets

	Governmental Activities	Business-Type Activities	Balance at December 31, 2002
Land and land Improvements	\$ 5,752,474	\$ 558,794	\$ 6,311,268
Buildings and Improvements	81,462,897	6,590,098	88,052,995
Furniture and Equipment	18,327,078	13,821,998	32,149,076
Assets under Capital lease	1,371,165		1,371,165
Construction in Progress	3,326,269		3,326,269
Infrastructure	3,205,744		3,205,744
Less accumulated Depreciation	<u>(33,249,858)</u>	<u>(11,806,957)</u>	<u>(45,056,815)</u>
Total	<u>\$ 80,195,769</u>	<u>\$ 9,163,933</u>	<u>\$ 89,359,702</u>

In the governmental activities, construction in progress decreased by \$17.3 million while buildings and improvements increased by this same amount. This was the result of the completion of the County's new Youth Intervention Center. A variety of County building expansions and renovations continue to be constructed. Continued construction on the County's Emergency Training Facility resulted in an increase of \$1 million in construction in progress. This construction will increase during 2003.

The total capital assets for the governmental activities and business-type activities in total increased from \$86.3 million to \$89.4 million, an overall increase of \$3.1 million or 3.6%. Of this increase, \$2.9 million occurred within governmental activities and \$.2 million occurred within business-type activities.

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, 2002, the County had \$130.3 million of general obligation bonds and notes outstanding. This was an increase of \$8.1 million, or 6.6%, from the previous year. The following details activity related to general obligation bonds during 2002:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2002	\$ 122,215,733
Accretion adjustment	1,373,848
Debt issued	36,178,000
Less principal refunded	(27,590,000)
Less principal payments	<u>(1,920,000)</u>
Ending balance at 12/31/2002	<u>\$ 130,257,581</u>

BOND RATING:

The G.O.B. Series 2002A and G.O.N. Series 2002 issues carry a municipal bond insurance policy from Financial Guaranty Insurance Company (FGIC) which assures payment of the respective principal and interest to the registered owners of the bonds and notes. Moody's Investors Service rated the G.O.B. Series

2002A and G.O.N. Series 2002 Aaa based upon an insurance policy provided by FGIC.

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 grew by 3,960 or .8% during 2002. The population has consistently grown within this range over the past decade and the vast majority of the County's residents succeed in finding employment.
- The County's unemployment rate stands at 3.8%, which is an 18.75% increase over the previous year's rate of 3.2%. This rate still compares favorably with the State's rate of 5.7% and the national rate of 5.8%.

These factors were considered in preparing the County's 2003 budget. Amounts available for appropriation in the general fund budget are \$95.1 million, an increase of 5.2% over the final 2002 budget of \$90.4. Real estate taxes were budgeted to increase by \$5.8 million as the result of a 9.0% increase in the real estate property tax rate to 2.847 mills.

Budgeted operating expenditures, excluding transfers, have increased 5.7% to \$94.2 million. The largest increments are increased wages and an increase in the County's debt payments. The County issued \$23,305,000 in new general obligation bonds during 2003.

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
50 North Duke Street
Lancaster, PA 17603

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BASIC FINANCIAL STATEMENTS

County of Lancaster, Pennsylvania

Statement of Net Assets

December 31, 2002

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lancaster County Convention Center
				Authority as of March 31, 2002
ASSETS				
Cash and temporary investments:				
Operating	\$37,108,390	\$1,644,385	\$38,752,775	\$1,160,608
Other	403,862		403,862	
Cash with fiscal agents	17,498		17,498	
Receivables:				
Room rental tax				321,242
Taxes, net of allowance for uncollectibles of \$25,743	832,356		832,356	
Fines and costs, net of allowance for uncollectibles of \$16,138,812	4,770,780		4,770,780	
Accounts	32,100		32,100	
Due from other governments	7,666,059	2,992,814	10,658,873	
Advances to providers and other governments	2,240,996		2,240,996	
Other	156,172		156,172	
Telephone subscriber		401,870	401,870	
Loans receivable	1,037,530		1,037,530	
Deferred charge:				
Issuance costs (net of accumulated amortization of \$377,250)	1,134,738		1,134,738	
Internal balances:				
Due from agency fund	121,554		121,554	
Investments	12,089,500		12,089,500	
Restricted cash	2,278,125	165,274	2,443,399	
Capital assets:				
Land and improvements	5,752,474	558,794	6,311,268	1,579,621
Buildings and improvements	81,462,897	6,590,098	88,052,995	
Furniture and equipment	18,327,078	13,821,998	32,149,076	
Assets under capital lease	1,371,165		1,371,165	
Construction in progress	3,326,269		3,326,269	
Infrastructure	3,205,744		3,205,744	
Less accumulated depreciation	(33,249,858)	(11,806,957)	(45,056,815)	
Total capital assets, net	80,195,769	9,163,933	89,359,702	1,579,621
Easements	39,964,024		39,964,024	
Less accumulated amortization	(4,298,236)		(4,298,236)	
Easements, net	35,665,788	-	35,665,788	-
Total assets	185,751,217	14,368,276	200,119,493	3,061,471
LIABILITIES				
Accounts payable	6,059,677	553,641	6,613,318	245,726
Contracts payable	3,954,957		3,954,957	
Retainage payable	175,379		175,379	
Matured bonds and interest payable	17,498		17,498	
Accrued interest payable	375,274		375,274	
Unearned revenue	9,935,778		9,935,778	
Payroll related accruals	5,807,861	1,036,398	6,844,259	
Patient funds held in safekeeping		165,274	165,274	
Long-term liabilities:				
Due within one year	5,673,724	56,974	5,730,698	
Due in more than one year	133,443,409	2,360,384	135,803,793	
Total liabilities	165,443,557	4,172,671	169,616,228	245,726
NET ASSETS				
Invested in capital assets, net of related debt	(26,195,664)	9,163,933	(17,031,731)	1,579,621
Restricted for:				
Easements	18,616,838		18,616,838	
Federal and state grant programs	8,448,110		8,448,110	
Community development	547,713		547,713	
Unrestricted	18,890,663	1,031,672	19,922,335	1,236,124
Total net assets	\$20,307,660	\$10,195,605	\$30,503,265	\$2,815,745

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, 2002

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit - Lancaster County Convention Center Authority -	Year Ended March 31, 2002
	Program Revenues			Primary Government		Total		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			
Primary Government:								
Governmental activities:								
General government	\$50,532,411	\$3,637,670	\$3,565,740	\$ -	\$(43,329,001)	\$ -	\$ -	
Public safety	581,174	90,218	77,236		(413,720)		(413,720)	
Roads and bridges	137,182		859,969		722,787		722,787	
Health, education, and welfare:								
Drug and alcohol	3,400,542		3,269,809		(130,733)		(130,733)	
Employment and training	2,895,809		2,993,870		98,061		98,061	
Mental health/mental retardation	45,015,063		43,979,111		(1,035,952)		(1,035,952)	
Office of aging	6,060,993		6,061,047		54		54	
Children and youth	30,453,381		29,141,916		(1,311,465)		(1,311,465)	
Other	880,633		992,371		111,738		111,738	
Judicial	28,051,821	7,877,017	5,080,469		(15,094,335)		(15,094,335)	
Corrections	15,398,863	334,116	86,207		(14,978,540)		(14,978,540)	
Cultural and recreation	2,235,843	258,041	422,760		(1,555,042)		(1,555,042)	
Community development	4,836,576		4,836,576					
Interest on long-term debt	2,803,356				(2,803,356)		(2,803,356)	
Total governmental activities	193,283,647	12,197,062	101,367,081	-	(79,719,504)	-	(79,719,504)	
Business-type activities:								
Conestoga View	29,480,306	29,315,165				(165,141)	(165,141)	
911 Operations	6,573,322	4,127,764				(2,445,558)	(2,445,558)	
Total business-type activities	36,053,628	33,442,929	-	-	-	(2,610,699)	(2,610,699)	
Total primary government	\$229,337,275	\$45,639,991	\$101,367,081	-	(79,719,504)	(2,610,699)	(82,330,203)	
Component unit:								
Convention Center	\$1,423,795						(1,423,795)	
Total component unit	\$1,423,795	\$ -	\$ -	\$ -			(1,423,795)	
General Revenues:								
Property taxes					61,239,937		61,239,937	
Departmental revenues					5,104,104		5,104,104	
Unrestricted investment earnings					1,755,276	10,525	1,765,801	
Room rental tax							2,978,509	
Transfers					(1,338,163)	1,338,163		
Total general revenues and transfers					66,761,154	1,348,688	68,109,842	
Change in net assets					(12,958,350)	(1,262,011)	(14,220,361)	
Net assets - beginning					33,266,010	11,457,616	40,217,380	
Net assets - ending					\$20,307,660	\$10,195,605	\$25,997,019	
							\$2,815,745	

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

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2002

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and temporary investments:							
Operating	\$7,817,960	\$2,070,024	\$6,895,873	\$10,480,950	\$ -	\$9,843,583	\$37,108,390
Other	2,278,125	6,751	72,420	186,529		138,162	2,681,987
Cash with fiscal agents	17,498						17,498
Investments	2,440,000				9,391,894	257,606	12,089,500
Receivables:							
Taxes	858,099						858,099
Less allowance for uncollectible taxes	(25,743)						(25,743)
Fines and costs	20,909,592						20,909,592
Less allowance for uncollectible fines and costs	(16,138,812)						(16,138,812)
Accounts	32,100						32,100
Due from other funds	349,799						349,799
Due from other governments	3,167,065	3,280,078				1,218,916	7,666,059
Advances to providers	151,818		2,084,882			4,296	2,240,996
Other			111,137			45,035	156,172
Loans	1,037,530						1,037,530
Total assets	<u>\$ 22,895,031</u>	<u>\$ 5,356,853</u>	<u>\$ 9,164,312</u>	<u>\$ 10,667,479</u>	<u>\$ 9,391,894</u>	<u>\$ 11,507,598</u>	<u>\$ 68,983,187</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,463,081	\$ 1,810,871	\$ 1,863,092	\$ -	\$ -	\$ 922,633	\$ 6,059,677
Contracts payable				1,523,817		2,431,140	3,954,957
Retainage payable				175,379			175,379
Due to other funds						228,245	228,245
Matured bonds and interest payable	17,498						17,498
Deferred revenue - taxes, fines and costs receivable	4,961,532						4,961,532
Unearned revenue	555,623	1,308,219	7,050,387			1,021,549	9,935,778
Payroll related accruals	4,863,344	365,089	250,833			328,595	5,807,861
Loan payable	2,000,000						2,000,000
Total liabilities	<u>13,861,078</u>	<u>3,484,179</u>	<u>9,164,312</u>	<u>1,699,196</u>	<u>-</u>	<u>4,932,162</u>	<u>33,140,927</u>
Fund balances (deficits):							
Reserved for advances	151,818		2,084,882			4,296	2,240,996
Reserved for loans receivable	1,037,530						1,037,530
Unreserved:							
Designated for debt service					9,391,894		9,391,894
Designated for programmatic expenditures		1,872,674					1,872,674
Designated in nonmajor special revenue funds						6,571,140	6,571,140
Undesignated	7,844,605		(2,084,882)	8,968,283			14,728,006
Total fund balances	<u>9,033,953</u>	<u>1,872,674</u>	<u>-</u>	<u>8,968,283</u>	<u>9,391,894</u>	<u>6,575,436</u>	<u>35,842,240</u>
Total liabilities and fund balances	<u>\$ 22,895,031</u>	<u>\$ 5,356,853</u>	<u>\$ 9,164,312</u>	<u>\$ 10,667,479</u>	<u>\$ 9,391,894</u>	<u>\$ 11,507,598</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds.	80,195,769
Easements reported in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds.	35,665,788
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,961,532
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.	(136,357,669)
Total net assets of governmental activities	<u>\$20,307,660</u>

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, 2002

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Real estate taxes	\$60,952,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$60,952,887
Personal property taxes	555						555
Intergovernmental	7,402,575	29,141,916	43,979,111			20,843,479	101,367,081
Departmental	12,835,825	1,943,877	596,598			118,562	15,494,862
Fines and costs	3,532,836						3,532,836
Interest	621,985	662	151,788	317,351	545,184	118,306	1,755,276
Other	279,043		495,933	18,070		139,210	932,256
Health Choices revenues			72,421				72,421
Total revenues	85,625,706	31,086,455	45,295,851	335,421	545,184	21,219,557	184,108,174
EXPENDITURES							
Current:							
General government	25,969,473			13,572,927			39,542,400
Public safety	254,174						254,174
Roads and bridges						205,939	205,939
Health, education, and welfare:							
Drug and alcohol						3,537,426	3,537,426
Employment and training						2,937,889	2,937,889
Mental health/mental retardation			45,841,259				45,841,259
Office of aging						6,713,640	6,713,640
Children and youth		36,920,636					36,920,636
Other	832,977						832,977
Judicial	25,150,950					3,652,094	28,803,044
Corrections	14,041,578						14,041,578
Cultural and recreation	2,117,355						2,117,355
Community development						4,836,576	4,836,576
Capital outlay	1,356,265	215,268	115,549	7,971,403		297,343	9,955,828
Debt Service:							
Principal retirement	1,920,000						1,920,000
Interest and fiscal charges	2,700,128						2,700,128
Bond issuance costs	196,452			92,457			288,909
Total expenditures	74,539,352	37,135,904	45,956,808	21,636,787	-	22,180,907	201,449,758
Excess (deficiency) of revenues over (under) expenditures	11,086,354	(6,049,449)	(660,957)	(21,301,366)	545,184	(961,350)	(17,341,584)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,261,701	6,207,582	660,957			1,422,840	9,553,080
Transfers out	(10,163,613)			(727,630)			(10,891,243)
Face amount of refunding bonds issued	28,260,000						28,260,000
Payment to refunded bond escrow agent	(28,245,174)						(28,245,174)
Premium on refunding bonds issued	181,626						181,626
Face amount of bonds issued				7,345,000			7,345,000
Bond discount				(116,414)			(116,414)
Total other financing sources (uses)	(8,705,460)	6,207,582	660,957	6,500,956	-	1,422,840	6,086,875
Net change in fund balances	2,380,894	158,133	-	(14,800,410)	545,184	461,490	(11,254,709)
Fund balances, January 1	6,653,059	1,714,541	-	23,768,693	8,846,710	6,113,946	47,096,949
Fund balances, December 31	\$9,033,953	\$1,872,674	\$ -	\$8,968,283	\$9,391,894	\$6,575,436	\$35,842,240

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, 2002

Net change in fund balances - total governmental funds (page 28)	\$(11,254,709)
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 expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	2,897,635
Governmental funds report easement outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which easement outlays exceeded amortization expense in the current period.	6,243,333
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	455,286
Revenues that provide current financial resources in the governmental funds are unearned in the statement of activities.	(2,900,000)
The issuance of long-term debt (i.e., bonds, capital leases) 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.	(7,112,441)
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.	223,697
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.	<u>(1,511,151)</u>
Change in net assets of governmental activities (page 33)	<u><u>\$(12,958,350)</u></u>

County of Lancaster, Pennsylvania
Statement of Fund Net Assets - Enterprise Funds
December 31, 2002

	Conestoga View	911 Operations	Total
ASSETS			
Current assets:			
Cash and temporary investments:			
Operating	\$1,644,385	\$ -	\$1,644,385
Telephone subscriber receivable		401,870	401,870
Due from other governments	2,992,814		2,992,814
Total current assets	<u>4,637,199</u>	<u>401,870</u>	<u>5,039,069</u>
Noncurrent assets:			
Restricted cash and temporary investments	165,274		165,274
Capital assets:			
Land and improvements	551,152	7,642	558,794
Buildings and improvements	6,414,608	175,490	6,590,098
Furniture and equipment	11,196,761	2,625,237	13,821,998
Less accumulated depreciation	<u>(10,527,904)</u>	<u>(1,279,053)</u>	<u>(11,806,957)</u>
Total capital assets, net	<u>7,634,617</u>	<u>1,529,316</u>	<u>9,163,933</u>
Total noncurrent assets	<u>7,799,891</u>	<u>1,529,316</u>	<u>9,329,207</u>
Total assets	<u>12,437,090</u>	<u>1,931,186</u>	<u>14,368,276</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$355,558	\$198,083	\$553,641
Payroll related accruals	848,419	187,979	1,036,398
Accrued vacation and sick pay	49,527	7,447	56,974
Total current liabilities	<u>1,253,504</u>	<u>393,509</u>	<u>1,647,013</u>
Noncurrent liabilities:			
Accrued vacation and sick pay	941,147	214,202	1,155,349
Patient funds held in safekeeping	165,274		165,274
Net pension obligation	996,063	208,972	1,205,035
Total noncurrent liabilities	<u>2,102,484</u>	<u>423,174</u>	<u>2,525,658</u>
Total liabilities	<u>3,355,988</u>	<u>816,683</u>	<u>4,172,671</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,634,617	1,529,316	9,163,933
Unrestricted (deficit)	<u>1,446,485</u>	<u>(414,813)</u>	<u>1,031,672</u>
Total net assets	<u>\$9,081,102</u>	<u>\$1,114,503</u>	<u>\$10,195,605</u>

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

County of Lancaster, Pennsylvania

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Funds

For the Year Ended December 31, 2002

	Conestoga View	911 Operations	Total
Operating revenues:			
Charges for sales and services:			
Net patient service revenue	\$29,130,838	\$ -	\$29,130,838
Telephone subscriber revenues		4,127,764	4,127,764
Other	184,327		184,327
Total operating revenues	29,315,165	4,127,764	33,442,929
Operating expenses:			
Administration	2,762,479		2,762,479
Nursing	14,391,899		14,391,899
Dietary	3,082,011		3,082,011
Housekeeping	1,669,195		1,669,195
Medical Services	87,734		87,734
Operations and maintenance	1,569,072		1,569,072
Pharmacy	485,897		485,897
Laundry	827,733		827,733
Recreation therapy	595,166		595,166
Admissions	104,705		104,705
Staff development	302,113		302,113
Barber and beautician	82,057		82,057
Personnel	327,792		327,792
Physical therapy	1,389,533		1,389,533
Social services	469,424		469,424
Volunteers	41,539		41,539
Depreciation	796,813	185,992	982,805
Security	230,080		230,080
Respiratory	265,064		265,064
Public safety		6,387,330	6,387,330
Total operating expenses	29,480,306	6,573,322	36,053,628
Operating loss	(165,141)	(2,445,558)	(2,610,699)
Nonoperating revenues:			
Interest revenue		10,525	10,525
Loss before transfers	(165,141)	(2,435,033)	(2,600,174)
Transfers in		1,858,163	1,858,163
Transfers out	(520,000)		(520,000)
Change in net assets	(685,141)	(576,870)	(1,262,011)
Total net assets, January 1	9,766,243	1,691,373	11,457,616
Total net assets, December 31	\$9,081,102	\$1,114,503	\$10,195,605

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

County of Lancaster, Pennsylvania
Statement of Cash Flows - Enterprise Funds
For the Year Ended December 31, 2002

	Conestoga View	911 Operations	Total
Cash flows from operating activities:			
Cash received on patient accounts	\$28,861,754	\$ -	\$28,861,754
Cash received from departmental revenues		4,103,633	
Cash payments to suppliers for goods and services	(7,294,864)	(1,863,736)	(9,158,600)
Cash payments to employees for services	(16,096,509)	(3,520,135)	(19,616,644)
Cash payments for taxes	(1,307,853)	(271,264)	(1,579,117)
Cash payments for employee benefits	(3,581,764)	(576,229)	(4,157,993)
Other operating revenues	184,327		184,327
Net cash provided by (used in) operating activities	<u>765,091</u>	<u>(2,127,731)</u>	<u>(1,362,640)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds		2,141,141	2,141,141
Transfers to other funds	(520,000)		(520,000)
Net cash provided by (used in) noncapital financing activities	<u>(520,000)</u>	<u>2,141,141</u>	<u>1,621,141</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(1,322,625)	(23,935)	(1,346,560)
Net cash used in capital and related financing activities	<u>(1,322,625)</u>	<u>(23,935)</u>	<u>(1,346,560)</u>
Cash flows from investing activities:			
Interest received		10,525	10,525
Net cash provided by investing activities	<u>-</u>	<u>10,525</u>	<u>10,525</u>
Net decrease in cash and cash equivalents	(1,077,534)	-	(1,077,534)
Cash and cash equivalents, January 1	2,887,193	-	2,887,193
Cash and cash equivalents, December 31	<u>\$1,809,659</u>	<u>\$ -</u>	<u>\$1,809,659</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$(165,141)	\$(2,445,558)	\$(2,610,699)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	796,813	185,992	982,805
Changes in assets and liabilities:			
Increase in other receivables		(24,131)	(24,131)
Increase in due from other governments	(237,854)		(237,854)
Increase (decrease) in accounts payable	(237,346)	17,313	(220,033)
Increase in accrued expenses	495,847	99,834	595,681
Decrease in patient funds held in safekeeping	(31,230)		(31,230)
Increase in other liabilities	144,002	38,819	182,821
Total adjustments	<u>930,232</u>	<u>317,827</u>	<u>1,248,059</u>
Net cash provided by (used in) operating activities	<u>\$765,091</u>	<u>\$(2,127,731)</u>	<u>\$(1,362,640)</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, 2002

	Pension Trust Fund	Agency Fund	Total
ASSETS			
Cash and temporary investments-operating	\$3,964,594	\$6,241,807	\$10,206,401
Accounts receivable	5,797,295		5,797,295
	<u>9,761,889</u>	6,241,807	<u>16,003,696</u>
Investments, at fair value:			
U.S. Government securities	1,707,885		1,707,885
U.S. Treasury strips	1,514,668		1,514,668
US Government agency-mortgage backed securities	15,369,499		15,369,499
Domestic corporate bonds	13,255,809		13,255,809
Fixed income mutual funds	3,538,347		3,538,347
Collateralized mortgage obligations	4,498,873		4,498,873
Domestic common stock	10,680,359		10,680,359
Stock index funds	23,656,464		23,656,464
International equity fund	12,696,963		12,696,963
Total investments	<u>86,918,867</u>	-	<u>86,918,867</u>
Total assets	<u>96,680,756</u>	6,241,807	<u>102,922,563</u>
LIABILITIES			
Due to other funds		121,554	121,554
Deferred revenue	4,433,051		4,433,051
Deposits and advances		899,621	899,621
Escrow liability		1,624,779	1,624,779
Payroll related accruals		807,027	807,027
Due to other governments		2,788,826	2,788,826
Total liabilities	<u>4,433,051</u>	<u>6,241,807</u>	<u>10,674,858</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$92,247,705</u>	\$ -	<u>\$92,247,705</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, 2002

ADDITIONS

Contributions:

Employer	\$ 473,937
Plan members	<u>4,074,472</u>
Total contributions	<u>4,548,409</u>

Investment income:

Net (depreciation) in fair value of investments	(12,151,145)
Interest and dividends	3,545,629
Less investment expenses	<u>338,041</u>
Net investment loss	<u>(8,943,557)</u>
Total additions	<u>(4,395,148)</u>

DEDUCTIONS

Benefits paid to plan members and beneficiaries	4,004,671
Refunds of contributions paid to plan members and beneficiaries	1,022,859
Administrative expenses	<u>36,188</u>
Total deductions	<u>5,063,718</u>
Change in net assets	(9,458,866)

Net assets held in trust for pension benefits, January 1	<u>101,706,571</u>
Net assets held in trust for pension benefits, December 31	<u>\$ 92,247,705</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, 2002

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

In evaluating how to define the County of Lancaster for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, "The Reporting Entity." GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. 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)

Component Unit

The Lancaster County 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 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 Lancaster County Convention Center Authority (the Authority) is a component unit of the County. The County established a hotel room rental tax and, therefore, the Authority is fiscally dependent on the hotel room rental tax rate, which provides substantially all of the Authority's operating revenues.

Complete financial statements of this component unit can be requested from the County Controller's Office of Lancaster County, 50 North Duke Street, P.O. Box 83480, Lancaster, Pennsylvania 17608-3480.

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 does not extend beyond making the appointments. These organizations include:

- Lancaster County Redevelopment Authority
- Lancaster Airport Authority
- Lancaster County Hospital Authority
- Lancaster County Housing Authority
- Lancaster County Solid Waste Management Authority
- Lancaster City and County Joint Transfer System
(Red Rose Transit Authority)
- Lancaster County Conservation District
- Lancaster County Private Industry Council
- Lancaster County Transportation Authority
- Lancaster County Workforce Investment Board
- Capital Area Behavioral Health Collaborative, Inc

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Jointly Governed 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 Capital Area Behavioral Health Collaborative, Inc.'s mission is to ensure access to and delivery of quality mental health and substance abuse services that reflect the needs of eligible residents throughout the five county area. The County's Board of Commissioners is responsible for appointing two of the ten board members of this organization, but the County's accountability for this organization does not extend beyond making the appointments.

B. Implementation of Governmental Accounting Standards Board Pronouncements

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments - Omnibus*, respectively. These statements provide for the most significant change in governmental financial reporting in over twenty years, providing for a new reporting model. As part of these statements, governments are required to report and depreciate infrastructure (bridges, roads, etc.).

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds, and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable rate debt, receivables and payable balances, interfund transfers and balances, and short-term debt.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

GASB Interpretation No. 6

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

As required, the County has adopted GASB Statement Nos. 34, 37 and 38 and Interpretation No. 6 for the fiscal year ended December 31, 2002 as discussed in Note 1E.

C. 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. While the previous model emphasized fund types (the total of all funds of a particular type), the new 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 which are eliminated during consolidation from interfund services provided and used which are not eliminated. The County does not allocate indirect costs on the statement of activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent, on fees and other charges for support. Likewise, 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 and business type activities columns are presented on a consolidated basis by column and are presented using the economic resources measurement focus and the accrual

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

basis of accounting, which incorporates long-term assets as well as long-term debt and obligations. Interfund balances between governmental funds and interfund balances between proprietary 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.) or business type activity (911 telephone operations, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category or business type activity. Expenses reported for functional activities do not include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category or business type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category or business type activity. Taxes and other items that are not properly 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, reserves, fund equity, revenues and expenditures/expenses. The fund financial statements are very similar to the financial statements presented in the previous reporting model. Emphasis under the new reporting model is on major funds in the governmental or enterprise 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. The availability period for all significant revenue sources in governmental funds is 60 days. Property taxes due but not collected within 60 days after year-end are reflected as deferred revenues. Licenses, permits, and fines and costs are recorded as

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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 as earned.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. 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.

The County's enterprise funds, presented in the enterprise fund financial statements, are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. With respect to the government-wide financial statements and the enterprise funds, the County has elected to apply only FASB Statements issued prior to November 30, 1989 that do not conflict with GASB Statements.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the Conestoga View and 911 Operations enterprise funds are charges to customers for sales and services. Operating expenses of the enterprise funds include the costs of providing services, such as personnel, contracting and supplies as well as depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (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.
- Capital Projects Fund – The Capital Projects Fund is used to account for the resources and expenditures related to the construction within the County.
- Debt Service Fund – Used to account for accumulation of resources to pay principal and interest on County general obligations bonds and notes payable.

Enterprise Funds:

The focus of enterprise fund measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows, which is similar to a business enterprise. The following is a description of the major enterprise funds of the County:

- Conestoga View – Conestoga View accounts for the County's nursing home for the aged.
- 911 Operations – Collects a user charge from the telephone companies to cover costs of providing emergency operations.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- In addition to the major funds discussed above, the County reports the following fund types:
 - Pension trust fund – This fund is used to account for the accumulation of resources for pension payments to qualified county employees.
 - Agency fund - This fund is used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.

The following agencies collect fees, fines, and taxes for distribution to other governmental units and citizens for whom it was collected:

- | | |
|---------------------|---|
| • Prothonotary | • Domestic Relations Office (Support Account) |
| • Recorder of Deeds | • Sheriff |
| • Treasurer | • Clerk of Courts |
| • Register of Wills | • District Justice |

D. Summary of Significant Accounting Policies – Component Unit

Basis of Accounting

The Authority utilizes the accrual basis of accounting.

Cash and Cash Equivalents

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

Hotel Room Rental Tax

The County of Lancaster receives a 5% hotel room rental tax from the operators of each hotel within Lancaster County. Of the 5% tax, 1.88% is allocated to the Pennsylvania Dutch Convention and Visitors Bureau to be used to promote tourism in Lancaster County and 3.12% is received by the Lancaster County Convention Center Authority to be used for the construction and operation of the convention center facility.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

E. Change in Accounting Principles/Restatement of Beginning Balances

The following schedules reconcile December 31, 2001 governmental funds-fund balances as previously reported, to beginning net assets-governmental activities, as restated, to include the adoption of the new pronouncements.

December 31, 2001 Fund Balance as Previously Reported – Governmental Funds:	
General	\$ 6,653,059
Special revenue funds	7,828,487
Capital projects	23,768,693
Debt service	<u>8,846,710</u>
Total governmental funds – December 31, 2001 fund balance as previously reported	47,096,949
Restatement adjustments:	
Adoption of GASB Statement No. 34:	
Revenue recognition related to receivables deferred in the funds	4,506,246
Capital asset recognition	107,265,110
Easement asset recognition, net of accumulated amortization	29,422,455
Accumulated depreciation on capital assets	(29,966,976)
Establishment of net bond premium	(217,713)
Establishment of bond issuance costs	926,887
Establishment of deferred amounts from refundings	3,955,760
General obligation bonds and notes payable	(122,215,733)
Obligation under capital lease agreement	(274,233)
Claims and judgments	(512,500)
Accrued vacation and sick pay	(3,239,869)
Net pension obligation	(1,830,831)
Workers compensation liability	(931,519)
Accrued interest payable	(272,046)
Arbitrage rebate payable	<u>(445,977)</u>
Total governmental activities – net assets as of December 31, 2001	<u>\$ 33,266,010</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

F. Pending Changes in Accounting Principles

In June 2001, the GASB issued Statement No. 39, "Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14." This statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The County is required to adopt Statement No. 39 for its calendar year 2004 financial statements.

In March 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures," an amendment of GASB Statement No. 3. The County is required to adopt Statement No. 40 for its calendar year 2005 financial statements.

The County has not yet completed the varied and in some cases complex analyses required to estimate the financial statement impact of these new pronouncements.

2. Assets, Liabilities, and Net assets or Equity

Pooled Cash and Temporary Investments

The majority of cash balances and temporary investments of most governmental funds, the enterprise 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.

For purposes of the statement of cash flows, the enterprise funds considers all highly liquid investments (temporary investments) with a maturity of three months or less when purchased to be cash equivalents.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, and Net assets or Equity (continued)

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 are recognized in individual fund operations each year.

Other than cash equivalents in the enterprise funds, investments that are expected to be realized in cash within twelve months or less are reported as temporary investments. Temporary investments are reported at fair value (typically using published market prices) except for nonparticipating interest-bearing contracts such as repurchase agreements and nonnegotiable certificates of deposit, which are reported at amortized cost. Investments expected to be realized in cash after twelve months are reported as long-term investments. Long-term investments are reported at fair value, except for certain nonparticipating, interest-bearing contracts, which are reported at cost. 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 mortgage-backed securities issued by federal agencies, collateralized mortgage obligations, and U.S. Treasury interest-only strips. 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.

Restricted Assets

Governmental Activities

At December 31, 2002, the County had a restricted cash balance of \$547,713 maintained in an escrow account in the name of the County, for the City of Lancaster. This amount was escrowed as part of an agreement between the County and the City of Lancaster for required Phase I improvements related to the construction of a facility. Disbursement of funds from the account for

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, and Net assets or Equity (continued)

construction related expenses are subject to City approval. All of the improvements are required to be completed by June 2, 2004. Once the project is completed, the remaining cash balance in the escrow account will again be available to the County, subject to a 15% retainage that can be held by the City of Lancaster for a period of eighteen months after completion in order to ensure proper completion of the project and construction of the facility in accordance with all City code building specifications. At December 31, 2002, the County had a cash balance of \$1,495,175 restricted to pay future employees health care claims. The County ended its self-insurance program for health insurance on January 1, 2003 and this account was established to fund the trailing claims under this terminated self-insurance program. At December 31, 2002, the County also had a cash balance of \$235,237 representing amounts deposited in an irrevocable trust in accordance with state guidelines to pay future workers compensation claims.

Business-type Activities

At December 31, 2002, the County has \$165,274 in cash and temporary investments restricted for payment of patient funds held in safekeeping.

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. Capital assets acquired by enterprise funds are recorded as assets in both the government-wide financial statements and in the enterprise fund 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 fixed assets are recorded at fair market value as of the date of donation.

Maintenance, repairs and minor renovations, and software purchases 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, and Net assets or Equity (continued)

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, donated and leased assets as follows:

Infrastructure	40 Years
Buildings and Improvements	40 Years
Furniture and Equipment	5-15 Years
Land and Improvements	20-30 Years

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, and is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

Easements

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. Easements are amortized on the straight-line method over a maximum useful life of 40 years.

Deferred Revenues

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, and Net assets or Equity (continued)

Accrued Vacation and Sick Pay

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

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, employees' workers compensation programs, and self-insurance under several medical insurance plans available to eligible retirees and full-time employees. 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 at two times the average benefits paid for the three highest 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 plan administrator. Claims are paid from the general fund and the required retention amounts are accrued as a liability of the general fund.

The County has self-insured several medical insurance plans available to eligible retirees and full-time employees. Claims against the self-insured plans are reviewed and processed by a third-party administrator. Reinsurance is maintained to limit liability for large specific and/or aggregate claims. The claim

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities, and Net assets or Equity (continued)

liability is determined by the third-party administrator and is calculated as the uninsured portion of all incurred claims over the expected claim level as determined by the insurer plus estimated, unpaid claims incurred during the fiscal year. The medical insurance claim liability of \$1,324,962 is based on the requirements of GASB Statement No. 10, as amended by GASB Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Non-incremental claims adjustment expenses have not been included as part of the self-insurance liabilities.

Fund Equity/Net Assets

Reserved fund balances represent those portions of fund equity not appropriable for expenditure or that are legally segregated for a specific future use. Designated fund balances represent the County's managerial plans for future use of financial resources.

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.

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 or Equity (continued)

Interest Revenue

Interest revenue includes interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations by third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews, and investigations.

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, and the 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 period and, therefore, are not reported as liabilities in the funds." The details of this \$136,357,669 difference are as follows:

General obligation bonds and notes payable	\$ 130,257,581
Less: Deferred charge on refundings (to be amortized as expense)	(4,405,270)
Less: Deferred charge for issuance costs (to be amortized as expense)	(1,134,738)
Plus issuance premium (to be amortized as income)	234,378
Claims and judgments	512,500
Accrued vacation and sick pay	3,595,714
Net pension obligation	3,228,016
Workers compensation claims liability	340,403
Accrued interest payable	375,274
Arbitrage rebate payable	453,811
Unearned revenue on swap agreement	2,900,000
Net adjustment to <i>total fund balance - total governmental funds</i> to arrive at <i>net assets - government activities</i>	<u>\$ 136,357,669</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

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 expense." The details of this \$2,897,635 difference are as follows:

Capital outlay	\$ 6,180,517
Depreciation expense	<u>(3,282,882)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - government activities</i>	<u>\$ 2,897,635</u>

Another element of that reconciliation explains that, "Governmental funds report easement outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as amortization expense." The details of this \$6,243,333 difference are as follows:

Easement outlay	\$ 7,242,434
Amortization expense	<u>(999,101)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - government activities</i>	<u>\$ 6,243,333</u>

Another element of that reconciliation states that "the issuance of long-term debt (i.e., bonds, capital leases) 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. Also, governmental funds report the effect of

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 details of this \$(7,112,441) differences are as follows:

Debt issued or incurred:		
Installment purchase agreement	\$	(573,000)
Issuance of general obligation bonds and notes		(35,605,000)
Amortization of accretion		(1,373,848)
Principal repayments:		
General obligation debt		1,920,000
Repayment on capital lease		274,233
Payment to escrow agent for refundings		28,245,174
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - government activities</i>	\$	<u>(7,112,441)</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 details of this \$223,697 difference are as follows:

Bond issuance costs	\$	288,909
Bond discounts		116,414
Bond premiums		(181,626)
	\$	<u>223,697</u>

Another element of that reconciliation states that, “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(1,511,151) difference are as follows:

Accrued vacation and sick pay	\$	(355,845)
Net pension obligation		(1,397,185)
Workers compensation liability		591,116
Accrued interest payable		(103,228)
Arbitrage rebate payable		(7,834)
Amortization of deferred amounts on refunding		(205,664)
Amortization of issuance costs		(81,058)
Amortization of net bond premiums		48,547
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - government activities</i>	\$	<u>(1,511,151)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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. The Debt Service Fund is controlled through a general obligation bond indenture provision. Project-length financial plans are adopted for the capital projects funds.

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 County Administrator is authorized to transfer budget amounts between departments within any fund; however, any supplemental appropriations which alter the total expenditures of any fund require resolution of the County Commissioners.

Budgeted amounts are as originally adopted or as amended by the Commissioners at various times. During the year, several supplemental appropriations were necessary for the general and special revenue funds as a result of additional revenues made available from state grants and other sources.

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

5. Deposits and Investments

Deposits

At December 31, 2002, the carrying amount of the County's deposits, including cash with fiscal agents, was \$47,418,257 and the bank balances totaled \$51,536,343. Of the bank balances, \$2,789,130 was covered by federal depository insurance. The remainder was categorized as uncollateralized (bank balances collateralized with securities held by the pledging financial institution's agent but not in the County's name).

Investments

The County utilizes various temporary investment sources in an effort to maximize interest earnings on its cash balances. Commonwealth statutes limit the County to the types of investments it may make. Allowable investments include repurchase agreements, U.S. government and related agency obligations, and Commonwealth and related agency obligations. (See Note 17 for Pension Trust Fund allowable investments.)

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

The County uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for County funds. These funds are invested by the Commonwealth of Pennsylvania's Treasury Department in the INVEST Program for Local Governments, which separately issues audited financial statements which are available to the public. Written requests for financial statements should be directed to the following address:

Commonwealth of Pennsylvania
Treasury Department
INVEST Program
Finance Building
Harrisburg, Pennsylvania 17120

At December 31, 2002, all of the County's investments, other than the County's investment in the fixed income mutual funds, money market mutual funds, external investment pool, international equity mutual fund, and stock index funds, were categorized as uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name. The investments in the fixed income mutual funds, money market mutual funds, external investment pool, international equity mutual fund, and stock index funds were not categorized.

The fair value of the County's position in the external investment pool is equivalent to the value of the pool shares. There is no formal external regulatory oversight for the external investment pool.

Investments by type were as follows at December 31, 2002:

	<u>Carrying Value</u>
Temporary investments:	
U.S. Government Securities Money Market Mutual Funds	\$ 3,905,497
Commonwealth of Pennsylvania sponsored external investment pool	500,181
Fixed income mutual funds	<u>3,538,347</u>
	<u>\$ 7,944,025</u>
Investments:	
U.S. government securities	1,707,885
U.S. Treasury strips	11,164,168
U.S. Government Agency-Mortgage Backed Securities	15,369,499
Domestic Corporate Bonds	13,655,809
Collateralized Mortgage Obligations	4,498,873
Domestic Common Stock	10,680,359
Stock Index Funds	23,656,464
International Equity Mutual Fund	12,696,963
Municipal Bonds	2,040,000
	<u>\$ 95,470,020</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

The County invests in various U.S. government agency-mortgage backed securities and collateralized mortgage obligations that provide a cash flow “pass through” of principal and interest payments by mortgagees from an underlying pool of mortgage loans. Mortgage backed securities and collateralized mortgage obligations do not have a contractual maturity date and the County is subject to the risk of prepayment on this portfolio.

Reconciliation of Cash and Investments Reported in the Fund Financial Statements to the Carrying Value of Deposits and Investments in the Footnotes

	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
Cash and temporary investments:				
Operating	\$ 37,108,390	\$ 1,644,385	\$ 10,206,401	\$ 48,959,176
Other	2,681,987	—	—	2,681,987
Cash with fiscal agents	17,498	—	—	17,498
Investments	12,089,500	—	86,918,867	99,008,367
Restricted cash	—	165,274	—	165,274
	<u>\$ 51,897,375</u>	<u>\$ 1,809,659</u>	<u>\$ 97,125,268</u>	<u>\$ 150,832,302</u>
Carrying value of deposits per the footnotes				\$ 47,418,257
Temporary investments per the footnotes				7,944,025
Investments per the footnotes				<u>95,470,020</u>
Total deposits and investments per the footnotes				<u>\$ 150,832,302</u>

Deposits and Investments – Component Unit

Investments of the Authority are as follows:

	Non- Categorized	Fair Value	Cost
Investments in Money Market Funds	\$ 1,160,608	\$1,160,608	\$ 1,160,608

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

6. Property Taxes (continued)

in the County are collected by elected tax collectors. The County collects delinquent taxes on behalf of itself and other taxing authorities. Delinquent tax collections and remittances are accounted for through the County's Agency Fund.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2002 was 2.613 mills.

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2002 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 5,666,715	\$ 85,759	\$ -	\$ 5,752,474
Construction in progress	19,582,368	1,047,010	17,303,109	3,326,269
Total capital assets, not being depreciated	25,249,083	1,132,769	17,303,109	9,078,743
Capital assets, being depreciated:				
Buildings and improvements	62,814,809	18,648,088		81,462,897
Furniture and equipment	14,758,175	3,568,903		18,327,078
Assets under capital lease	1,371,165			1,371,165
Infrastructure	3,071,878	133,866		3,205,744
Total capital assets being depreciated	82,016,027	22,350,857	-	104,366,884
Less accumulated depreciation for:				
Buildings and improvements	22,074,319	2,069,155		24,143,474
Furniture and equipment	7,185,520	1,068,118		8,253,638
Assets under capital lease	274,233	68,558		342,791
Infrastructure	432,904	77,051		509,955
Total accumulated depreciation	29,966,976	3,282,882	-	33,249,858
Total capital assets, being depreciated, net	52,049,051	19,067,975	-	71,117,026
Governmental activities capital assets, net	\$ 77,298,134	\$ 20,200,744	\$ 17,303,109	\$ 80,195,769

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 498,481	\$ 60,313	\$ -	\$ -	\$ 558,794
Total capital assets, not being depreciated	498,481	60,313	-	-	558,794
Capital assets, being depreciated:					
Buildings and improvements	10,976,922	1,076,937		(5,463,761)	6,590,098
Furniture and equipment	8,148,927	209,310		5,463,761	13,821,998
Total capital assets being depreciated	19,125,849	1,286,247	-	-	20,412,096
Less accumulated depreciation for:					
Buildings and improvements	5,546,044	461,917		(2,951,109)	3,056,852
Improvements other than buildings	365,585	25,111			390,696
Furniture and equipment	4,912,523	495,777		2,951,109	8,359,409
Total accumulated depreciation	10,824,152	982,805	-	-	11,806,957
Total capital assets, being depreciated, net	8,301,697	303,442	-	-	8,605,139
Business-type activities capital assets, net	\$ 8,800,178	\$ 363,755	\$ -	\$ -	\$ 9,163,933

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 1,279,321
Public safety	324,485
Roads and bridges	77,051
Health, education, and welfare:	
Other	47,656
Judicial	136,320
Corrections	1,249,466
Cultural and recreation	168,583
Community development	
Total depreciation expense – governmental activities	<u>\$ 3,282,882</u>
Business-type activities:	
Conestoga View	\$ 796,813
911 Operations	185,992
Total depreciation expense – business-type activities	<u>\$ 982,805</u>

As of December 31, 2002, the County has \$4,169,469 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

8. Leases

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, 2002 amounted to \$2,035,153. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2003	\$ 1,980,605
2004	4,567,634
2005	799,603
2006	324,745
2007	100,859
Total	<u>\$ 7,773,446</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities

General Obligation Bonds and Notes

The County issues general obligation bonds and notes to provide funds for the acquisition and construction of major facilities. 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, 2002 was \$189,990,531.

General obligation bonds and notes consisted of the following at December 31, 2002:

Capital appreciation - General Obligation Bonds, to advance refund the General Obligation Bonds, Series of 1988, dated March 14, 1991, principal payable semi-annually in varying amounts from \$105,000 to \$2,740,000 from January 1, 2003 to July 1, 2007	\$	12,145,353
4.10 - 5.50% current interest bearing - General Obligation Bonds Series B of 1997, to advance refund a portion of the General Obligation Bonds, Second Series of 1992, dated January 1, 1997, and to finance various capital projects, principal payable annually, varying in amounts from \$90,000 to \$745,000 from November 1, 2003 to November 1, 2016		6,370,000
3.75 - 4.60% current interest bearing - General Obligation Bonds, Series of 1998, to partial advance refund the current interest bearing General Obligation Bonds, Series 1996, dated December 15, 1998, principal payable annually, varying in amounts from \$470,000 to \$760,000 from November 1, 2003 to November 1, 2016		8,520,000
4.25 - 4.90% current interest bearing - General Obligation Bonds, Series of 1999, to current refund the current interest bearing General Obligation Bonds, Series of 1994, and to partially current refund the current interest bearing General Obligation Bonds, Second Series of 1992, dated November 1, 1999, principal payable annually, varying in amounts from \$425,000 to \$1,245,000 from November 1, 2003 to November 1, 2010		7,055,000
5.10 - 6.25% current interest bearing - General Obligation Bonds, Series 2000A, to finance the County's capital projects, dated June 15, 2000, principal payable annually, ranging in amounts from \$1,170,000 to \$4,885,000 from May 2004 to May 2015		29,615,000
3.20 - 5.50% interest bearing - General Obligation Notes, Series A of 2001 to finance the County's capital projects as well as partial advance refunding of Series 2000A, dated December 15, 2001, principal payable annually, ranging in amounts of \$5,000 to \$1,765,000, from November 2003 to May 2027		16,425,000
Capital Appreciation Notes, Series B of 2001, to finance the County's capital projects dated December 20, 2001, principal payable annually and semi-annually, ranging in amounts of \$5,000 to \$2,815,000 from May 2004 to May 2019		13,954,228

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

6.10% interest bearing installment purchase agreement in the amount of \$363,200 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
5.00% interest bearing – General Obligation Note, Series of 2002, in the principal amount of \$3,210,000 to current refund Series A of 1997 and to partially refund Series B of 1997, Series of 1998, and Series of 1999, dated February 1, 2002, principal payable annually from November 1, 2003 to November 1, 2010	3,205,000
Variable rate interest bearing – General Obligation Note, Series of 2002A, in the principal amount of \$25,050,000 to current refund Series 2000, dated September 13, 2002, principal payable annually, varying in amounts from \$5,000 to \$2,439,000 from October 25, 2003 to October 25, 2030. Interest is payable monthly, based upon monthly calculations remitted by the bond trustee that include amounts sufficient to pay payments and receipts under any interest rate swap agreements, payments due to holders of the bonds, and monthly finance charges. The interest of the bonds will never exceed 15%.	25,050,000
4.40 – 4.70% - General Obligation Bonds, Series of 2002A, 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, 2004 to November 1, 2020.	7,345,000
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
Total general obligation bonds and notes payable	<u>\$ 130,257,581</u>

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

	Principal	Interest	Total
2003	\$ 4,760,289	\$ 2,952,670	\$ 7,712,959
2004	5,859,317	4,751,154	10,610,471
2005	4,658,350	4,773,325	9,431,675
2006	4,613,652	4,814,380	9,428,032
2007	4,571,679	4,855,772	9,427,451
2008-2012	28,580,944	18,512,279	47,093,223
	<u>53,044,231</u>	<u>40,659,580</u>	<u>93,703,811</u>
2013-2017	29,420,780	17,977,269	47,398,049
2018-2022	23,662,570	11,091,989	34,754,559
2023-2027	17,217,000	10,431,900	27,648,900
2028-2031	6,913,000	9,292,650	16,205,650
	<u>\$ 130,257,581</u>	<u>\$ 89,453,388</u>	<u>\$ 219,710,969</u>

On February 1, 2002 the County issued \$3,210,000 in General Obligation Notes, Series of 2002 to refund a portion of the County's General Obligation Bonds, Series A of 1997, Series B of 1997, Series of 1998, and Series of 1999 due on May 1, 2002 in the amount of \$2,690,000 and to pay the costs of issuing and insuring the 2002 notes.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

The refunding bond proceeds of \$3,335,698, after payment of underwriting fees, insurance and other issuance costs were deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds and to provide for interest on the 2002 notes due on May 1, 2002 and November 1, 2002. The refunding resulted in an increase of debt service payable on general obligation bonds of \$1,056,868 and a present value economic gain of \$93,173.

On September 13, 2002, the County issued \$25,050,000 in variable rate interest bearing General Obligation Notes, Series 2002A, to refund \$24,900,000 in variable rate interest bearing General Obligation Bonds, Series of 2000. The refunding bond proceeds of \$24,909,476 after payment of underwriting fees, insurance, and other issuance costs, were deposited in an irrevocable trust to provide all future debt service payments on the refunded bonds. The County refunded its previously issued notes to reduce debt service on its general obligation notes by \$1,591,685, resulting in a present value economic gain of \$1,096,207.

In 2002, the County also issued \$7,345,000 in General Obligation Bonds, Series of 2002A, and \$573,000 interest-bearing installment purchase agreements.

The remaining \$1,373,848 of the 2002 additions to general obligation bonds and notes payable represent 2002 accretion on the capital appreciation general obligation bonds dated March 14, 1991 and capital appreciation general obligation notes dated December 20, 2001.

On December 31, 2002, \$2,380,000 of bonds outstanding are considered defeased.

Loan Payable

On December 23, 2002, the County borrowed \$2,000,000 in connection with the termination of their self-insurance program for medical claims as of January 1, 2003, in order to fund the payment of the trailing medical claims. Interest is payable annually on a quarterly basis at an interest rate of 4.25%.

Debt service commitments on the County's loan payable as of December 31, 2002 are as follows:

	Principal	Interest	Total
2003	\$ 638,690	\$ 76,563	\$ 715,253
2004	666,270	47,331	713,601
2005	695,040	18,375	713,415
	\$ 2,000,000	\$ 142,269	\$ 2,142,269

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, 2002, the following changes occurred in long-term liabilities:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 122,215,733	\$ 37,552,048	\$ 29,510,200	\$ 130,257,581	\$ 4,760,289
Deferred amounts on refundings	(3,955,760)	(655,174)	205,664(*)	(4,405,270)	-
Net premium on bonds payable	217,713	190,141	173,476	234,378	-
Obligation under capital lease agreement	274,233	-	274,233	-	-
Claims and judgments	512,500	-	-	512,500	-
Accrued vacation and sick pay	3,239,869	554,309	198,464	3,595,714	174,745
Net pension obligation	1,830,831	1,397,185	-	3,228,016	-
Workers' compensation claims liability	931,519	-	591,116	340,403	-
Arbitrage rebate payable	445,977	7,834	-	453,811	-
Loan payable	-	2,000,000	-	2,000,000	638,690
Deferred revenue on swap agreement	-	3,000,000	100,000	2,900,000	100,000
Governmental activities long-term liabilities	\$ 125,712,615	\$ 44,046,343	\$ 30,641,825	\$ 139,117,133	\$ 5,673,724

(*) Must subtract for column to foot

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due Within One Year
Business-Type Activities:					
Net pension obligation	\$ 677,723	\$ 527,312	\$ -	\$ 1,205,035	\$ -
Accrued vacation and sick pay	1,143,954	133,404	65,035	1,212,323	56,974
Business-type activities long-term liabilities	\$ 1,821,677	\$ 660,716	\$ 65,035	\$ 2,417,358	\$ 56,974

All long-term liabilities are expected to be repaid primarily from general fund tax revenues.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

10. Short-term Debt

On August 14, 2002, the County issued Tax Revenue Anticipation Notes in the amount of \$32,316,570 related to the Pennsylvania Intergovernmental Medical Assistance Pooling Act. In connection with this Act, municipalities pool funds in order to facilitate medical assistance reimbursement from the Commonwealth of Pennsylvania. On August 14, 2002, the County repaid \$32,316,570 related to these Tax Revenue Anticipation Notes. There was no outstanding balance at December 31, 2002 related to the issuance of this short-term debt during 2002. Short-term debt activity for the year ended December 31, 2002 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Revenue Anticipation Notes	\$ -	\$ 32,316,570	\$ 32,316,570	\$ -

11. Self-Insurance Claims Liability

Changes in the County's self-insurance claims liabilities for the years ended December 31, 2002 and 2001 were as follows:

	Liability Balance as of January 1, 2002	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2002
Unemployment Compensation	\$ 276,782	\$ 146,962	\$ 134,738	\$ 289,006
Workers' Compensation	1,418,018	464,191	412,235	1,469,974
Medical Insurance	511,409	9,454,764	8,641,211	1,324,962
Total Unemployment Compensation, Workers' Compensation, and Medical Insurance	<u>\$ 2,206,209</u>	<u>\$ 10,065,917</u>	<u>\$ 9,188,184</u>	<u>\$ 3,083,942</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

11. Self-Insurance Claims Liability (continued)

	Liability Balance as of January 1, 2001	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2001
Unemployment Compensation	\$ 136,714	\$ 270,780	\$ 130,712	\$ 276,782
Workers' Compensation	1,418,018	486,499	486,499	1,418,018
Medical Insurance	612,015	7,470,863	7,571,469	511,409
Total Unemployment Compensation, Workers' Compensation, and Medical Insurance	<u>\$ 2,166,747</u>	<u>\$ 8,228,142</u>	<u>\$ 8,188,680</u>	<u>\$ 2,206,209</u>

Of the above self-insurance claims liability balances, amounts for the years ended December 31, 2002 and 2001 were reported in the general fund as follows:

	Balance as of December 31, 2001	Balance as of December 31, 2002
Unemployment Compensation	\$ 276,782	\$ 289,006
Workers' Compensation	486,499	1,129,971
Medical Insurance	511,409	1,324,962
	<u>\$ 1,274,690</u>	<u>\$ 2,743,939</u>

12. Interfund Balances

Individual fund receivable and payable balances at December 31, 2002 were as follows:

Fund(s)	Interfund Receivables	Interfund Payables
General	\$ 349,799	\$ -
Non-major special revenue		228,245
Agency		121,554
	<u>\$ 349,799</u>	<u>\$ 349,799</u>

The balance due to the general fund from the agency fund was a result of general fund receipts collected initially by the agency fund that are due back to the general fund. The balance due to the general fund from the nonmajor special revenue funds resulted from cash deficits in the respective nonmajor special revenue funds.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

13. Interfund Transfers

Interfund transfers for the year ended December 31, 2002 consisted of the following:

Funds	Interfund Transfers In	Interfund Transfers Out
General fund	\$ 1,261,701	\$ 10,163,613
Children and Youth Services	6,207,582	-
Mental Health/Mental Retardation	660,957	-
Capital Projects	-	727,630
Nonmajor special revenue	1,422,840	-
Conestoga View		520,000
911 operations	1,858,163	-
Total	\$ 11,411,243	\$ 11,411,243

Transfers are used to (1) move available funds from Conestoga View enterprise fund to the general fund to reimburse previous years capital expenditures paid by the general fund on behalf of Conestoga View; (2) 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; and (3) subsidize 911 operations.

In the year ended December 31, 2002, the County made a one-time transfer of \$727,630 from the capital projects fund to the general fund to fund the payment of interest on general obligation bonds payable.

14. Due From Other Governments

Amounts "Due from Other Governments" are primarily grants receivable from the Commonwealth of Pennsylvania at December 31, 2002. Additionally, the Enterprise Fund (Conestoga View) has a "Due from Other Governments" in the amount of \$2,992,814 principally relating to billing for patient services rendered under the Commonwealth's Medical Assistance Program.

Conestoga View has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and per diem payments. Net revenue from the Medicare and Medical Assistance programs accounted for a significant percentage of Conestoga View's intergovernmental revenue for the year ended December 31, 2002.

Laws and regulations governing Medicare and Medical Assistance regulations are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Conestoga View believes that it is in compliance with all applicable laws and

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Due From Other Governments (continued)

regulations and is not aware of any pending or threatened investigations by any third-party entity. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medical Assistance programs.

15. Fines and Costs Receivable

At December 31, 2002, \$600,000 in fines and costs receivable are expected to be collected in more than one year.

16. Commitments and Contingent Liabilities

On April 30, 1991, the County executed an agreement with the Fulton Opera House Foundation (Foundation) whereby the County agreed to loan the Foundation up to \$1,100,000 for purposes of funding costs of the Fulton Opera House Rehabilitation Project, as defined (Project). The term of the loan will be for a period of up to 30 years from the date of the initial draw on the loan. As of December 31, 2002, the outstanding loan balance to the Foundation under this agreement was \$1,037,530. The amount of the loan due in more than one year was \$1,021,671 as of December 31, 2002.

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.

Commitments and Contingent Liabilities (Component Unit)

A group of Lancaster County hoteliers have joined together to sue and attempt to stop the building of the proposed convention center. The Authority has prevailed in the initial rulings of the court. The hoteliers have appealed this decision. The Authority is confident that it will prevail in the appeal also, and anticipates proceeding with the construction of the convention center facility.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Postretirement Healthcare Benefits

In addition to providing pension benefits, the County provides certain postretirement healthcare benefits to all former employees who were members of the Employee Retirement Plan for a minimum of five years and are currently receiving retirement income. The provisions of the plan are stated in the County's personnel manual. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Currently, 408 retirees meet those eligibility requirements. These benefits are provided through insurance companies whose premiums, in some cases, are based on the benefits paid during the year. Premiums under the plan for certain healthcare benefits are paid in part by the County. Retirees desiring such coverage are responsible for co-pays in accordance with rates established by the County. The County recognizes the cost of providing these benefits, which totaled \$1,955,268 for 2002, as premiums are paid.

18. 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, 2002, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	594
Terminated plan members enrolled but not yet receiving benefits	57
Active plan members	<u>2,260</u>
Total members	<u><u>2,911</u></u>

The Plan provides retirement, death, and disability benefits. Retirement benefits vest after eight 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 5 1/2% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$36,803,728 as of December 31, 2002, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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, within a 5% margin, the pension trust fund to invest the following asset allocations:

Large Cap Core Equity	15%
Large Cap Value Equity	15%
Small Cap Growth Equity	15%
International Equity	15%
Fixed Income	40%

The following individual investments represent 5% or more of the Plan's fair value of net assets available for benefits as of December 31, 2002:

	<u>Fair Value</u>
U.S. Government Agency-Mortgage Backed Securities	\$ 15,369,499
Domestic Corporate Bonds	13,255,809
Domestic Common Stock	10,680,359
Stock Index Funds	23,656,463
International Equity Fund	12,696,963

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 2002, all administrative costs totaling \$36,188 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 each 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 each plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

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 and the actuarial value of assets are determined using the aggregate actuarial funding method. Separate determination and amortization of the unfunded accrued actuarial liability are not part of the aggregate actuarial cost method and are not required when that method is used. 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 as follows:

The net pension obligation and the annual required contribution were determined as part of an actuarial valuation at December 31, 2002. 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 3 - 4.5%, at graduated .25% increments over six years; (c) 3% inflation rate, and (d) no postretirement benefit increases.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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	\$ 2,519,306
Interest on net pension obligation	188,142
Adjustment to annual required contribution	<u>(309,014)</u>
Annual pension cost	2,398,434
Contributions made	<u>(473,937)</u>
Increase in net pension obligation	1,924,497
Net pension obligation beginning of year	2,508,554
Net pension obligation, end of year	<u><u>\$ 4,433,051</u></u>

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2000	\$ 539,750	0%	\$ 1,997,178
2001	\$ 511,376	0%	\$ 2,508,554
2002	\$ 2,398,434	20%	\$ 4,433,051

Legally Required Reserves

At December 31, 2002, the County has a balance of \$36,803,728 in 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, 2002. Since those accumulations represent the present value of future benefits as of December 31, 2002, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$37,702,595 in the County Annuity Reserve Account as of December 31, 2002. This balance and the amounts expected to be credited in the future, plus investment earnings thereon, represent the reserves set aside for the payment of the County's share of the retirement allowances.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Annual Pension Cost and Net Pension Obligation

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, 2002 amounted to \$33,189,068.

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

19. Interest Rate Swap

In November 2001, the County entered into an interest rate swap agreement. The agreement is a fixed-to-floating rate swap agreement, pursuant to which the provider has agreed to make variable rate payments to the County based upon a percentage of LIBOR, as the floating rate index, in return for the County making fixed rate payments to the provider. The County is to make the fixed rate payments to the provider on the first of each month at a fixed rate of 5.195% from February 1, 2002 through May 1, 2030. In connection with and in consideration for entering into this swap agreement the County received a \$3,000,000 swap premium in January of 2002. The swap premium is being deferred and amortized over the life of the swap agreement in the government-wide financial statements.

The County entered into the agreement in order to take advantage of the interest rate environments in the financial markets and to lock in a fixed rate relative to the variable rate interest payments it is required to make for the variable rate interest bearing General Obligation Bond, Series of 2002.

20. Subsequent Events

In October 2002, the County entered into an interest rate swaption agreement. The agreement is a fixed-to-floating rate swaption agreement, pursuant to which the provider has agreed to make variable rate payments to the County based upon a percentage of LIBOR as the floating rate index, in return for the County making fixed rate payments to the provider. The County is to make the fixed rate payments to the provider on the first of each month at fixed rates of 4.61% to 4.73% from December 1, 2003 through November 1, 2016. In connection with and in consideration for entering into this swap agreement, the County will receive a \$450,000 swap premium in November of 2003. The County entered into the agreement in order to take advantage of the interest rate environments in the financial markets and to lock in a fixed rate relative to the variable rate interest payments it is required to make for a proposed variable rate interest bearing General Obligation Bond, Series of 2003.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Subsequent Events (continued)

On January 1, 2003, the County issued the General Obligation Bonds, Series 2003, in the amount of \$23,305,000 to finance various County capital projects. Interest rates range from 3% to 4.75%, principal payable annually, ranging in amounts from \$450,000 to \$1,395,000 from November 2004 to November 2032.

Effective January 1, 2003, the County is no longer self-insured for medical claims. In connection with this, the County borrowed \$2,000,000 as of December 31, 2002, to pay the trailing claims incurred prior to December 31, 2002 as a result of termination of the self-insurance arrangement.

REQUIRED SUPPLEMENTARY INFORMATION

County of Lancaster, Pennsylvania

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	\$2,617,040	0%
1998	585,980	0%
1999	899,728	0%
2000	609,240	0%
2001	606,179	0%
2002	2,519,306	19%

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2002
Actuarial cost method	Aggregate
Amortization method	Not applicable*
Remaining amortization period	Not applicable*
Amortization period open or closed	Not applicable*
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3% - 4.5% at graduated .25% increments over 6 years.
Includes inflation at:	3%
Post-retirement benefit increases	None

* The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$7,289,977	\$8,091,987	\$5,310,415	\$(2,781,572)
Real estate taxes	60,011,665	60,011,665	61,207,809	1,196,144
Personal property taxes			555	555
Departmental	16,066,321	16,090,777	16,968,791	878,014
Fines and costs	3,159,640	3,159,640	3,439,423	279,783
Interest	971,000	971,000	621,265	(349,735)
Indirect reimbursement	1,813,695	1,813,695	2,141,568	327,873
Other	310,431	310,431	258,299	(52,132)
Total revenues	89,622,729	90,449,195	89,948,125	(501,070)
EXPENDITURES				
Current:				
General government	30,389,812	31,083,240	33,870,979	(2,787,739)
Public safety	7,831,761	7,831,761	6,829,298	1,002,463
Health, education, and welfare:				
Other	841,265	859,731	956,964	(97,233)
Judicial	25,963,597	26,047,944	24,824,601	1,223,343
Corrections	14,215,218	14,299,925	13,938,297	361,628
Cultural and recreation	2,376,437	2,384,093	2,096,565	287,528
Capital outlay	1,937,451	1,948,613	1,356,265	592,348
Debt service:				
Principal retirement	1,920,000	1,920,000	1,920,000	-
Interest and fiscal charges	2,700,128	2,700,128	2,700,128	-
Total expenditures	88,175,669	89,075,435	88,493,097	582,338
Excess of revenues over expenditures	1,447,060	1,373,760	1,455,028	81,268
OTHER FINANCING SOURCES (USES)				
Transfers in	520,000	520,000	520,000	-
Transfers out	(10,493,434)	(10,493,434)		(10,493,434)
Total other financing sources (uses)	(9,973,434)	(9,973,434)	520,000	(10,493,434)
Net change in fund balances	\$12,460,494	\$12,387,194	1,975,028	\$10,412,166
Net increase in assets and liabilities			2,898,991	
Fund balances, January 1, cash basis			7,662,066	
Fund balance, December 31, cash basis			12,536,085	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			832,356	
Fines and costs, net			4,770,780	
Accounts			32,100	
Due from other funds			349,799	
Due from other governments			3,167,065	
Advances to providers			151,818	
Loans			1,037,530	
Accounts payable			(1,463,081)	
Deferred revenue - taxes, fines and costs receivable			(5,517,155)	
Payroll related accruals			(4,863,344)	
Loan payable			(2,000,000)	
Fund balances at December 31, modified accrual basis			\$9,033,953	

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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$25,640,015	\$25,640,015	\$23,940,461	\$(1,699,554)
Departmental	2,236,159	2,236,159	1,792,838	(443,321)
Interest	1,200	1,200	661	(539)
Total revenues	<u>27,877,374</u>	<u>27,877,374</u>	<u>25,733,960</u>	<u>(2,143,414)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth	35,641,246	35,641,246	31,484,847	4,156,399
Capital outlay	417,065	417,065	215,267	201,798
Total expenditures	<u>36,058,311</u>	<u>36,058,311</u>	<u>31,700,114</u>	<u>4,358,197</u>
Excess (deficiency) of revenues over (under) expenditures	(8,180,937)	(8,180,937)	(5,966,154)	2,214,783
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>7,930,140</u>	<u>7,930,140</u>	6,207,582	<u>1,722,558</u>
Net change in fund balances	<u>\$(250,797)</u>	<u>\$(250,797)</u>	241,428	<u>\$(492,225)</u>
Fund balances, January 1, cash basis			<u>1,835,347</u>	
Fund balance, December 31, cash basis			<u>2,076,775</u>	
Differences from modified accrual basis:				
Due from other governments			3,280,078	
Accounts payable			(1,810,871)	
Deferred revenue			(1,308,219)	
Payroll related accruals			<u>(365,089)</u>	
Fund balances at December 31, modified accrual basis			<u>\$1,872,674</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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$47,621,269	\$47,621,269	\$47,794,272	\$173,003
Departmental	871,145	871,145	596,598	(274,547)
Interest	232,795	232,795	151,788	(81,007)
Other	70,000	70,000	308,765	238,765
Total revenues	<u>48,795,209</u>	<u>48,795,209</u>	<u>48,851,423</u>	<u>56,214</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	49,654,006	49,654,006	46,139,308	3,514,698
Capital outlay	118,000	118,000	115,549	2,451
Total expenditures	<u>49,772,006</u>	<u>49,772,006</u>	<u>46,254,857</u>	<u>3,517,149</u>
Excess (deficiency) of revenues over (under) expenditures	(976,797)	(976,797)	2,596,566	3,573,363
OTHER FINANCING SOURCES (USES)				
Transfers in	965,105	965,105	660,957	304,148
Net change in fund balances	<u>\$(11,692)</u>	<u>\$(11,692)</u>	<u>3,257,523</u>	<u>\$(3,269,215)</u>
Fund balances, January 1, cash basis			<u>3,710,770</u>	
Fund balance, December 31, cash basis			<u>6,968,293</u>	
Differences from modified accrual basis:				
Advances to providers			2,084,882	
Other receivables			111,137	
Accounts payable			(1,863,092)	
Deferred revenue			(7,050,387)	
Payroll related accruals			(250,833)	
Fund balances at December 31, modified accrual basis			<u>\$ -</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. Specifically, the revenues and expenses of the County's 911 operations which are reported in the 911 operations enterprise fund for GAAP reporting purposes are reported as revenues and expenses in the County's general fund for budgetary purposes.

General fund revenues per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - general fund	\$89,948,125
Net adjustment to general fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	(208,261)
Less: 911 operations revenues recognized in the general fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(4,114,158)</u>
General fund revenues per statement of revenues, expenditures, and changes in fund balances - government funds	<u>\$85,625,706</u>
General fund expenditures per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - general fund	\$88,493,097
Net adjustment to general fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	(7,698,446)
Less: 911 operations expenditures recognized in the general fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(6,255,299)</u>
General fund expenditures per statement of revenues, expenditures, and changes in fund balances - government funds	<u>\$74,539,352</u>

Combining and Individual Fund Statements and Schedules

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

Domestic Relations Fund

This 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.

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.

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 state. These funds are restricted to building and improving local roads and bridges.

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.

Agricultural Land Preservation Fund

This special revenue fund is used to account for amounts appropriated by the County, as well as funds received from the state. These funds are used in the deed restriction program to help preserve farmland in Lancaster County.

County of Lancaster, Pennsylvania
 Combining Balance Sheet - Nonmajor Governmental Funds
 December 31, 2002

	Special Revenue							Total Nonmajor Governmental Funds
	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Community Development Block Grant	Agricultural Land Preservation	
ASSETS								
Cash and temporary investments:								
Operating	\$2,074,655	\$ -	\$1,003,702	\$593,293	\$3,998,399	\$ -	\$2,173,534	\$9,843,583
Other			138,162					138,162
Investments							257,606	257,606
Other receivables		43,457	1,578					45,035
Due from other governments	630,870	394,681	192,140		1,225			1,218,916
Advances to providers			4,296					4,296
Total assets	\$2,705,525	\$438,138	\$1,339,878	\$593,293	\$3,999,624	\$ -	\$2,431,140	\$11,507,598
LIABILITIES								
Liabilities:								
Accounts payable	\$9,310	\$169,977	\$251,760	\$488,777	\$ 2,809	\$ -	\$ -	\$ 922,633
Contracts payable							2,431,140	2,431,140
Due to other funds		228,126			119			228,245
Deferred revenue			945,916	75,633				1,021,549
Payroll related accruals	117,475	40,035	142,202	28,883				328,595
Total liabilities	126,785	438,138	1,339,878	593,293	2,928	-	2,431,140	4,932,162
FUND BALANCES (DEFICIT)								
Reserved for advances			4,296					4,296
Unreserved:								
Designated for programmatic expenditures	2,578,740		(4,296)		3,996,696			6,571,140
Total fund balances	2,578,740	-	-	-	3,996,696	-	-	6,575,436
Total liabilities and fund balances	\$2,705,525	\$438,138	\$1,339,878	\$593,293	\$3,999,624	\$ -	\$2,431,140	\$11,507,598

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2002

	Special Revenue							Total Nonmajor Governmental Funds
	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Community Development Block Grant	Agricultural Land Preservation	
REVENUES								
Intergovernmental	\$2,822,208	\$2,993,870	\$6,061,047	\$3,269,809	\$859,969	\$4,836,576	\$ -	\$20,843,479
Departmental	117,587			975				118,562
Interest	40,583			1,666	76,057			118,306
Other			79,222	53,945	6,043			139,210
Total revenues	2,980,378	2,993,870	6,140,269	3,326,395	942,069	4,836,576	-	21,219,557
EXPENDITURES								
Current:								
Roads and bridges					205,939			205,939
Health, education, and welfare:								
Drug and alcohol				3,537,426				3,537,426
Employment and training		2,937,889						2,937,889
Office of aging			6,713,640					6,713,640
Judicial	3,652,094							3,652,094
Community development						4,836,576		4,836,576
Capital outlay	9,571	55,981	33,461	14,189	184,141			297,343
Total expenditures	3,661,665	2,993,870	6,747,101	3,551,615	390,080	4,836,576	-	22,180,907
Excess (deficiency) of revenues over (under) expenditures	(681,287)	-	(606,832)	(225,220)	551,989	-	-	(961,350)
OTHER FINANCING SOURCES (USES)								
Transfers in	714,019		483,601	225,220				1,422,840
Total other financing sources (uses)	714,019	-	483,601	225,220	-	-	-	1,422,840
Net change in fund balances	32,732	-	(123,231)	-	551,989	-	-	461,490
Fund balances, January 1	2,546,008	-	123,231	-	3,444,707			6,113,946
Fund balances, December 31	\$2,578,740	\$ -	\$ -	\$ -	\$3,996,696	\$ -	\$ -	\$6,575,436

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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$2,624,813	\$2,624,813	\$3,029,356	\$404,543
Departmental	115,000	115,000	117,586	2,586
Interest	80,000	80,000	40,584	(39,416)
Total revenues	<u>2,819,813</u>	<u>2,819,813</u>	<u>3,187,526</u>	<u>367,713</u>
EXPENDITURES				
Current:				
Judicial	3,967,183	3,967,183	3,631,302	335,881
Capital outlay	385,944	385,944	9,571	376,373
Total expenditures	<u>4,353,127</u>	<u>4,353,127</u>	<u>3,640,873</u>	<u>712,254</u>
Excess (deficiency) of revenues over (under) expenditures	(1,533,314)	(1,533,314)	(453,347)	1,079,967
OTHER FINANCING SOURCES (USES)				
Transfers in	1,276,816	1,276,816	714,019	562,797
Net change in fund balances	<u>\$(256,498)</u>	<u>\$(256,498)</u>	260,672	<u>\$(517,170)</u>
Fund balances, January 1, cash basis			<u>1,813,983</u>	
Fund balance, December 31, cash basis			<u>2,074,655</u>	
Differences from modified accrual basis:				
Due from other governments			630,870	
Accounts payable			(9,310)	
Payroll related accruals			<u>(117,475)</u>	
Fund balances at December 31, modified accrual basis			<u>\$2,578,740</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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$3,375,957	\$3,375,957	\$2,931,224	\$(444,733)
Total revenues	<u>3,375,957</u>	<u>3,375,957</u>	<u>2,931,224</u>	<u>(444,733)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Employment and training	3,381,357	3,381,357	2,877,832	503,525
Capital outlay	12,433	12,433	55,981	(43,548)
Total expenditures	<u>3,393,790</u>	<u>3,393,790</u>	<u>2,933,813</u>	<u>459,977</u>
Net change in fund balances	<u>\$(17,833)</u>	<u>\$(17,833)</u>	<u>(2,589)</u>	<u>\$(15,244)</u>
Net increase in due to other funds			2,589	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Other receivables			43,457	
Due from other governments			394,681	
Accounts payable			(169,977)	
Due to other funds			(228,126)	
Payroll related accruals			(40,035)	
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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$7,214,631	\$7,936,400	\$7,241,532	\$(694,868)
Interest			1,674	1,674
Other	196,000	196,000	80,327	(115,673)
Total revenues	<u>7,410,631</u>	<u>8,132,400</u>	<u>7,323,533</u>	<u>(808,867)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Office of Aging	7,364,924	8,703,854	6,895,979	1,807,875
Capital outlay	45,707	45,707	33,462	12,245
Total expenditures	<u>7,410,631</u>	<u>8,749,561</u>	<u>6,929,441</u>	<u>1,820,120</u>
Excess (deficiency) of revenues over (under) expenditures	-	(617,161)	394,092	1,011,253
OTHER FINANCING SOURCES (USES)				
Transfers in		566,306	411,109	155,197
Net change in fund balances	<u>\$ -</u>	<u>\$(50,855)</u>	<u>805,201</u>	<u>\$(856,056)</u>
Fund balances, January 1, cash basis			<u>336,663</u>	
Fund balance, December 31, cash basis			<u>1,141,864</u>	
Differences from modified accrual basis:				
Other receivables			1,578	
Due from other governments			192,140	
Advances to providers			4,296	
Accounts payable			(251,760)	
Deferred revenue			(945,916)	
Payroll related accruals			(142,202)	
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 - Drug and Alcohol Special Revenue Fund

For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$4,204,426	\$4,204,426	\$4,274,236	\$69,810
Departmental	1,000	1,000	975	(25)
Interest	11,929	11,929	1,666	(10,263)
Other	750	580,874	53,945	(526,929)
Total revenues	<u>4,218,105</u>	<u>4,798,229</u>	<u>4,330,822</u>	<u>(467,407)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,435,237	5,015,361	3,594,603	1,420,758
Capital outlay	39,264	39,264	14,189	25,075
Total expenditures	<u>4,474,501</u>	<u>5,054,625</u>	<u>3,608,792</u>	<u>1,445,833</u>
Excess (deficiency) of revenues over (under) expenditures	(256,396)	(256,396)	722,030	978,426
OTHER FINANCING SOURCES (USES)				
Transfers in	245,351	245,351	225,220	20,131
Net change in fund balances	<u>\$(11,045)</u>	<u>\$(11,045)</u>	<u>947,250</u>	<u>\$(958,295)</u>
Net decrease in due to other funds			(353,957)	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			<u>593,293</u>	
Differences from modified accrual basis:				
Accounts payable			(488,777)	
Deferred revenue			(75,633)	
Payroll related accruals			<u>(28,883)</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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$600,000	\$600,000	\$861,501	\$261,501
Interest	145,000	145,000	76,057	(68,943)
Other	4,500	4,500	6,043	1,543
Total revenues	<u>749,500</u>	<u>749,500</u>	<u>943,601</u>	<u>194,101</u>
EXPENDITURES				
Current:				
Roads and bridges	1,127,339	1,127,339	221,451	905,888
Capital outlay	2,157,442	2,157,442	184,140	1,973,302
Total expenditures	<u>3,284,781</u>	<u>3,284,781</u>	<u>405,591</u>	<u>2,879,190</u>
Net change in fund balances	<u>\$(2,535,281)</u>	<u>\$(2,535,281)</u>	<u>538,010</u>	<u>\$(3,073,291)</u>
Fund balances, January 1, cash basis			<u>3,460,389</u>	
Fund balance, December 31, cash basis			<u>3,998,399</u>	
Differences from modified accrual basis:				
Due from other governments			1,225	
Accounts payable			(2,809)	
Due to other funds			(119)	
Fund balances at December 31, modified accrual basis			<u>\$3,996,696</u>	

STATISTICAL SECTION

County of Lancaster, Pennsylvania
General Governmental Expenditures by Function (1)
Last Ten Years

Table 1

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Expenditures:										
General Government	\$17,378,648	\$18,921,034	\$17,647,304	\$17,399,700	\$17,985,934	\$20,373,098	\$21,518,895	\$25,892,225	\$41,587,893	\$39,542,400
Public Safety	2,192,256	2,808,901	3,711,190	4,357,884	4,534,442	5,282,574	5,206,259	5,971,456	6,241,998	254,174 (3)
Roads and Bridges	445,643	551,955	309,163	708,795	817,071	182,156	560,989		433,594	205,939
Health, education and welfare:										
Drugs and Alcohol	1,876,855	1,872,718	1,749,674	2,268,085	3,433,610	3,852,526	3,839,594	4,086,542	4,607,956	3,537,426
Employment and Training	3,022,472	3,296,063	2,877,233	2,487,666	2,769,095	2,540,502	2,426,380	1,637,120	2,207,559	2,937,889
Mental Health/Mental Retardation	15,308,700	17,455,452	20,448,922	22,499,247	23,417,171	29,056,207	26,077,370	34,639,492	40,350,436	45,841,259
Office of Aging	5,239,323	4,951,555	5,735,513	5,657,919	5,895,116	6,092,531	5,968,260	7,136,854	7,172,111	6,713,640
Children and Youth	13,636,037	16,117,597	16,389,065	18,698,602	20,181,165	23,066,567	27,331,900	30,258,567	33,759,131	36,920,636
Other	3,173,556	3,308,767	3,296,100	3,414,825	3,195,669	529,528	595,725	661,207	713,296	832,977
Judicial	16,312,366	16,737,228	18,505,088	19,408,229	21,537,416	22,368,920	23,284,151	24,527,754	26,919,414	28,803,044
Corrections	8,609,422	9,276,720	9,836,218	9,980,618	10,747,625	11,449,924	11,721,069	12,567,146	13,082,682	14,041,578
Culture and Recreation	1,239,644	1,310,412	1,397,709	1,546,124	1,685,611	1,737,960	1,881,487	2,016,937	2,263,339	2,117,355
Community Development	3,760,985	4,492,277	4,337,264	3,936,044	5,026,949	6,407,530	3,965,971	5,133,874	4,561,550	4,836,576
Depreciation in Fair Value of Investments							210,073			
Capital Outlay	1,760,353	3,614,040	5,439,413	4,904,226	2,214,934	4,320,602	6,535,965	22,364,395	16,934,114	9,955,828
Capital Lease		979,655				1,371,165				
Debt service (2)										
Principal Retirement	2,720,000	3,320,000	3,070,000	3,205,000	3,220,000	4,530,000	4,360,000	4,810,000	4,495,000	1,920,000
Interest and fiscal charges	1,955,036	1,998,930	1,977,657	2,149,283	2,435,404	2,119,684	1,875,940	3,198,789	4,114,619	2,700,128
Bond issuance costs										288,909
Total Expenditures	\$98,631,296	\$111,013,304	\$116,727,513	\$122,622,247	\$129,097,212	\$145,281,474	\$147,360,028	\$184,902,358	\$209,444,692	\$201,449,758

(1) Amounts include all governmental fund types

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

(3) 911 Operations became an enterprise fund in 2002

County of Lancaster, Pennsylvania
General Governmental Revenues by Source (1)
Last Ten Years

Table 2

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenues:										
Real Estate Taxes	\$37,199,071	\$38,515,705	\$39,355,004	\$36,653,736	\$41,268,634	\$53,380,671	\$54,257,481	\$56,347,904	\$57,902,496	\$60,952,887
Personal Property Taxes	4,776,742	5,212,350	5,255,102		395	38,544	8,110			555
Intergovernmental	48,030,835	53,014,168	57,087,622	59,221,424	64,891,091	72,619,983	69,668,080	84,176,629	92,023,376	101,367,081
Departmental	13,314,547	7,851,462	10,934,728	10,955,572	10,925,017	11,894,457	13,043,400	12,844,848	13,865,686	15,494,862
Fines and Costs	1,996,624	2,209,316	2,300,402	2,471,293	2,569,576	2,745,813	2,961,714	3,121,137	3,957,438	3,532,836
Interest	1,027,038	1,755,014	2,415,281	2,609,775	1,535,983	3,031,788	1,966,978	4,885,056	3,622,738	1,755,276
Other	757,120	1,218,745	639,833	396,521	418,961	328,169	1,616,854	802,947	697,691	932,256
Health Choices										72,421
Total Revenues	\$107,101,977	\$109,776,760	\$117,987,972	\$112,308,321	\$121,609,657	\$144,039,425	\$143,522,617	\$162,178,521	\$172,069,425	\$184,108,174

(1) Amounts include all governmental fund types.

County of Lancaster, Pennsylvania
Property Tax Levies and Collections
Last Ten Years

Table 3

Year	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections (2)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1993	42,873,577	40,146,668	93.64%	564,086	40,710,754	94.96%	1,981,762	4.62%
1994	44,913,793	42,181,228	93.92%	1,470,128	43,651,356	97.19%	1,422,146	3.17%
1995	45,542,247	43,055,615	94.54%	1,592,116	44,647,731	98.04%	1,501,395	3.30%
1996	36,892,678	35,136,945	95.24%	1,444,628	36,581,573	99.16%	1,366,560	3.70%
1997	42,146,876	39,882,529	94.63%	1,291,192	41,173,721	97.69%	1,798,106	4.27%
1998	54,955,971	51,723,264	94.12%	1,478,664	53,201,928	96.81%	1,974,835	3.59%
1999	55,167,820	52,320,144	94.84%	1,996,662	54,316,806	98.46%	1,075,483	1.95%
2000	56,401,307	55,125,390	97.74%	1,176,172	56,301,562	99.82%	618,847	1.10%
2001	59,742,551	56,713,662	94.93%	1,195,523	57,909,185	96.93%	825,459	1.38%
2002	60,580,539	59,551,180	98.30%	1,657,148	61,208,328	101.04%	858,099	1.42%

(1) Total tax levy includes real estate and personal property taxes for 1993 - 1995. On 5/22/96, the Board of Commissioners repealed the personal property tax effective January 1, 1996. Real estate tax levy is not adjusted by exonerations.

(2) Total tax collections include penalties and interest.

County of Lancaster, Pennsylvania
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Table 4

Year	Real Property			Personal Property (2)			Total Assessed Value
	Assessed Value	Estimated Actual Value (1)	Millage Rate	Assessed Value to Estimated Actual Value	Assessed Value	Millage Rate	
1993	3,636,842,160	3,189,464,720	12.000	100%	1,225,112,070	4.00	4,861,954,230
1994	3,738,993,750	3,283,418,320	12.000	100%	1,325,733,683	4.00	5,064,727,433
1995	3,805,378,700	3,345,542,010	12.000	100%	1,332,173,660	4.00	5,137,552,360
1996	3,804,594,810	3,353,879,840	11.000	100%			3,804,594,810
1997	24,001,100,700	21,340,190,400	1.975	100%			24,001,100,700
1998	24,470,843,500	21,678,884,200	2.535	100%			24,470,843,500
1999	22,561,137,200	20,674,588,900	2.515	100%			22,561,137,200
2000	25,267,114,100	22,863,582,100	2.515	100%			25,267,114,100
2001	25,773,667,700	23,287,615,500	2.613	90%			25,773,667,700
2002	25,908,504,500	23,373,714,300	2.613	90%			25,908,504,500

(1) 1993-1996 estimated actual value is based on a market value appraisal made in 1960 by the Lancaster County Assessment Board which is updated as additions and new construction occur. In 1997, county-wide reassessment was implemented.

(2) The Lancaster County Personal Property Tax was a tax on intangible personal property. Assessed value represents the estimated actual value of the property. On 5/22/96, the Board of Commissioners repealed the personal property tax effective January 1, 1996.

County of Lancaster, Pennsylvania
Property Tax Rates
Direct and Overlapping Governments (1)
Last Ten Years
(In Mills)

Table 5

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
City:										
Lancaster	119.75	130.2	131.6	144.1	24.505	25.515	26.455	26.455	26.5530	28.6730
Borough:										
Adamstown	91	96	97.5	100	16.265	17.825	18.555	18.555	19.1530	20.1530
Akron	75	84	86	85.5	14.569	16.225	16.205	17.205	18.3030	19.9530
Christiana	100.5	105.5	102	115	16.625	17.945	19.485	21.075	21.9830	25.4630
Columbia	105	114	116.5	115.5	18.601	22.161	23.091	23.675	23.7730	24.2730
Denver	92.25	97.25	98.75	101.25	16.585	18.145	18.375	18.375	18.7230	19.7230
East Petersburg	76.25	81.85	81.85	84.85	15.37	16.477	16.457	17.757	18.4050	19.2250
Elizabethtown	81.5	82.5	84.5	87.5	14.72	16.105	17.265	17.265	18.2130	18.7130
Ephrata	81.25	88	88	89.5	15.082	16.162	16.142	17.142	18.2400	19.8900
Lititz	80.5	94.7	97	97.9	16.2	16.76	16.74	16.74	16.8380	18.7130
Manheim	88.5	100	102.8	104.6	17.375	18.505	18.815	19.385	19.9830	20.7330
Marietta	104	108	109.5	108.5	16.275	17.135	17.975	18.205	19.5230	20.2230
Millersville	78.25	89.5	98.5	105.4	17.363	18.873	19.493	19.635	19.7330	20.2830
Mount Joy	94	98.5	100.5	99.5	15.775	16.385	16.725	17.105	18.5230	19.2230
Mountville	79.25	83.85	83.85	84.85	15.315	15.875	15.855	16.355	17.0030	18.0530
New Holland	89.3	90.8	90.8	92.55	14.815	15.375	15.355	15.355	15.6230	15.6230
Quarryville	63.5	70.5	73.5	73	11.155	11.715	11.995	11.995	12.4130	13.7630
Strasburg	79.5	81.2	85.6	90	15.455	16.835	17.005	17.465	18.1130	19.6530
Terre Hill	93.3	94.8	95.3	96.3	15.325	16.345	16.325	16.825	16.9230	16.9230
Townships:										
Bart	62.5	66	69	70	10.425	10.915	10.895	10.845	17.5130	17.8630
Brecknock	83.3	85.8	85.8	84.8	13.485	14.345	14.325	14.325	14.4230	14.4230
Caernarvon	83.8	85.3	85.3	86.3	13.685	14.245	14.225	14.225	14.3230	14.3230
Clay	77	83	83	83.5	14.13	15.2098	15.1898	16.1898	17.2878	18.9378
Colerain	57.5	62	65	66	9.955	10.515	10.495	10.495	11.1130	11.4630
Conestoga	68	78.5	85.5	90.4	15.002	16.512	17.132	17.442	17.5400	18.0900
Conoy	68.5	69.5	69.5	72.5	12.12	13.505	14.665	14.665	15.1130	15.6130
Drumore	54.5	59	62	63	9.555	10.115	10.095	10.095	10.5130	11.0630

(Continued)

County of Lancaster, Pennsylvania
Property Tax Rates
Direct and Overlapping Governments (1)
Last Ten Years
(In Mills)

Table 5 (Cont.)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Earl	85.8	87.3	87.3	88.3	14.125	15.045	15.025	15.025	15.1230	15.1230
East Cocalico	87.75	92.75	94.25	96.75	15.835	17.395	17.675	17.625	18.2230	19.2230
East Donegal	86	91	92	92	14.868	15.535	15.875	16.105	17.5230	18.2230
East Drumore	57	61.5	64.5	65.5	9.955	10.515	10.495	10.495	10.9130	11.2630
East Earl	85.3	86.8	86.8	87.8	13.975	14.535	14.565	14.825	14.9230	14.9230
East Hempfield	78.5	83.1	83.85	84.85	15.495	16.155	16.135	16.635	17.2830	18.1030
East Lampeter	67	74	76.25	78.25	13.705	14.515	14.625	14.755	14.8530	15.2530
Eden	58.5	63	66	67	10.155	10.815	10.165	10.165	10.5830	10.9330
Elizabeth	73.5	87.7	90	90.9	15.075	15.635	15.615	15.615	15.7130	17.2130
Ephrata	76.5	82.5	84.5	87	14.705	15.845	16.055	17.055	18.1530	19.8030
Fulton	56.5	61	64	65	9.775	10.335	10.315	10.315	10.7330	11.0830
Lancaster	97.75	105.7	104.7	111.7	19.025	20.035	20.015	20.015	20.1130	21.4830
Leacock	77.75	83.25	85.25	86.75	13.586	14.535	15.215	15.415	15.9130	17.0130
Little Britian	57.5	62	65	66	9.975	10.535	10.515	10.515	10.9330	11.2830
Manheim	90	92.3	92.3	91.7	16.245	16.785	16.765	17.165	17.7530	18.7430
Manor	67	77.5	84.5	89.4	15.045	16.555	17.225	17.535	17.6330	18.1830
Martic	63	72.5	79.5	84.4	14.195	15.705	16.325	16.635	16.7330	17.2830
Mount Joy (Part)(2)	94	97	95	93	14.675	14.105	15.375	15.855	17.1480	18.1730
Mount Joy (Part)(3)	78.5	78.5	76.5	78.5	12.82	15.135	15.165	15.415	16.2380	17.0630
Paradise	81.75	87.25	89.25	90.75	14.125	14.985	15.665	15.865	16.9130	18.0130
Penn	79	89.5	92.3	94.1	15.875	17.005	17.565	18.135	18.2330	18.9830
Pequea	70.5	80	87	91.9	15.319	16.82865	17.4487	17.7587	17.8566	18.8930
Providence	56.5	60.5	63.5	64.5	9.775	10.335	10.315	10.315	10.7330	11.0830
Rapho	77	86.5	89.3	91.1	15.375	16.505	16.815	17.385	17.4830	18.2330
Sadsbury	100	104	97	108	15.825	17.145	17.735	19.325	20.2330	22.2130
Salisbury	77.25	82.75	84.75	86.25	13.505	14.265	14.945	15.145	15.6430	16.7430
Strasburg	74	75.7	78.6	83	14.255	15.635	15.805	16.065	16.5130	18.1530
Upper Leacock	65	71	75.25	77.25	13.575	14.485	14.665	14.925	15.2230	15.7330
Warwick	75.5	89.7	92	92.9	15.405	15.9654	15.9454	15.9454	16.0434	17.5434
West Cocalico	84.75	90.75	92.25	94.75	15.335	16.895	17.125	17.625	18.4730	19.4730
West Donegal	74.5	75.5	77.5	80.5	13.62	15.005	16.165	16.165	16.6130	17.1130
West Earl	64.25	70.25	73.25	75.25	13.24	14.185	14.295	14.925	15.0230	15.4230
West Hempfield	74.75	79.35	79.35	80.35	14.595	15.155	15.135	15.635	16.2830	17.1030
West Lampeter	73.25	74.95	77.85	82.25	14.19	15.47	15.6988	16.1057	16.5537	18.3530

(1) Includes millage for municipal, school, and county real estate tax per \$1,000 of assessed value. In 1997, the 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 Taxpayers
December 30, 2002

Table 6

Taxpayer	Type of Business	Assessed Value	Percentage of Total Assessed Valuation
High Properties	Construction/Real Estate	\$ 158,625,600	13.94%
Spitzer M James Etal (Park City)	Retailing	146,740,200	12.89%
Willow Valley Association Inc	Retirement Complex	83,385,700	7.33%
PECO Energy Company	Electric Supplier	78,883,400	6.93%
Lancaster General Hospital Foundation	Medical Services	77,280,400	6.79%
Armstrong Cork Co	Manufacturing	72,427,000	6.36%
Dart Container Corp of PA	Manufacturing	56,048,800	4.92%
Rockvale Group	Retailing	52,607,100	4.62%
Granite Properties	Retailing	50,899,000	4.47%
Willow Valley Retirement	Retirement Complex	49,628,600	4.36%
American Stores	Warehouse	48,424,600	4.25%
Masonic Homes	Retirement Complex	43,149,200	3.79%
New Holland North America	Manufacturing	34,577,600	3.04%
Garden Spot Village Inc	Retirement Complex	31,157,000	2.74%
LutherCare	Retirement Complex	28,706,400	2.52%
Warner-Lambert Co	Manufacturing	26,090,700	2.29%
Safe Harbor Water Power Co	Electric Supplier	25,671,000	2.26%
Willow Valley Assoc. Inc.	Retirement Complex	25,378,200	2.23%
Mennonite Home	Retirement Complex	25,347,800	2.23%
Village of Olde Hickory LP	Property Management	23,165,400	2.04%
	Total	<u>\$ 1,138,193,700</u>	<u>100.00%</u>

County of Lancaster, Pennsylvania
 Computation of Legal Debt Margin
 December 30, 2002

Table 7

Borrowing base revenues (1):	
2000	\$ 100,212,634
2001	105,046,643
2002	114,988,835
Total Revenue	<u>\$ 320,248,112</u>
Average borrowing base revenues	\$ 106,749,371
Debt limit percentage	300%
Legal debt limit	<u>320,248,112</u>
Total amount of debt applicable to debt limit	<u>130,257,581</u>
Legal debt margin	<u>\$ 189,990,531</u>

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

County of Lancaster, Pennsylvania
Ratio of General Obligation Bonded Debt to Assessed Value
and General Obligation Bonded Debt Per Capita
Last Ten Years

Table 8

Year	Population (1)	Assessed Value (2)	Bonded Debt (3)	Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
1993	438,552	4,861,954	45,094,692	92.75%	102.83
1994	442,959	5,064,727	49,418,906	97.57%	111.57
1995	447,521	5,137,552	46,833,603	91.16%	104.65
1996	450,834	3,804,595	54,140,817	142.30%	120.09
1997	454,063	24,001,101	53,012,751	22.09%	116.75
1998	456,414	24,470,844	49,241,731	20.12%	107.89
1999	460,035	22,561,137	45,745,234	20.28%	99.44
2000	470,658	25,267,114	98,605,913	39.03%	209.51
2001	474,601	25,773,668	122,326,369	47.46%	257.75
2002	478,561	25,908,505	130,257,581	50.28%	272.19

(1) Population Sources: 1993- 1996 Estimated by Lancasater County Planning Commission;
1997 - 1999 Estimated by U.S. Census Bureau; 2000 U.S. Census Bureau.
2001 Estimated by U.S. Census Bureau

(2) From Table 4 (amounts expressed in thousands).

(3) Excludes issues refunded pursuant to advance refundings.

County of Lancaster, Pennsylvania
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Governmental Expenditures (1)
Last Ten Years

Table 9

Year	Principal (2)	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1993	2,720,000	1,955,009	4,675,009	98,631,296	4.74%
1994	3,320,000	1,998,930	5,318,930	111,013,304	4.79%
1995	3,070,000	1,977,657	5,047,657	116,727,513	4.32%
1996	3,205,000	2,149,283	5,354,283	122,622,247	4.37%
1997	3,220,000	2,435,404	5,655,404	129,097,212	4.38%
1998	4,530,000	2,119,684	6,649,684	145,281,474	4.58%
1999	4,360,000	1,875,940	6,235,940	147,360,028	4.23%
2000	4,810,000	3,198,789	8,008,789	184,902,358	4.33%
2001	4,495,000	4,114,619	8,609,619	209,444,692	4.11%
2002	1,920,000	2,700,128	4,620,128	201,449,758	2.29%

(1) Includes general, special revenue, and capital projects funds.

(2) Excludes expenditures for payments of tax revenue anticipation notes.

County of Lancaster
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 December 31, 2002

Table 10

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
County of Lancaster	\$130,257,581
Overlapping:	
City of Lancaster	-
School Districts:	
Cocalico	39,442,412
Columbia Borough	5,474,431
Conestoga Valley	37,687,156
Donegal	-
Eastern Lancaster County	21,830,549
Elizabethtown Area	28,610,000
Ephrata Area	57,366,933
Hempfield	65,762,643
Lampeter-Strasburg	50,822,701
Lancaster	79,257,302
Lancaster County Vo-Tech School	-
Manheim Central	21,275,917
Manheim Township	57,880,826
Octorara	25,255,000
Penn Manor	58,005,358
Pequea Valley	24,829,006
Solanco	26,954,466
Warwick	-
Total School Districts	600,454,700
Municipal Authorities:	
Adamstown Borough Authority	1,515,000
Akron Borough Authority	-
Bainbridge Water	-
Blue Ball Water Authority	-
Christiana Borough	970,699
East Cocalico Water And Sewer	6,255,000
Columbia Municipal	622,500
Denver Borough	-
Earl Township Sewer Authority	3,075,000
East Donegal Township - Marietta Borough Sewer	-
East Donegal Township Sewer	248,626
East Donegal Township Water	2,107,715
East Earl Sewer Authority	1,970,000
East Hempfield Municipal Authority	-
East Lampeter Township Sewer	9,106,000
Elizabethtown Regional Area Authority	24,990,000
Ephrata Borough	18,032,342
Ephrata Area Joint Authority	5,050,000
Ephrata Township Sewer Authority	-

(Continued)

Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
December 31, 1997

Table 10 (Cont.)

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
Georgetown Area Sewer Authority	\$513,382
Lancaster Airport	151,818
Lancaster Area Sewer	61,421,000
Lancaster County Convention Center	-
Lancaster County Hospital Authority	426,335,298
Lancaster County Solid Waste Management Auth	119,792,016
Lancaster Downtown Investment District Authority	-
Lancaster Higher Education Authority	-
Lancaster-Lebanon Joint Authority	3,450,000
Lancaster Municipal Authority	-
Lancaster Parking	25,260,000
Leacock Township Sewer Authority	3,096,966
Leola Sewer	2,725,487
Lititz Sewer	714,757
Manheim Borough	12,160,000
Manheim Township	-
Marietta Borough Authority	-
Mount Joy Borough	13,157,907
Mount Joy Township Authority	13,424,256
Mountville Borough Water Authority	-
New Holland Borough	-
Northern Lancaster County	185,367
Northwestern Lancaster County Water and Sewer	2,545,585
Paradise Township Sewer Authority	1,655,146
Quarryville Borough Sewer Authority	155,000
Red Rose Transit Authority	-
Redevelopment Authority	77,460
Sadsbury Township Sewer Authority	-
Strasburg Borough	-
Suburban Lancaster Sewer	14,870,000
Warwick Township Municipal	12,180,000
West Cocalico Township Authority	1,165,678
West Donegal Township Sewer & Water	8,489,364
West Earl Water Authority	-
West Earl Sewer Authority	-
Western Heights Water Authority	-
Total Municipalities	797,469,369
Total Overlapping Debt	1,397,924,069
Total direct and overlapping debt	\$1,528,181,650

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

Demographic Statistics
Last Ten Years

Table 11

Year	(1) Population	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
1993	438,552	21,070	78,160	4.2%
1994	442,959	22,147	79,980	3.8%
1995	447,521	22,997	81,609	3.5%
1996	450,834	24,138	82,754	3.3%
1997	454,063	25,057 (5)	84,132	3.0%
1998	456,414	26,053 (5)	84,985	2.9%
1999	460,035	26,889 (6)	85,647	2.6%
2000	470,658	27,309 (6)	85,569	2.7%
2001	474,601	28,195 (6)	85,571	3.2%
2002	478,561	28,863 (6)	85,836	3.8%

Data Sources:

(1) Population Sources: 1993 - 1996 Estimated by Lancaster County Planning Commission;
1997 - 1999 Estimated by U.S. Census Bureau; 2000 U.S. Census Bureau.
2001 - 2002 Estimated by U.S. Census Bureau

(2) 1993 - 1996 Lancaster, PA Office of Employment Security

(3) Commonwealth of Pennsylvania, Department of Education.

(4) PA Department of Labor and Industry, Office of Employment Security.

(5) Estimated by Lancaster County Controller's Office

(6) U.S Department of Commerce , Bureau of Economic Analysis.

(Continued)

County of Lancaster, Pennsylvania
Demographic Statistics (continued)
Last Ten Years

Table 11 (Cont.)

Population Count and Age Distribution (1):

Census Year	Under 5	5-9	10-14	15-19	20-24	25-44	45-64	Over 65	Total Population
1940	17,188	17,587	18,727	19,525	18,016	60,462	42,135	18,864	212,504
1950	24,639	20,110	17,180	17,170	18,283	67,633	47,096	22,605	234,716
1960	31,338	28,457	25,147	21,003	16,916	72,159	55,220	28,119	272,067
1970	27,180	31,646	32,768	30,232	24,474	75,416	64,935	33,428	320,079
1980	26,950	27,048	28,783	34,324	33,935	97,793	71,175	42,338	362,346
1990	33,462	31,739	29,844	30,590	31,305	132,351	78,062	55,469	422,822
2000	32,680	35,939	36,290	34,329	29,246	133,185	102,929	66,060	470,658

Population Distribution by Gender - 2000 Census Year (1):

	"Male"		"Female"	
	Number	Percentage	Number	Percentage
Under 5 years	16,808	7.33%	15,872	6.58%
5-9 years	18,496	8.06%	17,443	7.23%
10-14 years	18,523	8.07%	17,767	7.37%
15-19 years	17,501	7.63%	16,828	6.98%
20-24 years	14,488	6.31%	14,758	6.12%
25-34 years	29,308	12.77%	29,785	12.35%
35-44 years	36,643	15.97%	37,449	15.53%
45-54 years	30,747	13.40%	31,613	13.11%
55-59 years	10,909	4.75%	11,516	4.77%
60-64 years	8,709	3.80%	9,435	3.91%
65-74 years	14,893	6.49%	17,813	7.39%
75 years and older	12,429	5.42%	20,925	8.68%
	<u>229,454</u>	<u>100.00%</u>	<u>241,204</u>	<u>100.00%</u>

(1) Pennsylvania State University Data Center

County of Lancaster, Pennsylvania
Property Value, Construction, and Bank Deposits
Last Ten Years

Table 12

Year	Property Value (1)		Construction and Additons (2)		Bank Deposits (3)
	Taxable	Nontaxable	Number of Units	Value	
1993	\$3,189,464,720	\$447,377,440	5,317	\$85,650,840	\$5,023,843,000
1994	3,283,418,320	455,575,430	5,188	92,296,090	4,895,379,000
1995	3,345,542,010	459,836,690	4,460	75,563,950	5,016,543,000
1996	3,353,879,840	450,714,970	2,884	50,098,080	3,578,495,000
1997	21,340,190,400	2,660,910,300	4,722	467,926,900	5,237,152,000
1998	21,678,884,200	2,791,959,300	3,849	451,570,900	4,929,358,000
1999	20,674,588,900	1,886,548,300	3,504	434,999,300	5,434,834,000
2000	22,863,582,100	2,403,532,000	3,719	500,085,500	Not Available
2001	23,287,615,500	2,486,052,200	3,812	429,127,100	Not Available
2002	23,373,714,300	2,534,790,200	3,448	367,205,000	Not Available

- (1) Total appraised valuations and nontaxable appraised valuations were provided by the County Assessor's office. 1993-1996 property values are based on a 1960 market appraisal which is updated for additions and new construction. In 1997 county wide reassessment was implemented. Taxable property value is from Table 4, estimated actual value.
- (2) Amounts are based on interim appraisals for new construction and additions, which are added to the following year's real estate tax rolls.
- (3) Bank deposits include deposits for commerical banks, savings and loan associations, and credit unions. This information was compiled by Sheshunoff Info. Services, Inc., Austin, TX.

County of Lancaster, Pennsylvania
Salaries and Surety Bonds of Principal Officials
For the year ended December 31, 2002

Table 13

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Paul Thibault, Commissioner	\$ 71,662	\$ 7,500
Howard "Pete" Shaub, Commissioner	\$ 70,662	\$ 7,500
Ronald Ford, Commissioner	\$ 70,662	\$ 7,500
Dasle R. Denlinger, Clerk of Courts	\$ 61,504	\$ 11,000
Dennis P. Stuckey, Controller	\$ 61,504	\$ 100,000
Barry D. Walp, Coroner	\$ 61,504	\$ 15,000
Timothea Kirchner, County Administrator	\$ 88,114	\$ 7,500
Terry L. Styer, Chief Clerk	\$ 52,134	\$ 7,500
Donald R. Totaro, District Attorney	\$ 118,315	(1)
Judith Saylor, Jury Commissioner	\$ 6,715	(1)
Linda Schwanger, Jury Commissioner	\$ 6,715	(1)
Robert H. Getz, Prothonotary	\$ 61,504	\$ 200,000
Stephen J. McDonald, Recorder of Deeds	\$ 61,504	\$ 350,000
Donna S. Reinaker, Register of Wills	\$ 61,504	\$ 25,000
Terry Bergman, Acting Sheriff	\$ 61,504	\$ 500,000
Gregory Sahd, Treasurer	\$ 61,504	\$ 500,000
39 bonded tax collectors	\$.75 per parcel collected	\$ 41,381,999 (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, school and municipal tax levied in 2002.
Bonds are valid for the tax collector's term, 2002-2006.

County of Lancaster
Miscellaneous Statistics
December 30, 2002

Table 14

Date of Incorporation	May 10, 1729
Form of Government	Elected Board of Commissioners
Number of employees (excluding police and fire):	
Full-time	2,074
Part-time	630
Area in square miles	984 miles
Land	949 miles
Water	35 miles
County of Lancaster, facilities and services:	
Miles of streets:	
Federal	18 miles
State	1,134 miles
Local (municipal)	2,656 miles
Number of street lights	16,022
Number of traffic lights	417
Cultural and recreation:	
Community centers	4
Parks land acreage:	
County Parks	2,003 acres
State Parks	224 acres
State Game Lands	8,628 acres
Middle Creek Wildlife Management Area	1,931 acres
Fish Commission lands	413.7 acres
Rails to Trails	13 miles
Golf courses	19
Fire protection:	
Number of stations	80
Volunteer Fire Fighters	2,370
Career Fire Fighters	85
Police protection:	
Number of stations	33
Number of police personnel and officers	870
Number of patrol units	264
Emergency Medical Services:	
Number of units	25
Volunteer Personnel	400
Career Personnel	270
Facilities and services not included in reporting entity	
Education:	
Number of elementary schools	87
Number of elementary school instructors (public)	1,898
Number of secondary schools	43
Number of secondary school instructors (public)	1,737
Number of combined schools (both secondary and elementary)	16
Number of colleges and universities	9
Hospitals:	
Number of hospitals	6
Number of patient beds	1,236
Agriculture:	
Number of farms	5,910
Farm acreage	421,000
Libraries (public, school, and special)	172
Airports (commercial use)	4
Elections:	
Number of registered voters	269,273
Number of votes cast in last general election	64,573
Percentage of registered voters in last general election	23.98%

Schedule of Insurance In-Force
December 31, 2002

Table 15

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %		Liability Limit
S. Paul Insurance Company	GP09309937	02/01/02-02/01/03	\$ 492,610	General Liability	\$ 2,000,000	General Total Limit
					\$ 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
					\$ 100,000	Premises Damage Limit
				Sexual Abuse Liability	\$ 250,000	Sexual Abuse Total Limit
					\$ 50,000	Sexual Abuse Each Person Limit
				Law Enforcement Liability	\$ 1,000,000	Total Limit
				Law Enforcement Deductible - \$25,000	\$ 1,000,000	Each Wrongful Act Limit
				Employee Benefit Plans Administration Liability	\$ 1,000,000	Each Wrongful Act
				Employee Benefit Plans Administration Liability Ded. - \$1,000	\$ 3,000,000	Total Limit
				Public Entity Management Liability	\$ 4,000,000	Total Limit
				Public Entity Management Liability Deductible - \$25,000	\$ 2,000,000	Each Wrongful Act Limit
				Commercial Auto	\$ 1,000,000	Combined Single Limit
	\$ 1,000,000	Uninsured/Underinsured Motorists				
Umbrella Excess Liability	\$ 10,000,000	General Total Limit				
Umbrella Excess Liability Deductible - \$10,000	\$ 10,000,000	Each occurrence				
S. Paul Insurance Company	GP09309937	02/01/02-02/01/03	Included Above	Skateboard Park General Liability	\$ 1,000,000	General Total Limit
					\$ 500,000	Each Event Limit
Wausau Insurance Company	YYJZ91528952012	02/01/02-02/01/03	\$ 123,102	Fire and extended coverage: \$25,000 deductible, 90% co-insurance buildings and contents.	\$ 109,787,594	
Building and Contents						
Boiler & Machinery						
Money & Securities						
Commercial Property Coverages				Earthquake \$50,000 deductible	\$ 1,000,000	
				Earthquake \$50,000 deductible	\$ 20,000,000	
Computers				Hardware: \$500 deductible	\$ 3,459,692	
				Software: \$500 deductible	\$ 1,364,707	
				Fine Arts Floater; \$1,000 deductible	\$ 232,725	
				Radio & Television Broadcasters - Transmission Towers - Replacement Cost; deductible \$25,000	\$ 1,389,525	
				Mobile Broadcasting Equipment, Deductible \$25,000	\$ 55,095	
				Special Property Floater; deductible \$500	\$ 554,848	

County of Lancaster, Pennsylvania
Schedule of Insurance In-Force
December 31, 2002

Table 15 (continued)

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit				
Pacific Insurance Company	ZY0003231	02/01/02-02/01/03	\$ 277,699	General Liability	\$ 1,000,000 Each Occurrence \$ 2,000,000 General Aggregate Other Than Prod/Comp Ops. \$ 1,000,000 Products Completed Ops. \$ 1,000,000 Personal & Advertising Liability \$ 50,000 Fire Legal Liability \$ 5,000 Med. Pay Limit				
				Sublimit: Physical & Sexual Abuse	\$ 1,000,000 Each Occurrence				
				Professional Liability	\$ 1,000,000 Policy Aggregate \$ 500,000 Each Medical Incident				
				Excess Professional	\$ 1,500,000 Annual Aggregate \$ 700,000 Each Medical Incident				
				Employee Benefits Liability	\$ 2,100,000 Annual Aggregate \$ 1,000,000 Claims Made \$ 1,000,000 Retro Inception				
				Building and Contents, Deductible \$1,000	\$ 23,668,605				
				Business Interruption and Extra Expense	\$ 1,000,000				
				BROTEMARKLE INS. (1) :					
				Foster Parent Liability Ins.	FPL - 118	07/01/02-06/30/03	\$ 11,376	Personal liability insurance for foster parents	\$ 300,000 Per person \$ 300,000 Per occurrence
				EMPLOYERS REINSURANCE CORPORATION					
				Excess Workers Comp. & Employers Liability	SP6529PA	01/01/02-01/01/03	\$ 66,015	Workers Compensation Employers Liability	Statutory Each Accident/Limit Each Employee Per Disease \$ 1,000,000 Each Accident/Limit Each Employee Per Disease
				INDIAN HARBOR INSURANCE COMPANY					
				Pollution Liability	PEC0005845	7/1/99-6/30/09	\$ 29,601	Pollution insurance for the Training Facility location	\$ 5,000,000 Each Loss, Remediation Expense, or Legal Defense Expense \$ 5,000,000 Total For All Loss, Remediation Expense Or Legal Defense Expense \$ 100,000 Each Loss, Redemiation Expense Or Legal Defense Expense
ACE FIRE UNDERWRITER INSURANCE COMPANY									
Bridges	I20442736	01/26/00-02/01/03	\$ 32,352	Bridge Property Damage, Deductible \$25,000	\$ 4,792,800 Total Limit, Schedule Of Bridges On File With Carrier				
HARTFORD FIRE INS. CO.									
	44BPEAC2695	02/01/02-02/01/03	\$ 9,340	Public Employees Blanket Bond, Deductible \$2,500	\$ 1,000,000 Per Loss Limit				

DISCLAIMER - GENERAL

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

(1) Contracted directly by Children and Youth Agency