

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended December 31, 2003

PREPARED BY THE CONTROLLER'S OFFICE

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COVER PHOTOGRAPH
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COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2003

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Letter of Transmittal	1
GFOA Certificate of Achievement.....	7
Organizational Chart.....	8
List of Principal Officials	9

FINANCIAL SECTION

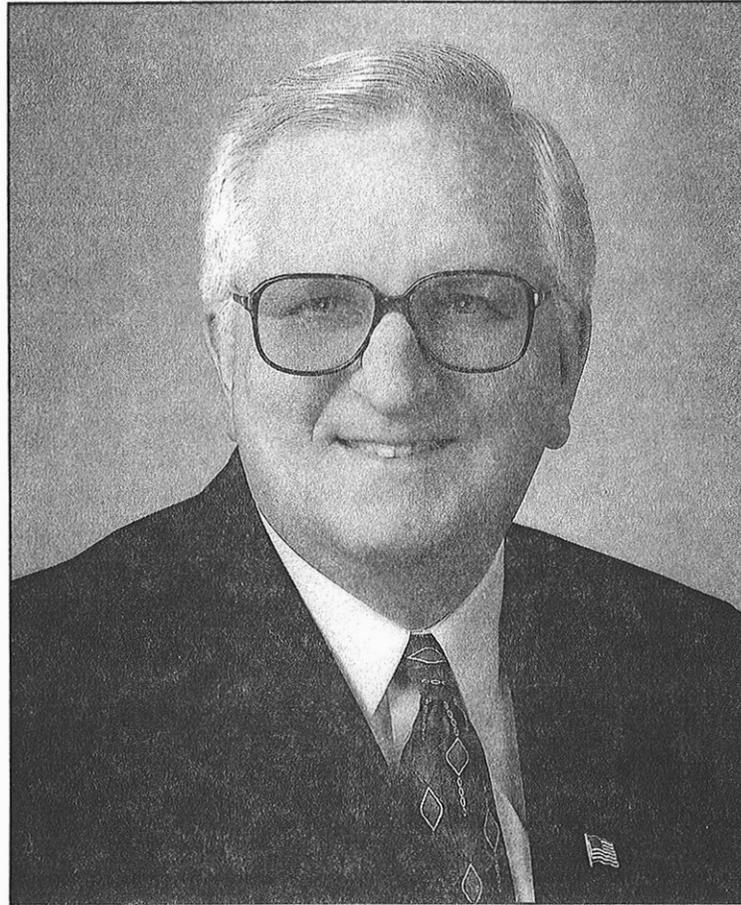
Report of Independent Auditors	11
Management's Discussion and Analysis	13
Basic Financial Statements	29
Statement of Net Assets.....	30
Statement of Activities.....	31
Balance Sheet – Governmental Funds	32
Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Fund Net Assets – Enterprise Funds.....	35
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	36
Statement of Cash Flows – Enterprise Funds.....	37
Statement of Fiduciary Net Assets – Fiduciary Funds.....	38
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	39
Notes to Financial Statements.....	41

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, 2003

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



DENNIS STUCKEY
Controller

LANCASTER COUNTY

CONTROLLER'S OFFICE

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PO BOX 83480
LANCASTER, PA 17608-3480
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DENNIS P. STUCKEY
Controller



June 16, 2004

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, 2003, is hereby submitted.

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

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

In addition to meeting the requirements set forth in state statutes, this audit was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The single audit for 2003 will be completed during September 2004. 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, 2002, 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

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 482,775. The County was incorporated in 1729 and became a third class county in 1962. Lancaster County 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's tradition of economic stability continues. Industry, agriculture, and tourism play significant roles in the diversity, strength and durability of the economy. The county is home to approximately 11,000 businesses representing every economic sector. With an even mix of manufacturing and service and retail sectors, the corporate community continues to grow, prosper and diversify. With its convenient access to major East Coast markets, competitive utility rates, low cost of living and highly diversified industry, Lancaster County is a desirable place to locate and expand a business. The county's unemployment rate of 4.0% remains consistently lower than both the state and national averages of 5.6% and 6.0% respectively.

Lancaster County is Pennsylvania's most productive county, generating more than \$725 million annually from its 5,910 farms. The county produces more agricultural products and yields more food than any other non-irrigated county in the nation. Rich soil, relatively little slope, moderate climate and evenly distributed rainfall are all factors that contribute to this high ranking.

Due to the area's historic sites, architectural charm, the county's rolling, well-kept farmlands, and the large Amish community, Lancaster is a very popular destination for tourists. Each year some 7 million persons visit the area, spending about \$1.6 billion and generating \$238 million in tax revenues.

Major Initiatives

For the Year

- ▶ Construction of the long awaited Lancaster County Emergency Training Center was completed in 2003. A grand opening is scheduled for April 24, 2004. The facility provides centralized training for all branches of emergency services within the County. It will be managed by the Lancaster County Career Technology Center. The Training Center includes an indoor firing range, burn building, liquid fuel spill simulator, vehicle fire simulator, trench rescue simulator, confined space simulator, smoke maze building, drill tower, hazardous materials response team station and an administration building with seven classrooms.
- ▶ Renovation of the Lenox Lane area behind the Old Courthouse was completed. Improvements included the installation of new benches, tables, chairs and freestanding and wall-mounted light fixtures. "Up lighting" was mounted to illuminate the facade of the Old Courthouse; new planters and flowerbeds were installed, and plumbing improvements were made beneath the surface of the alley. The area provides a park-like setting in an urban environment with the goal of drawing more visitors to the shops and restaurants in downtown Lancaster. It also serves as an inviting break location for employees working nearby.

- ▶ Children and Youth Agency implemented policies and procedures related to Kinship Care and began the process of formally approving children's relatives as kinship foster parents. Training was provided to all staff and procedures were written.
- ▶ Children and Youth Agency also applied for and was granted a paralegal to assist with the legal work associated with adoptions. There was a 20% increase in the number of Terminations of Parental Rights filed because of this new position.
- ▶ The Prison continues to work with the Office of Mental Health to help those inmates with mental illnesses. A database and communication system has been established so that the Mental Health caseworkers are aware that an individual on their caseload has been incarcerated. This allows the caseworker to plan for the proper treatment while the person is incarcerated as well as after their release. The prison database is being used as an example for other county prisons to follow.
- ▶ After 15 months of fund raising and a generous donation from the Auxiliary of Conestoga View, Conestoga View's residents are enjoying a new resident activity bus. The bus has been busy taking residents shopping, out to eat, on scenic rides and to many other activities and destinations in the area.

For the Future

- ▶ The Parks Department plans to develop a new, joint master plan for Central and Buchmiller Parks. Pending a grant award from the Pennsylvania Department of Conservation and Natural Resources (PA-DCNR) later this year, the staff will draft an RFP for the master plan and seek to secure a consultant for the project. Once completed, this master plan will replace its predecessor from 1972 and will enable the Parks Department to better manage, develop and protect its two busiest regional parks.
- ▶ In addition, the Parks Department will be working to have a two-mile rail trail installed through Money Rocks Park. Granger, Inc. would build this trail in return for an easement through Park property for installation of a gas pipeline. Completion of this project would fulfill a long-term department goal for the development of a trail in this location with no out-of-pocket expenses to the County.
- ▶ In 2003, the South Central Regional Terrorism Task Force was awarded grant(s) in excess of \$6.4 million to plan, train and respond to Homeland Security issues. During 2004 and the first quarter of 2005, Lancaster, Lebanon, Adams, Cumberland, Dauphin, Perry and York County's task force members will utilize the monies. Initiatives will include development of Medical Strike Teams, Decon Teams and Incident Support Teams. Various terrorism exercises (tabletop and functional) will be held throughout the County simulating terrorism incidents. The new Public Safety Training Center will host various homeland security classes for emergency providers. The goal is to train three thousand responders within the County on terrorism awareness and operations.
- ▶ Information Technology (IT) will continue to expand e-government services. Focus will be on e-commerce, e-learning and making the county's web portal more dynamic, intuitive, and interactive. IT will continue to look for partnerships with the State and municipal governments to expand e-government services. They will also look at additional ways to offer options to the citizens of Lancaster County to be able to pay for various government services and access information online.

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 May 23, 2003. 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.

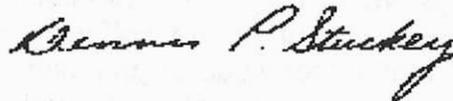
Pension and other postemployment benefits. The County maintains a single-employer contributory defined benefit pension plan with mandatory membership for all full-time County employees. Participants in the Plan contribute 5 percent of their gross pay, with an option of an additional contribution of up to 10 percent of their gross pay. On December 31, 2003, total membership of the Lancaster County Employees' Retirement System was 2,997. 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 2003, the County contributed \$5,500,000. 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, 2002. 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.



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, 2002

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

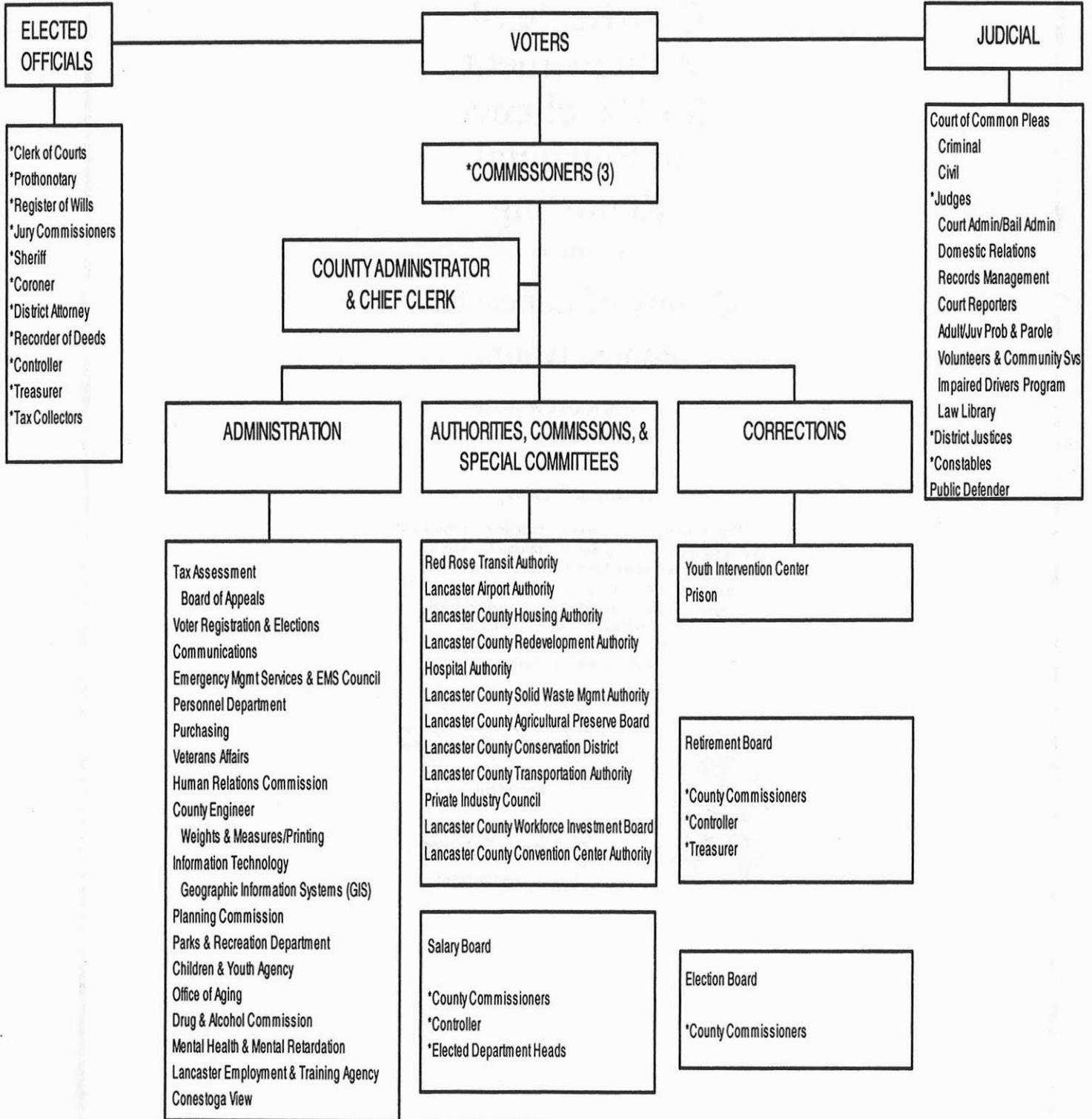


President

Executive Director

LANCASTER COUNTY ORGANIZATIONAL CHART

3RD CLASS COUNTY



*Denotes Elected Offices

2003
County of Lancaster
Elected Officials

JUDGES OF THE COURT OF COMMON PLEAS

Michael A. Georgelis, President Judge
Paul K. Allison
David L. Ashworth
James P. Cullen
Louis J. Farina
Leslie Gorbey
Jay Hoberg

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

BOARD OF COMMISSIONERS

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

DISTRICT ATTORNEY

Donald R. Totaro

CONTROLLER

Dennis P. Stuckey

TREASURER

Gregory A. Sahn

REGISTER OF WILLS

Donna S. Reinaker

SHERIFF

Terry Bergman

RECORDER OF DEEDS

Stephen J. McDonald

PROTHONOTARY

Robert H. Getz

CORONER

Barry D. Walp, MD

CLERK OF COURTS OF COMMON PLEAS

Dale Denlinger

JURY COMMISSIONERS

Judith Saylor

Linda Schwanger

BASIC FINANCIAL STATEMENTS

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, 2003, 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 auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2003, 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.

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 as listed

in the Table of Contents 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 auditor have applied certain limited procedures, which consisted principally of 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 section 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 in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Ernst + Young LLP

June 16, 2004

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, 2003. 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, 2003.

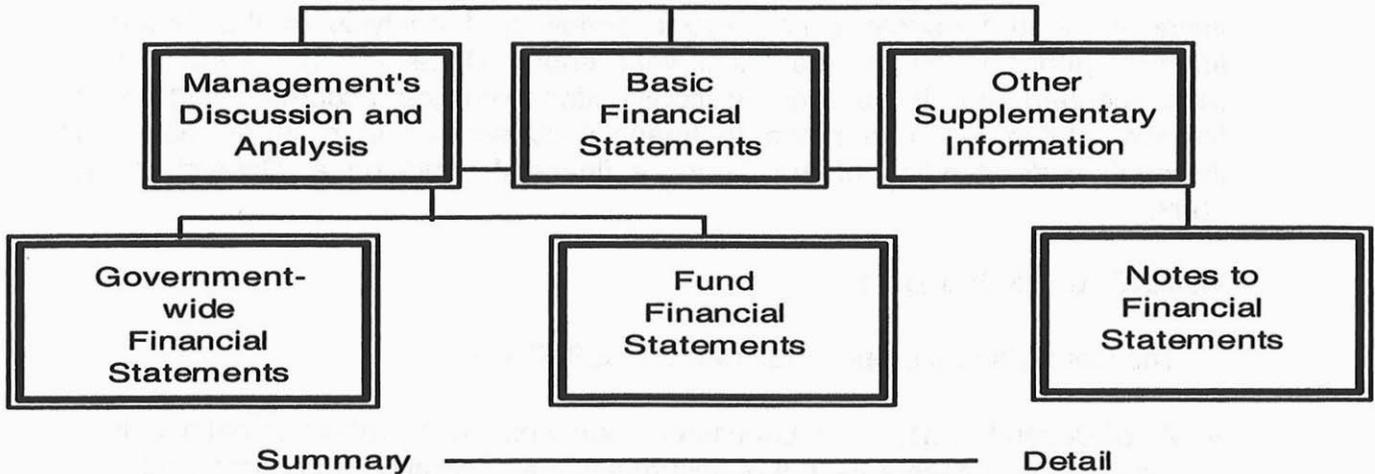
FINANCIAL HIGHLIGHTS

- ◆ The County's real property tax rate was 2.847 mills.
- ◆ As of December 31, 2003, Lancaster County had \$20.8 million in net assets restricted for easements, net of accumulated amortization and related debt.
- ◆ The County's net assets decreased \$11.9 million in 2003, or 59.0%.
- ◆ The County's unrestricted net assets were \$12.9 million at December 31, 2003.
- ◆ The County's bond rating is Aaa
- ◆ At December 31, 2003, the County had \$152.9 million of general obligation debt outstanding. This represents an increase of \$22.6 million, or 17.3%, from the previous year.
- ◆ Construction in progress saw a sharp increase due to the construction of the Lancaster County Emergency Training Center.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**REQUIRED COMPONENTS OF THE COMPREHENSIVE
ANNUAL FINANCIAL REPORT - FINANCIAL SECTION**



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

- ◆ *Governmental funds financial statements* which explain how services such as public safety were financed in the short term, as well as what remains for future spending.
- ◆ *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.

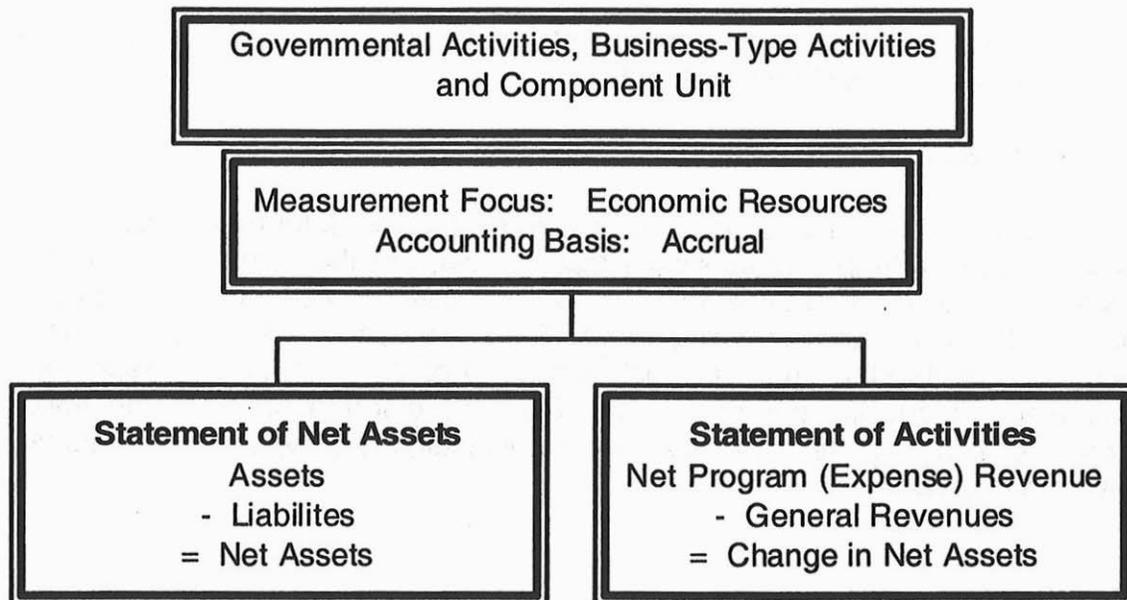
The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding employee pension contributions and the County's budget for the general fund and each major budgeted special revenue fund. In addition to these required elements, a section is included with combining and individual fund statements that provide particulars about non-major governmental funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Government-wide Financial Statements



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

financial position is improving or deteriorating. However, other non-financial factors such as changes in the County's real property tax base and general economic conditions must be considered to assess the overall position of the County.

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

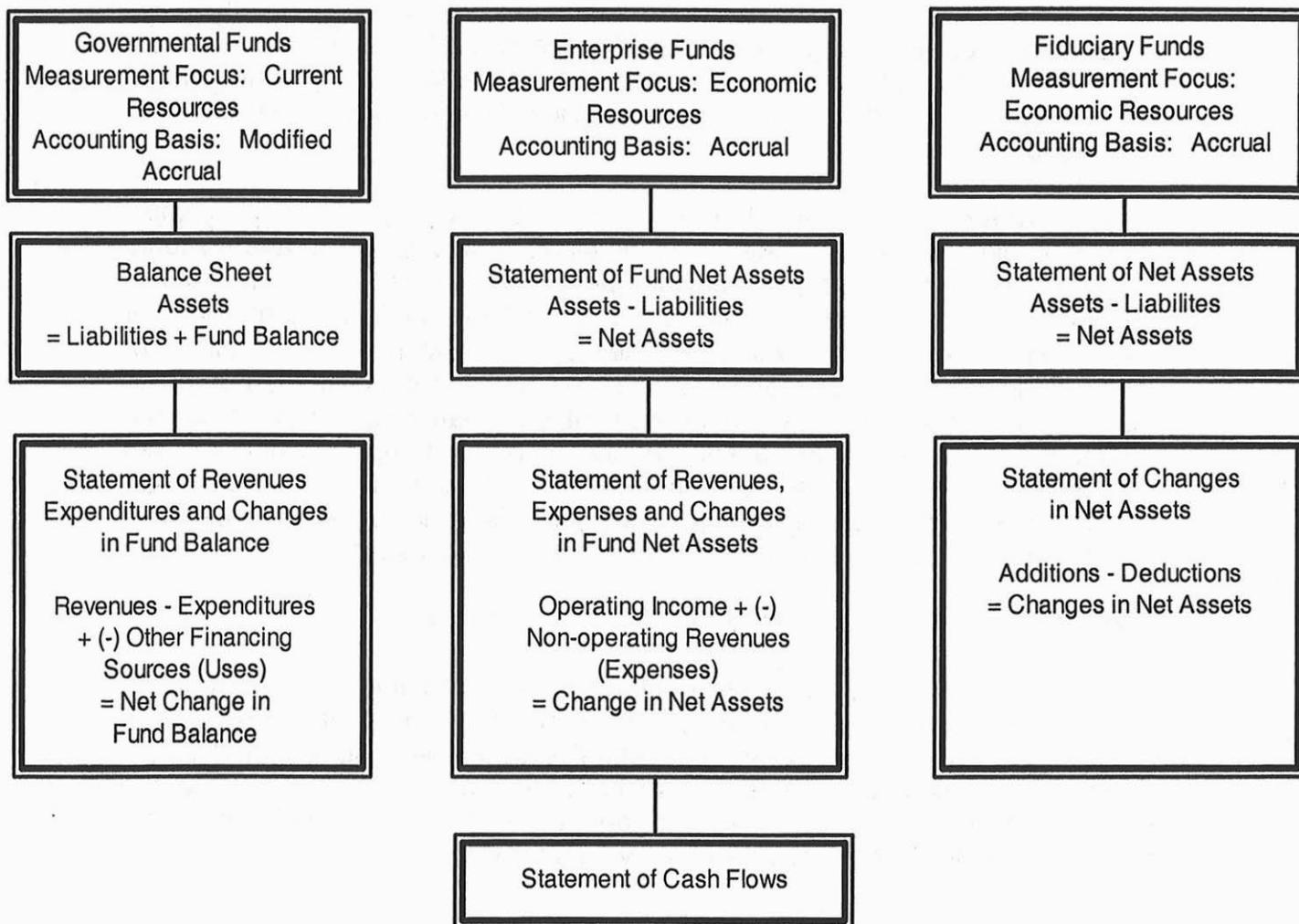
- ◆ *Governmental activities* – Most of the County's basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Business-type 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, Agricultural Land Preservation 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 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 – the Conestoga View Nursing Home and the 911 operations.
- ◆ *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

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

NET ASSETS:

The County's net assets as of December 31, 2003 and 2002 are presented below:

Table A-1 County Net Assets as of December 31, 2003 (amounts in millions)

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Capital assets, net	\$ 93.7	80.2	\$ 8.6	9.2
Other assets	98.3	105.5	4.4	5.2
Total assets	192.0	185.7	13.0	14.4
Other liabilities	24.3	26.3	2.4	1.8
Long-term liabilities	159.3	139.1	2.4	2.4
Total liabilities	183.6	165.4	4.8	4.2
Net assets:				
Invested in capital assets, net of related debt	(34.2)	(26.2)	8.6	9.2
Restricted	29.7	27.6	-	-
Unrestricted	12.9	18.9	(0.4)	1.0
Total net assets	\$ 8.4	20.3	\$ 8.2	10.2

Net assets of the County's governmental activities decreased by 58.6% to \$8.4 million, mainly the result of the issuance of \$23,305,000 in general obligation bonds, which were used in part for the construction of the Emergency Training Center as well as for municipal transportation grants and community park initiatives. Of this amount, \$(34.2) million represents the balance of capital related debt in excess of net capital assets, while \$29.7 million is restricted for various purposes. The County has an unrestricted net assets balance of \$12.9 million as of the end of the year.

Net assets of the business-type activities decreased 19.8 percent to \$8.2 million. Of this amount, \$8.6 million represents the net balance of long-term capital assets, net of related debt. The unrestricted net assets balance as of the end of the year is \$(0.4) million.

INFRASTRUCTURE ASSETS:

Lancaster County's total assets stand at \$205.0 million as of December 31, 2003. Of this amount, \$102.4 million is accounted for by capital assets, which includes some infrastructure and construction in progress.

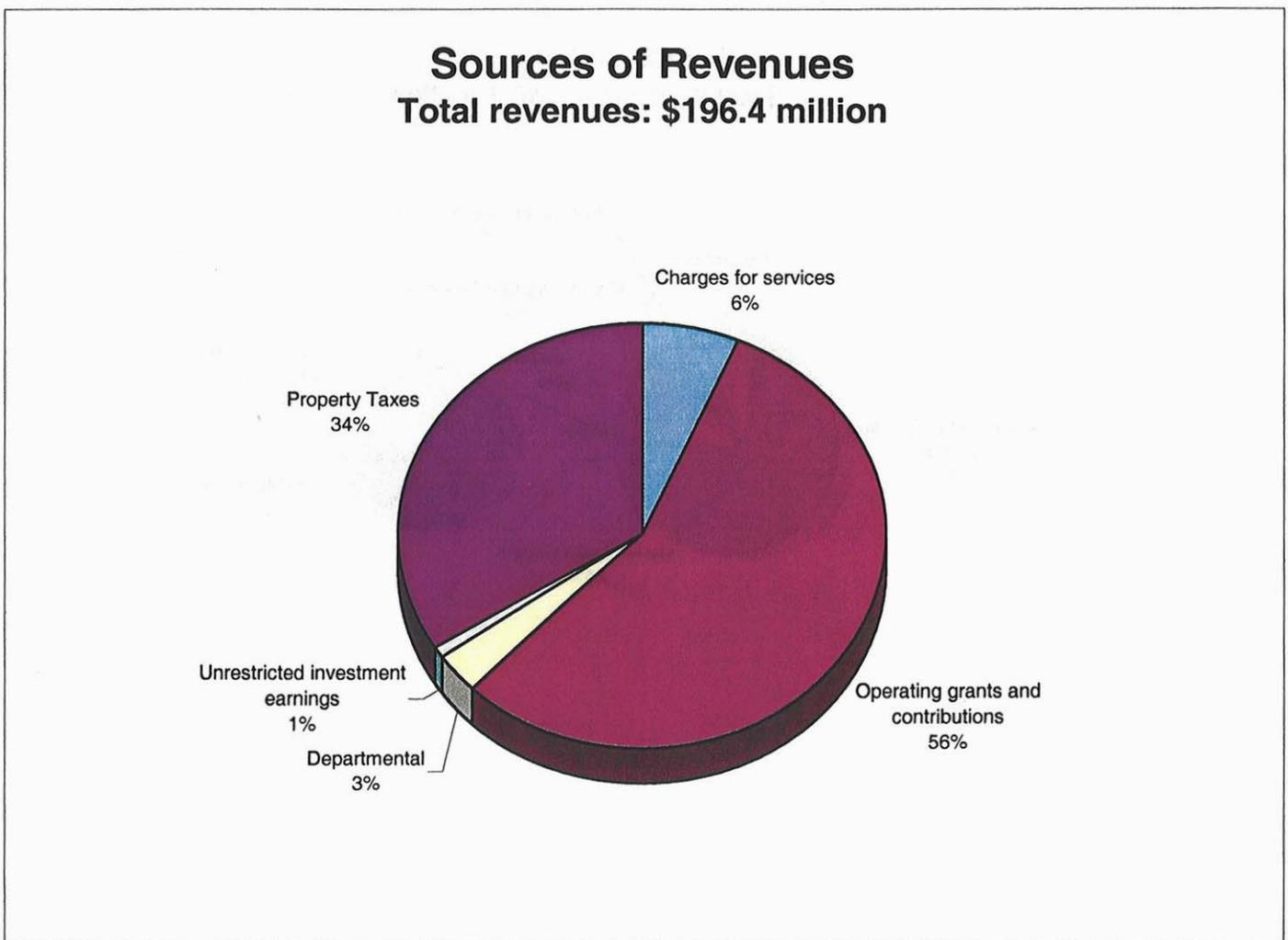
The following table presents the County's changes in net assets for the fiscal year ended December 31, 2003 and 2002:

Table A-2 County's Changes in Net Assets as of December 31, 2003 (amounts in millions)				
	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Revenues:				
Program revenues:				
Charges for services	\$ 12.4	12.2	\$ 34.7	33.4
Operating grants and Contributions	110.0	101.4	-	-
General revenues:				
Property taxes	66.6	61.2	-	-
Departmental revenues	6.1	5.1	-	-
Unrestricted investment Earnings	1.3	1.8	-	-
Total revenues	196.4	181.7	34.7	33.4
Expenses:				
General government	51.1	50.5	-	-
Public safety	1.5	0.6	-	-
Roads and bridges	-	0.1	-	-
Health, education, and welfare	97.5	88.7	-	-
Judicial	28.2	28.1	-	-
Corrections	15.5	15.4	-	-
Cultural and recreation	2.2	2.2	-	-
Community development	5.2	4.8	-	-
Interest on long-term debt	4.6	2.8	-	-
Conestoga View	-	-	32.1	29.5
911 operations	-	-	7.1	6.6
Total expenses	205.8	193.2	39.2	36.1
Increase in net assets				
before transfers	(9.4)	(11.5)	(4.5)	(2.7)
Transfers	(2.5)	(1.4)	2.5	1.4
Change in Net Assets	(11.9)	(12.9)	(2.0)	(1.3)
Net assets - beginning	20.3	33.2	10.2	11.5
Net assets - ending	\$ 8.4	20.3	\$ 8.2	10.2

The decrease in the governmental activities net assets was mainly the result of the issuance of general obligation bonds totaling \$23,305,000 that was partially used for the construction of the Emergency Training Center as well as for municipal transportation grants and community park initiatives. The decrease in the business-type activities net assets was the result of a \$1.4 million decrease in Conestoga View and a \$.4 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, 2003:



Total government-wide revenues of \$196.4 million were derived primarily from operating grants and contributions, representing 56% of the total. Property taxes made up the second largest source of revenue at 34%, followed by charges for

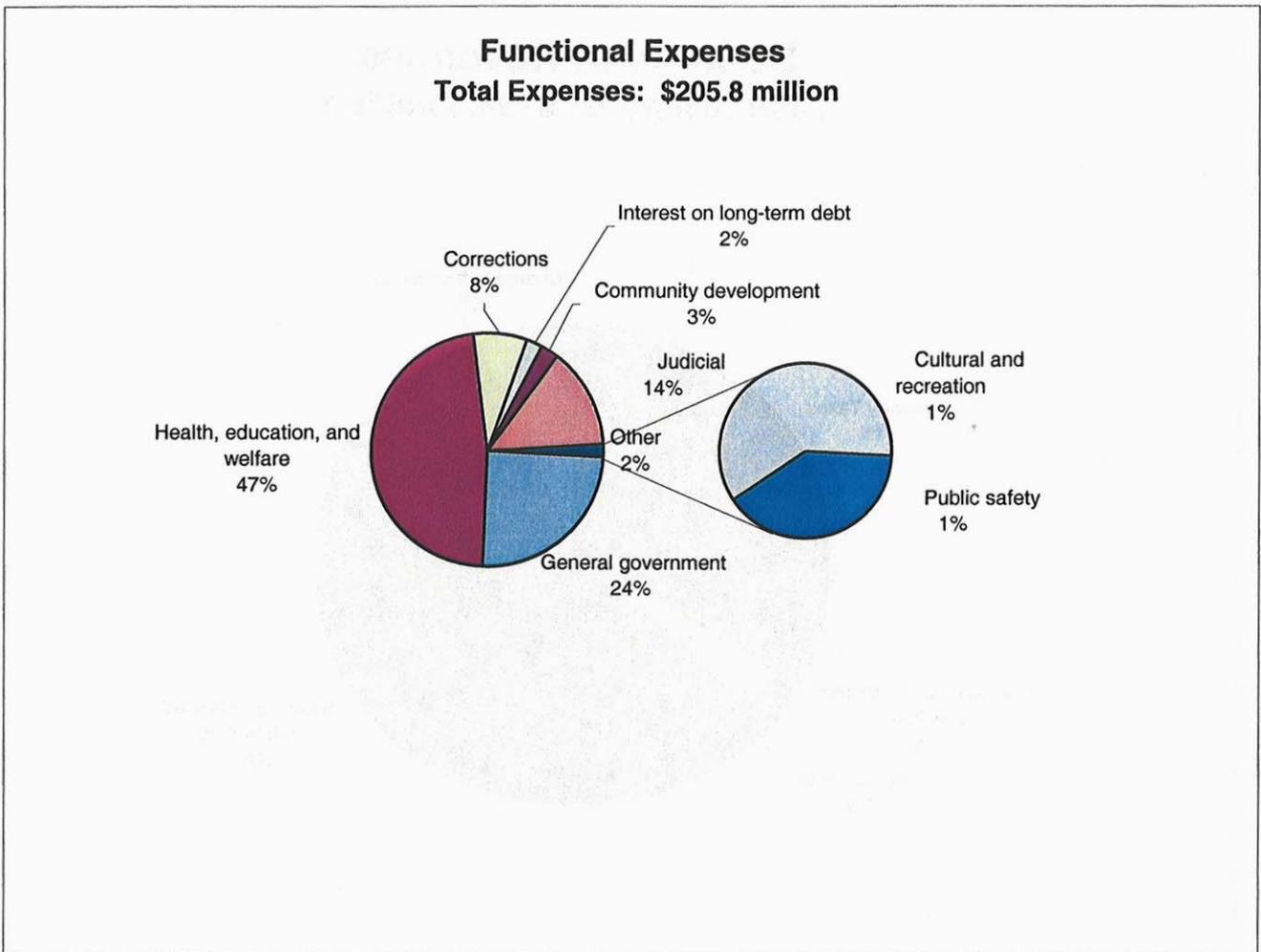
services at 6%, departmental revenue at 3% and unrestricted investment earnings at 1%.

BUSINESS-TYPE ACTIVITIES:

Total business-type revenues of \$34,735,506 were derived from charges for sales and services, \$30,592,095 coming from Conestoga View and \$4,143,411 coming from 911 operations.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the fiscal year ended December 31, 2003:



Total expenses for all programs in 2003 were \$205.8 million. The expenses cover a wide range of services, with the largest being health, education and welfare at 47.0%. The second largest program area was general government at 24.0%, followed by judicial at 14.0%, corrections at 8.0%, community

development at 3.0%, other (cultural and recreation and public safety) at 2.0%, and interest on long-term debt at 2.0%.

BUSINESS-TYPE ACTIVITIES:

Total expenses in 2003 were \$39,221,963. Conestoga View comprised \$32,127,025 or 81.9% of the total, incurring depreciation expense of \$813,659. The balance of \$31,313,366 was spent on nursing home operations. 911 operations comprised \$7,094,938 or 18.1% of the total, incurring depreciation expense of \$171,467. The balance of \$6,923,471 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, Agricultural Land Preservation 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, 2003, the General Fund reported a fund balance of \$9.2 million, which was a \$.2 million or 2.2% increase over the previous year's balance of \$9.0 million. Revenues increased from \$85.6 million to \$88.3 million, a \$2.7 million or 3.2% increase. Property taxes increased by \$6.1 million as a result of an increase in the millage rate and normal growth in the County's tax base. Expenditures increased from \$74.5 million to \$78.4 million as reported, which was a \$3.9 million or 5.2% increase. Interest and fiscal charges increased by \$1.8 million due to new bond issuances at the end of 2002 and in 2003.

The fund balance in Children and Youth Services special revenue fund increased to \$2.0 million at December 31, 2003, from \$1.9 million, a \$.1 million or 5.3% increase. Revenues increased from \$31.1 million to \$32.8 million, an increase of \$1.7 million or 5.4%. Expenditures increased from \$37.1 million to \$39.1 million, a \$2.0 million or 5.4% 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 \$50.5 million from \$45.3 million, an increase of \$5.2 million or 11.5%. Expenditures increased from \$46.0 million to \$51.5 million, a \$5.5 million or 12.0% increase. The increases were the result of increased funding within existing grants as well as the receipt of new grant funding.

The Agricultural Land Preservation special revenue fund became a major fund in 2003. There is no fund balance to report for the Agricultural Land Preservation special revenue fund as of December 31, 2003.

The fund balance in the Capital Projects fund at December 31, 2003, was \$5.1 million, down from \$9.0 million the previous year. This represents a decrease of \$3.9 million or 43.3%. Revenues increased to \$.6 million from \$.3 million the previous year, an increase of \$.3 million or 100.0%. Expenditures increased to \$25.6 million, an increase of \$4.0 million or 18.5% from the amount spent in the previous year of \$21.6 million. These increases were the result of the issuance of \$23 million in new bonds and the construction of the Emergency Training Center.

The Debt Service fund is set up to fund debt service interest payments. The fund balance at December 31, 2003, was \$6.8 million, a decrease of \$2.6 million or 27.7% compared with the previous year's fund balance of \$9.4 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 \$7.6 million and those for the 911 emergency telephone operations amounted to \$.6 million. The change in net assets for each fund was (\$1.5) million and (\$.5) million 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 \$94.6 million to \$95.5 million, an increase of \$.9 million or 1.0%. Actual revenues received totaled \$95.9 million or 100.4% of the final budget. Intergovernmental revenues fell \$1.3 million short of the final budgeted amounts.

The County's original operating expenditure budget, excluding transfers, increased from \$93.3 million to \$94.2 million, an increase of \$.9 million or 1.0%. Actual expenditures were \$85.7 million or 91.0% of the final budget due to cost saving measures implemented in 2003.

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, 2003, net of accumulated depreciation, amounted to \$102.4 million. This represented an increase of \$13 million or 14.5% over the previous years total of \$89.4 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, 2003 and 2002:

Summary of Capital Assets

	Governmental Activities		Business-Type Activities		Balance at	Balance at
	2003	2002	2003	2002	December 31, 2003	December 31, 2002
Land and land Improvements	\$5,782,108	\$5,752,474	\$574,655	\$558,794	\$6,356,763	\$6,311,268
Buildings and Improvements	83,832,657	81,462,897	6,688,313	6,590,098	90,520,970	88,052,995
Furniture and Equipment	21,011,795	18,327,078	14,133,284	13,821,998	35,145,079	32,149,076
Assets under Capital Lease	1,371,165	1,371,165			1,371,165	1,371,165
Construction in Progress	13,561,745	3,326,269			13,561,745	3,326,269
Infrastructure	4,980,807	3,205,744			4,980,807	3,205,744
Less accumulated Depreciation	<u>(36,792,799)</u>	<u>(33,249,858)</u>	<u>(12,792,083)</u>	<u>(11,806,957)</u>	<u>(49,584,882)</u>	<u>(45,056,815)</u>
Total	<u>\$93,747,478</u>	<u>\$80,195,769</u>	<u>\$8,604,169</u>	<u>\$9,163,933</u>	<u>\$102,351,647</u>	<u>\$89,359,702</u>

In the governmental activities, construction in progress increased by \$10.2 million. This was the result of the continued construction of the County's Emergency Training Center. The Emergency Training Center is expected to be operational in the spring of 2004. A variety of other County building expansions and renovations are ongoing.

The total capital assets for the governmental activities and business-type activities increased from \$89.4 million to \$102.4 million, an overall increase of \$13 million or 14.5%. Of this increase, \$13.6 million occurred within governmental activities and (\$.6) 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, 2003, the County had \$152.9 million of general obligation bonds and notes outstanding. This was an increase of \$22.6 million, or 17.3%, from the previous year. The following details activity related to general obligation bonds during 2003:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2003	\$ 130,257,581
Accretion adjustment	1,450,494
Debt issued	61,406,618
Less principal refunded	(35,315,000)
Less principal payments	<u>(4,900,618)</u>
Ending balance at 12/31/2003	<u>\$ 152,899,075</u>

BOND RATING:

The G.O.B. Series 2003 and Series A of 2003 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 2003 and Series A of 2003 Aaa based upon an insurance policy provided by FGIC.

The GOVRDB Series B of 2003 issue carries a municipal bond insurance policy from Financial Security Assurance Inc. (FSA) and a standby purchase agreement from Fulton Bank and on this basis Moody's rated the bonds Aaa/VMIG1.

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 4,214 or .9% during 2003. 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 4.0%, which is a 5.3% increase over the previous year's rate of 3.8%. This rate still compares favorably with the State's rate of 5.6% and the national rate of 6.0%.

These factors were considered in preparing the County's 2004 budget. Amounts available for appropriation in the general fund budget are \$102.8 million, an increase of 8.1% over the final 2003 budget of \$95.1. Real estate taxes were budgeted to increase by \$9.2 million as the result of a 12.6% increase in the real estate property tax rate to 3.205 mills.

Budgeted operating expenditures, excluding transfers, have increased 9.9% to \$103.5 million. The largest increments are increased wages and an increase in the County's debt payments. The County issued \$32,305,000 in new general obligation bonds during 2004.

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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County of Lancaster, Pennsylvania

Statement of Net Assets

December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lancaster County Convention Center Authority as of March 31, 2003
ASSETS				
Cash and temporary investments:				
Operating	\$29,255,157	\$114,417	\$29,369,574	\$1,117,157
Other	543,718		543,718	
Cash with fiscal agents	62,969		62,969	
Investments	7,109,308		7,109,308	
Receivables:				
Room rental tax				268,030
Taxes, net of allowance for uncollectibles of \$23,662	763,779		763,779	
Fines and costs, net of allowance for uncollectibles of \$14,758,223	5,224,164		5,224,164	
Accounts	139,969		139,969	
Due from other governments	11,447,211	3,809,495	15,256,706	
Advances to providers and other governments	1,856,499		1,856,499	
Other	5,709		5,709	
Telephone subscriber		286,516	286,516	
Deferred charge:				
Issuance costs (net of accumulated amortization of \$407,542)	1,573,372		1,573,372	
Restricted cash	1,601,334	143,704	1,745,038	
Capital assets:				
Land and improvements	5,782,108	574,655	6,356,763	1,579,621
Buildings and improvements	83,832,657	6,688,313	90,520,970	
Furniture and equipment	21,011,795	14,133,284	35,145,079	
Assets under capital lease	1,371,165		1,371,165	
Construction in progress	13,561,745		13,561,745	236,461
Infrastructure	4,980,807		4,980,807	
Less accumulated depreciation	(36,792,799)	(12,792,083)	(49,584,882)	
Total capital assets, net	93,747,478	8,604,169	102,351,647	1,816,082
Easements	44,117,783		44,117,783	
Less accumulated amortization	(5,401,181)		(5,401,181)	
Easements, net	38,716,602		38,716,602	
Total assets	192,047,269	12,958,301	205,005,570	3,201,269
LIABILITIES				
Accounts payable	6,723,481	1,119,868	7,843,349	482,370
Contracts payable	5,619,040		5,619,040	
Retainage payable	743,377		743,377	
Matured bonds and interest payable	62,969		62,969	
Accrued interest payable	475,892		475,892	
Unearned revenue	4,856,181		4,856,181	
Payroll related accruals	5,788,100	1,164,717	6,952,817	1,830
Patient funds held in safekeeping		143,704	143,704	
Long-term liabilities:				
Due within one year	6,877,495	50,606	6,928,101	
Due in more than one year	152,487,473	2,304,932	154,792,405	
Total liabilities	183,634,008	4,783,827	188,417,835	484,200
NET ASSETS				
Invested in capital assets, net of related debt	(34,213,431)	8,604,169	(25,609,262)	1,816,082
Restricted for:				
Easements	20,769,930		20,769,930	
Federal and state grant programs	8,397,221		8,397,221	
Community development	550,955		550,955	
Unrestricted	12,908,586	(429,695)	12,478,891	900,987
Total net assets	\$8,413,261	\$8,174,474	\$16,587,735	\$2,717,069

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, 2003

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				Component Unit Lancaster County Convention Center Authority
	Primary Government		Business-Type Activities		
	Operating	Governmental	Business-Type	Total	
Primary Government:					
Governmental activities:					
General government	\$51,126,152	\$4,522,798	\$236,193	\$(47,427,148)	\$
Public safety	1,469,344	52,102	296,731	(1,120,511)	
Roads and bridges			837,795	837,795	
Health, education, and welfare:					
Drug and alcohol	4,735,928		4,688,220	(67,706)	
Employment and training	2,961,571		3,044,248	82,677	
Mental health/mental retardation	50,013,989		49,645,086	(368,903)	
Office of aging	7,097,878		7,353,193	255,505	
Children and Youth	32,017,542		31,000,035	(1,017,507)	
Other	701,438		611,953	(89,485)	
Judicial	28,218,966	7,439,657	7,049,416	(13,729,893)	
Cultural and recreation	15,493,466	133,692	30,408	(15,329,378)	
Community development	2,227,827	254,042	4,000	(1,969,785)	
Interest on long-term debt	5,210,433		5,210,433		
Total governmental activities	4,605,619	12,402,281	109,987,669	(4,605,619)	
Total primary government	205,879,951		(83,490,001)		
Business-type activities:					
Conestoga View	32,127,025	30,592,096		(1,534,930)	
911 Operations	7,094,938	4,143,411		(2,951,527)	
Total business-type activities	39,221,963	34,735,508		(4,486,457)	
Total primary government	\$245,101,914	\$47,137,787	\$109,987,669	(83,490,001)	
Component unit:					
Convention Center	\$3,075,200	\$	\$	(3,075,200)	
Total component unit	\$3,075,200	\$	\$	(3,075,200)	
General Revenues:					
Property taxes			66,630,867	66,630,867	
Departmental revenues			6,095,325	6,095,325	
Unrestricted investment earnings			1,328,288	1,328,288	
Room rental tax			6,450	6,450	
Transfers			2,458,876	2,458,876	
Total general revenues and transfers			74,069,828	74,069,828	
Change in net assets			(11,894,399)	(13,915,530)	
Net assets - beginning			20,307,660	30,503,265	
Net assets - ending			\$8,413,261	\$16,587,735	
				\$2,717,099	

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

County of Lancaster, Pennsylvania
 Balance Sheet - Governmental Funds
 December 31, 2003

	Governmental Funds					Total		
	General	Children and Youth Services	Health/Mental Retardation	Agricultural Land Preservation	Capital Projects		Debt Service	Other Governmental Funds
ASSETS								
Cash and temporary investments:								
Operating	\$7,377,456	\$ -	\$5,184,293	\$3,253,490	\$7,654,617	\$ -	\$5,795,301	\$29,255,157
Other	1,501,334	6,527	95,430	-	237,597	-	204,164	2,145,052
Cash with fiscal agents	62,969	-	-	330,598	-	-	-	62,969
Investments	-	-	-	-	-	6,778,720	-	7,109,308
Receivables:								
Taxes	787,401	-	-	-	-	-	-	787,401
Less allowance for uncollectible taxes	(23,622)	-	-	-	-	-	-	(23,622)
Fines and costs	19,982,387	-	-	-	-	-	-	19,982,387
Less allowance for uncollectible fines and costs	(14,758,223)	-	-	-	-	-	-	(14,758,223)
Accounts	139,969	-	-	-	-	-	-	139,969
Due from other funds	3,716,156	-	-	-	-	-	-	3,716,156
Due from other governments	1,161,815	7,464,077	-	-	-	-	2,821,319	11,447,211
Advances to providers	125,895	-	1,721,796	-	-	-	8,808	1,856,499
Other	-	-	175	-	-	-	5,534	5,709
Total assets	\$ 20,173,537	\$ 7,470,604	\$ 7,001,694	\$ 3,584,078	\$ 7,892,214	\$ 6,778,720	\$ 8,825,126	\$ 61,725,973
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,169,566	\$ 1,919,994	\$ 2,439,937	\$ -	\$ 2,034,962	\$ -	\$ 1,194,984	\$ 6,723,481
Contracts payable	-	-	-	3,584,078	-	-	-	5,619,040
Retainage payable	-	3,052,134	-	-	743,377	-	-	743,377
Due to other funds	62,969	-	-	-	-	-	664,022	3,716,156
Matured bonds and interest payable	4,753,204	-	43,802	-	-	-	-	62,969
Deferred revenue - taxes, fines and costs receivable	308,787	-	419,492	-	301,394	-	-	4,753,204
Unearned revenue	4,705,982	-	-	-	3,584,078	-	-	4,856,181
Payroll related accruals	10,999,898	-	5,435,422	-	7,001,694	-	2,483,087	5,788,100
Total liabilities	25,845,406	1,919,994	7,884,355	3,584,078	9,020,056	6,778,720	4,678,071	57,698,739
Fund balances (deficits):								
Reserved for advances	125,895	-	1,721,796	-	-	-	-	1,847,691
Unreserved:								
Designated for debt service	-	2,035,182	-	-	-	6,778,720	-	8,813,902
Designated for programmatic expenditures	-	-	-	-	-	-	6,362,039	6,362,039
Designated in normal/special revenue funds	-	-	-	-	-	-	-	-
Undesignated	9,047,754	-	(1,721,796)	-	5,113,875	6,778,720	6,362,039	29,463,465
Total fund balances	9,173,649	2,035,182	(1,721,796)	-	5,113,875	6,778,720	6,362,039	38,716,602
Total liabilities and fund balances	\$ 20,173,537	\$ 7,470,604	\$ 7,001,694	\$ 3,584,078	\$ 7,892,214	\$ 6,778,720	\$ 8,825,126	\$ 61,725,973

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.

Assets reported in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds.

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

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.

Total net assets of governmental activities

	(158,267,488)
	<u>\$8,413,261</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, 2003

	General	Children and Youth Services	Health/Mental Retardation	Agricultural Land Preservation	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES								
Real estate taxes	\$67,106,816	\$	\$	\$	\$	\$	\$	\$67,106,816
Intergovernmental	4,931,891	31,000,035	49,645,086	-	-	-	24,410,657	109,987,669
Departmental	11,727,836	1,785,724	559,285	-	-	-	114,034	14,186,879
Fines and costs	3,610,638	-	-	-	-	-	-	3,610,638
Interest	516,981	641	93,924	-	-	-	88,840	1,328,286
Other	400,527	-	-	-	-	-	129,808	581,403
Health Choices revenues	-	-	168,922	-	-	-	-	168,922
Total revenues	88,294,589	32,786,400	50,467,217	-	552,242	126,826	24,743,339	196,970,613
EXPENDITURES								
Current:								
General government	26,547,019	-	-	-	-	-	520,417	38,000,997
Public safety	647,582	-	-	-	-	-	-	647,582
Roads and bridges	-	-	-	-	-	-	-	-
Health, education, and welfare:								
Drug and alcohol	-	-	51,342,153	-	-	-	4,887,973	3,034,645
Employment and training	-	-	-	-	-	-	3,034,645	51,342,153
Mental health/mental retardation	-	-	-	-	-	-	7,704,959	7,704,959
Office of aging	-	-	-	-	-	-	-	39,021,718
Children and youth	-	39,021,718	-	-	-	-	-	655,866
Other	-	-	-	-	-	-	-	25,954,442
Judicial	655,866	-	-	-	-	-	3,979,513	29,933,955
Corrections	25,954,442	-	-	-	-	-	-	14,118,091
Cultural and recreation	14,118,091	-	-	-	-	-	-	2,112,098
Community development	2,112,098	-	-	-	-	-	-	5,210,433
Capital outlay	1,430,999	68,759	136,088	-	13,823,378	-	1,805,317	17,264,521
Debt Service:								
Principal retirement	2,005,000	-	-	-	-	2,740,000	-	4,745,000
Interest and fiscal charges	4,505,001	-	-	-	-	-	-	4,505,001
Bond issuance costs	397,164	-	-	-	-	-	-	684,817
Total expenditures	78,373,262	39,090,477	51,478,221	-	25,565,069	2,740,000	27,143,257	224,390,286
Excess (deficiency) of revenues over (under) expenditures	9,921,327	(6,304,077)	(1,011,004)	-	(25,012,827)	(2,613,174)	(2,399,918)	(27,419,673)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,976,192	6,466,585	1,011,004	-	-	-	2,186,521	11,640,302
Transfers out	(12,154,987)	-	-	-	-	-	-	(14,099,178)
Face amount of refunding bonds issued	37,660,000	-	-	-	-	-	-	37,660,000
Payment to refunded bond escrow agent	(37,581,596)	-	-	-	-	-	-	(37,581,596)
Premium on refunding bonds issued	318,760	-	-	-	-	-	-	318,760
Face amount of bonds issued	-	-	-	-	23,305,000	-	-	23,305,000
Bond discount	-	-	-	-	(202,390)	-	-	(202,390)
Total other financing sources (uses)	(9,781,631)	6,466,585	1,011,004	-	21,158,419	-	2,186,521	21,040,898
Net change in fund balances	139,696	162,508	-	-	(3,854,408)	(2,613,174)	(213,397)	(6,378,775)
Fund balances, January 1	9,033,953	1,872,674	-	-	8,988,283	9,391,894	6,575,436	35,842,240
Fund balances, December 31	\$9,173,649	\$2,035,182	\$	\$	\$5,113,875	\$6,778,720	\$6,362,039	\$29,463,465

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, 2003

Net change in fund balances - total governmental funds (page 33)	\$(6,378,775)
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.	13,551,709
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.	3,050,814
Revenues that provide current financial resources in the governmental funds are unearned in the statement of activities.	(526,185)
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.	(20,464,897)
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.	583,008
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>(1,710,073)</u>
Change in net assets of governmental activities (page 31)	<u><u>\$(11,894,399)</u></u>

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

County of Lancaster, Pennsylvania

Statement of Fund Net Assets - Enterprise Funds

December 31, 2003

	Conestoga View	Non-Major Fund - 911 Operations	Total
ASSETS			
Current assets:			
Cash and temporary investments	\$114,417	\$ -	\$114,417
Telephone subscriber receivable		286,516	286,516
Due from other governments	3,809,495		3,809,495
Total current assets	3,923,912	286,516	4,210,428
Noncurrent assets:			
Restricted cash and temporary investments	143,704		143,704
Capital assets:			
Land and improvements	567,013	7,642	574,655
Buildings and improvements	6,424,800	263,513	6,688,313
Furniture and equipment	11,467,222	2,666,062	14,133,284
Less accumulated depreciation	(11,341,563)	(1,450,520)	(12,792,083)
Total capital assets, net	7,117,472	1,486,697	8,604,169
Total noncurrent assets	7,261,176	1,486,697	8,747,873
Total assets	11,185,088	1,773,213	12,958,301
LIABILITIES			
Current liabilities:			
Accounts payable	\$606,331	\$513,537	\$1,119,868
Payroll related accruals	942,431	222,286	1,164,717
Accrued vacation and sick pay	45,514	5,092	50,606
Total current liabilities	1,594,276	740,915	2,335,191
Noncurrent liabilities:			
Accrued vacation and sick pay	993,109	213,514	1,206,623
Patient funds held in safekeeping	143,704		143,704
Net pension obligation	907,827	190,482	1,098,309
Total noncurrent liabilities	2,044,640	403,996	2,448,636
Total liabilities	3,638,916	1,144,911	4,783,827
NET ASSETS			
Invested in capital assets	7,117,472	1,486,697	8,604,169
Unrestricted (deficit)	428,700	(858,395)	(429,695)
Total net assets	\$7,546,172	\$628,302	\$8,174,474

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, 2003

	Conestoga View	Non-Major Fund - 911 Operations	Total
Operating revenues:			
Charges for sales and services:			
Net patient service revenue	\$30,436,294	\$ -	\$30,436,294
Telephone subscriber revenues		4,143,411	4,143,411
Other	155,801		155,801
Total operating revenues	30,592,095	4,143,411	34,735,506
Operating expenses:			
Administration	2,337,401		2,337,401
Nursing	17,247,703		17,247,703
Dietary	3,105,315		3,105,315
Housekeeping	1,842,732		1,842,732
Medical Services	107,359		107,359
Operations and maintenance	1,816,627		1,816,627
Pharmacy	724,442		724,442
Laundry	902,332		902,332
Recreation therapy	646,379		646,379
Admissions	120,086		120,086
Staff development	380,214		380,214
Barber and beautician	81,063		81,063
Personnel	369,512		369,512
Physical therapy	461,178		461,178
Social services	534,707		534,707
Volunteers	41,716		41,716
Depreciation	813,659	171,467	985,126
Security	313,008		313,008
Respiratory	281,592		281,592
Public safety		6,923,471	6,923,471
Total operating expenses	32,127,025	7,094,938	39,221,963
Operating loss	(1,534,930)	(2,951,527)	(4,486,457)
Nonoperating revenues:			
Interest revenue		6,450	6,450
Loss before transfers	(1,534,930)	(2,945,077)	(4,480,007)
Transfers in		2,458,876	2,458,876
Change in net assets	(1,534,930)	(486,201)	(2,021,131)
Total net assets, January 1	9,081,102	1,114,503	10,195,605
Total net assets, December 31	\$7,546,172	\$628,302	\$8,174,474

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, 2003

	Conestoga View	Non-Major Fund - 911 Operations	Total
Cash flows from operating activities:			
Cash received on patient accounts	\$29,598,043	\$ -	\$29,598,043
Cash received from departmental revenues		3,975,787	3,975,787
Cash payments to suppliers for goods and services	(6,924,494)	(1,742,712)	(8,667,206)
Cash payments to employees for services	(17,951,479)	(3,622,017)	(21,573,496)
Cash payments for taxes	(1,372,045)	(287,051)	(1,659,096)
Cash payments for employee benefits	(4,760,850)	(660,485)	(5,421,335)
Other operating revenues	155,801		155,801
Net cash provided by (used in) operating activities	(1,255,024)	(2,336,478)	(3,591,502)
Cash flows from noncapital financing activities:			
Transfers from other funds		2,458,876	2,458,876
Net cash provided by (used in) noncapital financing activities	-	2,458,876	2,458,876
Cash flows from capital and related financing activities:			
Purchases of capital assets	(296,514)	(128,848)	(425,362)
Net cash used in capital and related financing activities	(296,514)	(128,848)	(425,362)
Cash flows from investing activities:			
Interest received		6,450	6,450
Net cash provided by investing activities	-	6,450	6,450
Net decrease in cash and cash equivalents	(1,551,538)		(1,551,538)
Cash and cash equivalents, January 1	1,809,659		1,809,659
Cash and cash equivalents, December 31	\$258,121	\$ -	\$258,121
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$(1,534,930)	\$(2,951,527)	\$(4,486,457)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	813,659	171,467	985,126
Changes in assets and liabilities:			
Other receivables		115,354	115,354
Due from other governments	(816,681)		(816,681)
Accounts payable	250,773	315,454	566,227
Accrued expenses	(40,287)	(21,533)	(61,820)
Patient funds held in safekeeping	(21,570)		(21,570)
Other liabilities	94,012	34,307	128,319
Total adjustments	279,906	615,049	894,955
Net cash used in operating activities	\$(1,255,024)	\$(2,336,478)	\$(3,591,502)

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, 2003

	Pension Trust		Total
	Fund	Agency Fund	
ASSETS			
Cash and temporary investments-operating	\$4,432,785	\$7,952,669	\$12,385,454
Accounts receivable	5,270,247		5,270,247
	<u>9,703,032</u>	<u>7,952,669</u>	<u>17,655,701</u>
Investments, at fair value:			
U.S. Government securities	13,657,255		13,657,255
U.S. Government agency-mortgage backed securities	8,933,396		8,933,396
Domestic corporate bonds	11,425,861		11,425,861
Fixed income mutual funds	367,000		367,000
Collateralized mortgage obligations	931,795		931,795
Domestic common stock	17,303,044		17,303,044
Stock index funds	41,890,355		41,890,355
International equity fund	18,493,798		18,493,798
Total investments	<u>113,002,504</u>	<u>-</u>	<u>113,002,504</u>
Total assets	<u>122,705,536</u>	<u>7,952,669</u>	<u>130,658,205</u>
LIABILITIES			
Deferred revenue	4,052,800		4,052,800
Deposits and advances		1,105,978	1,105,978
Escrow liability		2,093,593	2,093,593
Payroll related accruals		870,958	870,958
Due to other governments		3,882,140	3,882,140
Total liabilities	<u>4,052,800</u>	<u>7,952,669</u>	<u>12,005,469</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$118,652,736</u>	<u>\$ -</u>	<u>\$118,652,736</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, 2003

ADDITIONS

Contributions:

Employer	\$ 5,500,000
Plan members	4,429,403
Total contributions	<u>9,929,403</u>

Investment income:

Net appreciation in fair value of investments	20,004,010
Interest and dividends	2,226,284
Less investment expenses	334,093
Net investment income	<u>21,896,201</u>
Total additions	<u>31,825,604</u>

DEDUCTIONS

Benefits paid to plan members and beneficiaries	4,278,349
Refunds of contributions paid to plan members and beneficiaries	1,103,765
Administrative expenses	38,459
Total deductions	<u>5,420,573</u>
Change in net assets	26,405,031

Net assets held in trust for pension benefits, January 1	<u>92,247,705</u>
Net assets held in trust for pension benefits, December 31	<u>\$ 118,652,736</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, 2003

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 (the 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 is a discretely presented 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. 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.
- **Agricultural Land Conservation Fund** – This special revenue fund is used to account for amounts paid as easements to farmers within the County in efforts to preserve agricultural land.
- **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 Fund:

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 fund of the County:

- **Conestoga View** – Conestoga View accounts for the County's nursing home for the aged.

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 under a single-employer contributory defined benefit pension plan covering substantially all County employees.
 - Agency fund - This fund is used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units.

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

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

C. 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 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)

D. 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.

In November 2003, the GASB issued Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This statement establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The County is required to adopt Statement No. 42 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Restricted Assets

Governmental Activities

At December 31, 2003, the County had a restricted cash balance of \$550,955 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 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, 2003, the County had a cash balance of \$767,709 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, 2003, the County also had a cash balance of \$282,670 representing amounts deposited in an irrevocable trust in accordance with state guidelines to pay future workers compensation claims.

Business-type Activities

At December 31, 2003, the County has \$143,704 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at fair 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.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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.

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 appropriate 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 \$158,267,488 difference are as follows:

General obligation bonds and notes payable	\$ 152,899,075
Less: Deferred charge on refundings (amortized as expense)	(6,430,941)
Less: Deferred charge for issuance costs (amortized as expense)	(1,573,372)
Plus issuance premium (amortized as income)	402,845
Claims and judgments	512,500
Accrued vacation and sick pay	3,795,130
Net pension obligation	2,954,491
Workers compensation claims liability	172,663
Accrued interest payable	475,892
Arbitrage rebate payable	479,750
Unearned revenue on 2002 swap agreement	2,800,000
Unearned revenue on 2003 swap agreement	417,857
Loan payable	1,361,598
Net adjustment to <i>total fund balance - total governmental funds</i> to arrive at <i>net assets - government activities</i>	\$ 158,267,488

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 \$13,551,709 difference are as follows:

Capital outlay	\$ 17,094,650
Depreciation expense	(3,542,941)
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>\$ 13,551,709</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 \$3,050,814 difference are as follows:

Easement outlay	\$ 4,153,759
Amortization expense	(1,102,945)
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>\$ 3,050,814</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 \$(20,464,897) difference are as follows:

Debt issued or incurred:		
Installment purchase agreement	\$	(441,648)
Issuance of general obligation bonds and notes		(60,965,000)
Amortization of accretion		(1,450,493)
Principal repayments:		
General obligation debt		4,745,000
Repayment on installment purchase agreement		65,648
Payment to escrow agent for refundings		37,581,596
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>(20,464,897)</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 \$583,008 difference are as follows:

Bond issuance costs	\$	684,877
Bond discounts		216,891
Bond premiums		(318,760)
	\$	<u>583,008</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 \$(1,072,812) difference are as follows:

Loans payable	\$	(1,361,598)
Accrued vacation and sick pay		(199,416)
Net pension obligation		273,525
Workers compensation liability		167,740
Accrued interest payable		(100,618)
Arbitrage rebate payable		(22,081)
Amortization of deferred amounts on refunding		(256,397)
Amortization of issuance costs		(246,243)
Amortization of net bond premiums		35,015
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>(1,710,073)</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, 2003, the carrying amount of the County's deposits, including cash with fiscal agents, was \$37,762,006 and the bank balances totaled \$34,667,525. Of the bank balances, \$2,525,268 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, 2003, 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, 2003:

	Carrying Value
Temporary investments:	
U.S. Government Securities Money Market Mutual Funds	\$ 4,444,566
Commonwealth of Pennsylvania sponsored external investment pool	181
Fixed income mutual funds	367,000
	\$ 4,811,747
Investments:	
U.S. government securities	13,657,255
U.S. Treasury strips	7,109,308
U.S. Government Agency-Mortgage Backed Securities	8,933,396
Domestic Corporate Bonds	11,925,861
Collateralized Mortgage Obligations	931,795
Domestic Common Stock	17,303,044
Stock Index Funds	41,890,355
International Equity Mutual Fund	18,493,798
Municipal Bonds	1,400,000
	\$ 121,644,812

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	\$ 29,255,157	\$ 114,417	\$ 12,385,454	\$ 41,755,028
Other	543,718	—	—	543,718
Cash with fiscal agents	62,969	—	—	62,969
Investments	7,109,308	—	113,002,504	120,111,812
Restricted cash	1,601,334	143,704	—	1,745,038
	<u>\$ 38,572,486</u>	<u>\$ 258,121</u>	<u>\$ 125,387,958</u>	<u>\$ 164,218,565</u>
Carrying value of deposits per the footnotes				\$ 37,762,006
Temporary investments per the footnotes				4,811,747
Investments per the footnotes				<u>121,644,812</u>
Total deposits and investments per the footnotes				<u>\$ 164,218,565</u>

Deposits and Investments – Component Unit

At December 31, 2003, the carrying amount of the Authority's deposits was \$293,768 and the bank balances totaled \$297,763. Of the bank balances, \$100,000 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 Authority's name).

Investments of the Authority are as follows:

	Non- Categorized	Fair Value	Cost
Investments in Money Market Funds	\$ 823,189	\$ 823,189	\$ 823,189

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

6. Property Taxes

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

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2003 was 2.847 mills.

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2003 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 5,752,474	\$ 29,634	\$ -	\$ 5,782,108
Construction in progress	3,326,269	10,235,476		13,561,745
Total capital assets, not being depreciated	9,078,743	10,265,110	-	19,343,853
Capital assets, being depreciated:				
Buildings and improvements	81,462,897	2,369,760		83,832,657
Furniture and equipment	18,327,078	2,684,717		21,011,795
Assets under capital lease	1,371,165			1,371,165
Infrastructure	3,205,744	1,775,063		4,980,807
Total capital assets being depreciated	104,366,884	6,829,540	-	111,196,424
Less accumulated depreciation for:				
Buildings and improvements	24,143,474	2,131,844		26,275,318
Furniture and equipment	8,253,638	1,266,650		9,520,288
Assets under capital lease	342,791	26,723		369,514
Infrastructure	509,955	117,724		627,679
Total accumulated depreciation	33,249,858	3,542,941	-	36,792,799
Total capital assets, being depreciated, net	71,117,026	3,286,599	-	74,403,625
Governmental activities capital assets, net	\$ 80,195,769	\$ 13,551,709	\$ -	\$ 93,747,478

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 558,794	\$ 15,861	\$ -	\$ 574,655
Total capital assets, not being depreciated	558,794	15,861	-	574,655
Capital assets, being depreciated:				
Buildings and improvements	6,590,098	98,215		6,688,313
Furniture and equipment	13,821,998	311,286		14,133,284
Total capital assets being depreciated	20,412,096	409,501	-	20,821,597
Less accumulated depreciation for:				
Buildings and improvements	3,056,852	302,683		3,359,535
Improvements other than buildings	390,696	27,713		418,409
Furniture and equipment	8,359,409	654,730		9,014,139
Total accumulated depreciation	11,806,957	985,126	-	12,792,083
Total capital assets, being depreciated, net	8,605,139	(575,625)	-	8,029,514
Business-type activities capital assets, net	\$ 9,163,933	\$ (559,764)	\$ -	\$ 8,604,169

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	\$ 1,323,322
Public safety	480,934
Roads and bridges	117,724
Health, education, and welfare:	
Other	45,572
Judicial	140,851
Corrections	1,258,117
Cultural and recreation	176,421
Community development	
Total depreciation expense – governmental activities	\$ 3,542,941
Business-type activities:	
Conestoga View	\$ 813,659
911 Operations	171,467
Total depreciation expense – business-type activities	\$ 985,126

As of December 31, 2003, the County has \$2,841,510 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, 2003 amounted to \$3,287,462. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2004	\$ 2,853,501
2005	2,559,609
2006	2,207,411
2007	1,989,766
2008	1,918,201
2009-2013	10,199,171
2014-2018	10,319,596
2019-2023	2,199,055
2024-2028	22,364
Total	\$ 34,268,674

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, 2003 was \$194,495,483.

General obligation bonds and notes consisted of the following at December 31, 2003:

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, 2004 to July 1, 2007	\$ 10,024,497
4.40% - 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, 2004 to November 1, 2010	6,010,000
5.10% - 5.45% 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 \$40,000 to \$2,690,000, from May 2004 to May 2010.	8,245,000
3.20% - 5.50% Interest bearing General Obligation Notes Series A of 2001, to finance the County's capital projects as well as a partial advance refunding of series 2000A, dated December 15, 2001, principal payable annually, ranging in amounts \$5,000 to \$1,765,000, from November 2004 to November 2027.	16,420,000
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 \$5,000 to \$2,815,000, from May 2004 to May 2019.	14,695,578
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 in amounts of \$5,000 to \$1,435,000 from November 1, 2004 to November 1, 2010.	3,200,000
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, 2004 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 on the bonds will never exceed 15%.	25,045,000
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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

5.50% Interest bearing installment purchase agreement in the amount of \$210,000, dated December 30, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2022	210,000
3.00% - 4.75% General Obligation Bonds Series of 2003 in the principal amount of \$23,305,000 to finance certain capital projects dated January 1, 2003, principal payable annually, varying in amounts from \$450,000 to \$1,395,000 from November 1, 2004 to November 1, 2032.	23,305,000
1.05% - 5.25% General Obligation Bonds Series of 2003A in the principal amount of \$23,715,000 to partially refund Series A of 2000, dated October 15, 2003, principal payable annually, varying in amounts from \$30,000 to \$4,930,000 from May 1, 2004 to May 1, 2015.	23,715,000
Variable rate interest bearing General Obligation Demand Bonds Series of 2003B in the principal amount of \$13,945,000 to current refund Series B of 1997 and Series of 1998, dated November 3, 2003, principal payable annually, varying in amounts from \$785,000 to \$1,415,000 from November 1, 2004 to November 1, 2016. Bond is payable upon demand. The Interest Mode the Bonds were issued in was a Weekly Mode; however the Bonds may be converted to Term Mode at any time. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. If converted to Term Mode Bonds, interest is payable semiannually and the rate determination date a day not more than 15 days preceding or later than the last Business day preceding such Rate period. The interest on the bonds will never exceed 12%.	13,945,000
5.85% Interest bearing installment purchase agreement in the amount of \$226,000, dated September 3, 2003, to finance the purchase of an agricultural easement, principal payable in lump sum of November 15, 2023.	226,000
4.40% Interest bearing installment purchase agreement in the amount of \$150,000, dated April 30, 2003, to finance the purchase of an agricultural easement, principal payable annually in the amount of \$15,000 from January 20, 2004 to January 20, 2013, principal paid in full on January 20, 2013.	150,000
Total general obligation bonds and notes payable	\$ 152,899,075

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

	Principal	Interest	Total
2004	\$ 5,896,543	\$ 5,341,623	\$ 11,238,166
2005	5,597,375	5,330,277	10,927,652
2006	5,563,064	5,361,868	10,924,932
2007	5,531,097	5,392,365	10,923,462
2008	6,309,147	4,609,301	10,918,448
2009-2013	33,941,269	20,612,084	54,553,353
2014-2018	32,028,918	22,569,529	54,598,447
2019-2023	26,491,662	11,384,079	37,875,741
2024-2028	21,588,000	13,502,562	35,090,562
2029-2032	9,952,000	7,180,288	17,132,288
	\$ 152,899,075	\$ 101,283,976	\$ 254,183,051

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (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 and to pay the costs of issuing the bonds. 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.

On October 15, 2003, the County issued the General Obligation Bonds, Series 2003A, in the amount of \$23,715,000 to refund \$21,370,000 of the County's General Obligation Bonds, Series 2000A and to pay the costs of issuing and insuring the bonds. The refunding proceeds of \$23,788,825, after payment of underwriting fees, insurance and other issuance costs were placed in an irrevocable trust to provide all future debt service payments on the refunded bonds. The refunding resulted in an increase of debt service payable on general obligation bonds of \$2,411,707 and an economic gain of \$841,164.

On November 1, 2003, the County issued the General Obligation Bonds, Series 2003B, in the amount of \$13,945,000 to refund \$5,895,000 and \$8,050,000 of the County's General Obligation Bonds, Series 1997B and 1998, respectively, and to pay the costs of issuing and insuring the bonds. The refunding proceeds of \$13,792,771, after payment of underwriting fees, insurance, and other issuance costs were placed in an irrevocable trust to provide all future debt service payments on the refunded bonds. The County's refunding of its previously issued bonds resulted in an economic gain of \$38,104.

In 2003, the County also issued \$441,618 in interest-bearing installment purchase agreements.

The remaining \$1,450,493 of the 2003 additions to general obligation bonds and notes payable represent 2003 accretion on the capital appreciation general obligation bonds dated March 14, 1991 and capital appreciation general obligation notes dated December 20, 2001.

As of December 31, 2003, \$22,410,000 of bonds outstanding are classified defeased.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

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, 2003 are as follows:

	Principal	Interest	Total
2004	\$ 666,040	\$ 47,331	\$ 713,371
2005	695,558	18,375	713,933
	<u>\$ 1,361,598</u>	<u>\$ 65,706</u>	<u>\$ 1,427,304</u>

Changes in Long-Term Liabilities

During the year ended December 31, 2003, the following changes occurred in long-term liabilities:

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 130,257,581	\$ 62,857,111	\$ 40,215,617	\$ 152,899,075	\$ 5,896,543
Deferred amounts on refundings	(4,405,270)	(2,411,707)	386,036(*)	(6,430,941)	
Net premium on bonds payable	234,378	318,760	150,293	402,845	
Claims and judgments	512,500			512,500	
Accrued vacation and sick pay	3,595,672	396,772	197,314	3,795,130	182,769
Net pension obligation	3,228,016		273,525	2,954,491	
Workers' compensation claims liability	340,403		167,740	172,663	
Arbitrage rebate payable	453,811	25,939		479,750	
Loan payable	2,000,000		638,402	1,361,598	666,040
Deferred revenue on swap agreement	2,900,000	450,000	132,143	3,217,857	132,143
Governmental activities long-term liabilities	<u>\$ 139,117,091</u>	<u>\$ 61,636,875</u>	<u>\$ 41,383,998</u>	<u>\$ 159,364,968</u>	<u>\$ 6,877,495</u>

(*) Must subtract for column to foot

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within One Year
Business-Type Activities:					
Net pension obligation	\$ 1,205,035	\$ -	\$ 106,726	\$ 1,098,309	\$ -
Accrued vacation and sick pay	1,212,323	97,274	52,368	1,257,229	50,606
Business-type activities long-term liabilities	\$ 2,417,358	\$ 97,274	\$ 159,094	\$ 2,355,538	\$ 50,606

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

10. Short-term Debt

On August 20, 2003, the County issued Tax Revenue Anticipation Notes in the amount of \$26,176,421 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 20, 2003, the County repaid \$26,176,421 related to these Tax Revenue Anticipation Notes. There was no outstanding balance at December 31, 2003 related to the issuance of this short-term debt during 2003. Short-term debt activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Revenue Anticipation Notes	\$ -	\$ 26,176,421	\$ 26,176,421	\$ -

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

11. Self-Insurance Claims Liability

Changes in the County's self-insurance claims liabilities for the years ended December 31, 2003 and 2002 were as follows:

	Liability Balance as of January 1, 2003	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2003
Unemployment Compensation	\$ 289,006	\$ 334,847	\$ 240,050	\$ 383,803
Workers' Compensation	1,469,974	367,808	437,461	1,400,321
Medical Insurance	1,324,962		1,324,962	-
Total Unemployment Compensation, Workers' Compensation, and Medical Insurance	\$ 3,083,942	\$ 702,655	\$ 2,002,473	\$ 1,784,124

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.

	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	\$ 2,206,209	\$ 10,065,917	\$ 9,188,184	\$ 3,083,942

Of the above self-insurance claims liability balances, amounts for the years ended December 31, 2003 and 2002 were reported in the general fund as follows because these liabilities are due and payable and expected to be liquidated within expendable available resources:

	Balance as of December 31, 2002	Balance as of December 31, 2003
Unemployment Compensation	\$ 289,006	\$ 383,803
Workers' Compensation	1,129,971	1,227,657
Medical Insurance	1,324,962	-
	\$ 2,743,939	\$ 1,611,460

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

12. Interfund Balances

Individual fund receivable and payable balances at December 31, 2003 were as follows:

Fund(s)	Interfund Receivables	Interfund Payables
General	\$ 3,716,156	\$ -
Children and Youth services		3,052,134
Non-major special revenue		664,022
	<u>\$ 3,716,156</u>	<u>\$ 3,716,156</u>

The balance due to the general fund from the nonmajor special revenue funds resulted from cash deficits in the respective nonmajor special revenue funds.

13. Interfund Transfers

Interfund transfers for the year ended December 31, 2003 consisted of the following:

Funds	Interfund Transfers In	Interfund Transfers Out
General fund	\$ 1,976,192	\$ 12,154,987
Children and Youth Services	6,466,585	
Mental Health/Mental Retardation	1,011,004	
Capital Projects		1,944,191
Nonmajor special revenue	2,186,521	
911 operations	2,458,876	
Total	<u>\$ 14,099,178</u>	<u>\$ 14,099,178</u>

Transfers are used to (1) 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 (2) subsidize 911 operations.

In the year ended December 31, 2003, the County made a one-time transfer of \$1,944,191 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, 2003. Additionally, the Enterprise Fund (Conestoga View) has a "Due from Other Governments" in the amount of

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Due From Other Governments (continued)

\$3,809,495 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, 2003.

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 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, 2003, \$2,086,921 in fines and costs receivable are expected to be collected in more than one year.

16. Commitments and Contingent Liabilities

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Commitments and Contingent Liabilities (continued)

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 all 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.

On October 29, 2003, the County guaranteed the Lancaster County Convention Center Authority's Guaranteed Debt Service Reserve Fund Note (the Note) in the amount of \$25,000,000. The Authority's Note was issued in connection with the Authority's Hotel Room Rental Tax Revenue Bonds, Series 2003, (the Bonds) to prevent a default of the Bonds in the event of an unexpected interruption in the flow of hotel room rental tax revenues that are pledged to pay debt service on the Bonds.

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, 501 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 \$1,773,173 for 2003, 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2003, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	616
Terminated plan members enrolled but not yet receiving benefits	57
Active plan members	<u>2,324</u>
Total members	<u>2,997</u>

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

The general annual benefit is from .833% to 1.25% (depending on the date the employee entered the Plan) of the employee's high three-year salary times years of service.

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

Covered employees are required by the Act to contribute to the Plan at a rate of 5% of their gross pay. Employees may contribute up to an additional 10% of gross pay, at their option. The contributions are recorded in an individually identified account which is also credited with interest, calculated to yield 5 1/2% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$41,118,962 as of December 31, 2003, 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:

Domestic Equity	49%
International Equity	14%
Fixed Income	37%

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

The following individual investments represent 5% or more of the Plan's fair value of net assets available for benefits as of December 31, 2003:

	<u>Fair Value</u>
U.S. Stock Index Funds	\$ 41,890,355
International Equity Mutual Fund	18,493,798
Domestic Common Stock	17,303,044
U.S. Government Securities	13,657,255
Domestic Corporate Bonds	11,425,861
U.S. Government Agency – Mortgage Backed Securities	8,933,396

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 2003, all administrative costs totaling \$38,459 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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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, 2003. 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.

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	\$ 4,775,487
Interest on net pension obligation	377,044
Adjustment to annual required contribution	<u>(32,782)</u>
Annual pension cost	5,119,749
Contributions made	<u>5,500,000</u>
Increase in net pension obligation	(380,251)
Net pension obligation beginning of year	4,433,051
Net pension obligation, end of year	<u>\$ 4,052,800</u>

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 815,814	0%	\$ 2,812,992
2002	\$ 2,688,202	20%	\$ 5,027,257
2003	\$ 4,525,543	122%	\$ 4,052,800

Legally Required Reserves

At December 31, 2003, the County has a balance of \$41,118,962 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, 2003. Since those accumulations represent the present value of future benefits as of December 31, 2003, the reserve balance and liability are equal and this reserve is fully funded.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

The County has a balance of \$40,968,771 in the County Annuity Reserve Account as of December 31, 2003. This balance and the amounts expected to be credited in the future, plus investment earnings thereon, represent the reserves set aside for the payment of the County's share of the retirement allowances.

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

The Retired Members' Reserve Account is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid. The assets allocated to this reserve account as of December 31, 2003 amounted to \$34,641,059

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

19. Interest Rate Swap

General Obligation Note Series 2002A

Objective of the Interest Rate Swap

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 Note Series of 2002A (the "note") in the amount of \$25,050,000, the County entered into an interest rate swap in November, 2001. The intention of the swap was to effectively change the County's variable interest rate on the note to a fixed rate of 5.195%.

Terms

The note and the related agreement mature on May 1, 2030. The swap's notional amount equals \$24,900,000, while the variable-rate note's notional amount equals \$25,045,000. Under the swap, the County pays to the provider a fixed payment of 5.195% and receives a variable payment computed as 67% of the London Interbank Offered Rate (LIBOR). The note's variable-rate coupons are based on the variable Bond Market Association Municipal Swap Index (BMA), which equaled 1.14% as of December 31, 2003. 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, which is being deferred and amortized over the life of the swap agreement.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

Fair Value

Because interest rates have declined since the execution of the swap, the swap has a negative fair value of \$5,654,038 as of December 31, 2003. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate note, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate note adjust to changing interest rates, the note does not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

Basis Risk and Termination Risk

The swap exposes the County to basis risk, should the relationship between LIBOR and BMA converge, thus changing the synthetic rate on the note. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (5.195%) and the synthetic rate as of December 31, 2003 (5.655%). The termination exposure of the General Obligation Note Series 2002A swap agreement at December 31, 2003 equals \$5,654,038 (the County would have to pay this amount to terminate the swap.)

Swap Payments and Associated Debt

Using rates as of December 31, 2003, debt service requirements of the variable-rate debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2003. As rates vary, variable-rate note interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2004	\$ 5,000	\$ 486,900	\$ 1,118,259	\$ 1,610,159
2005	5,000	486,150	1,118,036	1,609,186
2006	5,000	485,400	1,117,813	1,608,213
2007	5,000	484,650	1,117,590	1,607,240
2008	5,000	483,900	1,117,366	1,606,266
2009	5,000	483,150	1,117,143	1,605,293
2010-2030	25,020,000	25,568,850	17,979,305	68,568,155
Total	\$ 25,050,000	\$ 28,479,000	\$ 24,685,512	\$ 78,214,512

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

General Obligation Bond Series 2003B

Objective of the Interest Rate Swap

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 2003B (the "bond") in the amount of \$13,945,000, the County entered into an interest rate swaption in October, 2002. The intention of the swap was to effectively change the County's variable interest rate on the bond to a fixed rate with amounts ranging from 4.61% to 4.73%.

Terms

The bonds and the related agreement mature on November 1, 2016. The swap's notional amount of \$13,945,000 matches the variable-rate bond's notional amount of \$13,945,000. Under the swap, the County pays to the provider fixed payments ranging from 4.61% to 4.73% and receives a variable payment computed as 67% of the London Interbank Offered Rate (LIBOR) plus 0.31%. The bond's variable-rate coupons are based on the variable Bond Market Association Municipal Swap Index (BMA), which equaled 1.14% as of December 31, 2003. In connection with and in consideration for entering into this swap agreement the County received a \$450,000 swap premium in November of 2003, which is being deferred and amortized over the life of the swap agreement.

Fair Value

Because interest rates have declined since the execution of the swap, the swap has a negative fair value of \$1,303,576 as of December 31, 2003. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate note, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate note adjust to changing interest rates, the note does not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

Basis Risk and Termination Risk

The swap exposes the County to basis risk, should the relationship between LIBOR and BMA converge, thus changing the synthetic rate on the note. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (ranging from 4.61% to 4.73%) and the synthetic rate as of December 31, 2003 (ranging from 4.760 to 4.880%). The termination exposure of the General Obligation Note Series 2002A swap agreement at December 31, 2003 equals \$1,303,576 (the County would have to pay this amount to terminate the swap.)

Swap Payments and Associated Debt

Using rates as of December 31, 2003, debt service requirements of the variable-rate debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2003. As rates vary, variable-rate note interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2004	\$ 990,000	\$ 642,713	\$ 497,837	\$ 2,130,550
2005	1,025,000	600,842	462,494	2,088,336
2006	1,075,000	556,448	425,901	2,057,349
2007	1,125,000	508,773	387,524	2,021,297
2008	1,170,000	457,747	347,361	1,975,108
2009-2016	8,560,000	1,641,935	1,245,395	11,447,330
Total	\$ 13,945,000	\$ 4,408,458	\$ 3,366,512	\$ 21,719,970

20. Subsequent Events

On January 20, 2004, the County issued the General Obligation Bonds, Series 2004, in the amount of \$5,005,000 to refund a portion of the County's General Obligation Bonds, Series of 1999, and to pay the costs of issuing and insuring the bonds. Interest rates range from 3.5% to 4.5%, principal payable annually, ranging in amounts from \$440,000 to \$1,265,000 from November 2005 to November 2010.

On April 21, 2004, the County guaranteed lease rental debt of the Lancaster County Redevelopment Authority in an amount not to exceed \$15,000,000 to fund the County's Multipurpose Stadium Facility.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Subsequent Events (continued)

On May 1, 2004, the County issued the General Obligation Bonds, Series 2004A, in the amount of \$27,300,000 to finance various County capital projects and to pay the costs of issuing and insuring the bonds. Interest rates range from 2.0% to 5.0%, principal payable annually, ranging in amounts from \$1,010,000 to \$2,110,000 from November, 2005 to November, 2023.

On May 11, 2004, the County amended the interest rate swap agreement attached to the General Obligation Note, Series of 2002A as follows:

	Original Interest Rate Swap Agreement	Amended Interest Rate Swap Agreement
Termination Date	May 1, 2030	October 25, 2030
Fixed Rate Payer Payment Dates	The first calendar day of each month.	The twenty-fifth calendar day of each month.
Floating Amount	67% of LIBOR	60% of LIBOR plus 0.303%
Maximum Interest Rate	N/A	The maximum interest rate payable by the Counterparty for periodic scheduled payments will not exceed 5.195%, and the maximum net scheduled payments by the Counterparty will not exceed the maximum interest rate payable on the Note (15% per year).

On May 11, 2004, the County amended the interest rate swap agreement attached to the General Obligation Bonds, Series of 2002B as follows:

	Original Interest Rate Swap Agreement	Amended Interest Rate Swap Agreement
Floating Amount	67% of LIBOR plus 0.31%	60% of LIBOR plus 0.5575%
Maximum Interest Rate	N/A	The maximum interest rate payable by the Counterparty for periodic scheduled payments will not exceed 4.72954%, and the maximum net scheduled payments by the Counterparty will not exceed the maximum interest rate payable on the Note (12% per year).

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REQUIRED SUPPLEMENTARY INFORMATION

County of Lancaster, Pennsylvania
 Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1998	\$585,980	0%
1999	899,728	0%
2000	609,240	0%
2001	606,179	0%
2002	2,519,306	19%
2003	4,775,487	115%

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, 2003
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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$7,095,004	\$8,036,520	\$6,690,305	\$(1,346,215)
Real estate taxes	66,070,688	66,070,688	66,699,444	628,756
Personal property taxes				-
Departmental	15,208,120	15,218,120	16,160,652	942,532
Fines and costs	3,255,470	3,255,470	3,287,977	32,507
Interest	715,000	715,000	493,878	(221,122)
Indirect reimbursement	1,939,504	1,939,504	2,312,734	373,230
Other	295,421	295,421	302,368	6,947
Total revenues	94,579,207	95,530,723	95,947,358	416,635
EXPENDITURES				
Current:				
General government	33,653,434	34,163,487	29,400,465	4,763,022
Public safety	8,003,933	7,890,187	6,980,859	909,328
Health, education, and welfare:				
Other	865,799	865,799	718,294	147,505
Judicial	27,376,789	27,491,060	26,278,700	1,212,360
Corrections	14,690,103	14,677,183	14,126,398	550,785
Cultural and recreation	2,336,765	2,333,265	2,105,536	227,729
Capital outlay	1,771,543	2,234,891	1,545,254	689,637
Debt service:				
Principal retirement	2,032,700	2,032,700	2,005,000	27,700
Interest and fiscal charges	2,534,558	2,534,558	2,494,024	40,534
Total expenditures	93,265,624	94,223,130	85,654,530	8,500,366
Excess of revenues over expenditures	1,313,583	1,307,593	10,292,828	8,985,235
OTHER FINANCING SOURCES (USES)				
Transfers in	520,000	520,000		520,000
Transfers out	(9,911,620)	(9,911,620)	(9,768,603)	(143,017)
Total other financing uses	(9,391,620)	(9,391,620)	(9,768,603)	376,983
Net change in fund balances	\$11,745,203	\$11,739,213	524,225	\$11,214,988
Net decrease in assets and liabilities			(4,081,520)	
Fund balances, January 1, cash basis			12,536,085	
Fund balance, December 31, cash basis			8,978,790	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			763,779	
Fines and costs, net			5,224,164	
Accounts			139,969	
Due from other funds			3,716,156	
Due from other governments			1,161,815	
Advances to providers			125,895	
Accounts payable			(1,169,566)	
Deferred revenue - taxes, fines and costs receivable			(4,753,204)	
Unearned revenue			(308,787)	
Payroll related accruals			(4,705,362)	
Fund balances at December 31, modified accrual basis			\$9,173,649	

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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$27,883,140	\$27,883,140	\$19,591,105	\$(8,292,035)
Departmental	1,757,000	1,757,000	1,565,005	(191,995)
Interest	1,200	1,200	641	(559)
Total revenues	29,641,340	29,641,340	21,156,751	(8,484,589)
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth	36,904,150	36,859,150	32,676,959	4,182,191
Capital outlay	264,754	309,754	68,759	240,995
Total expenditures	37,168,904	37,168,904	32,745,718	4,423,186
Deficiency of revenues under expenditures	(7,527,564)	(7,527,564)	(11,588,967)	(4,061,403)
OTHER FINANCING SOURCES				
Transfers in	7,481,294	7,481,294	6,466,585	1,014,709
Net change in fund balances	\$(46,270)	\$(46,270)	(5,122,382)	\$5,076,112
Net increase in due to other funds			3,052,134	
Fund balances, January 1, cash basis			2,076,775	
Fund balance, December 31, cash basis			6,527	
Differences from modified accrual basis:				
Due from other governments			7,464,077	
Accounts payable			(1,919,994)	
Deferred revenue			(43,802)	
Payroll related accruals			(419,492)	
Due to other funds			(3,052,134)	
Fund balances at December 31, modified accrual basis			\$2,035,182	

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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$47,321,802	\$49,821,802	\$46,851,406	\$(2,970,396)
Departmental	871,145	871,145	707,426	(163,719)
Interest	232,795	232,795	93,924	(138,871)
Other	70,000	70,000	42,267	(27,733)
Total revenues	48,495,742	50,995,742	47,695,023	(3,300,719)
EXPENDITURES				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	49,258,823	51,771,436	50,258,529	1,512,907
Capital outlay	182,862	170,249	136,068	34,181
Total expenditures	49,441,685	51,941,685	50,394,597	1,547,088
Deficiency of revenues under expenditures	(945,943)	(945,943)	(2,699,574)	(1,753,631)
OTHER FINANCING SOURCES (USES)				
Transfers in	910,480	910,480	1,011,004	(100,524)
Net change in fund balances	\$(35,463)	\$(35,463)	(1,688,570)	\$1,653,107
Fund balances, January 1, cash basis			6,968,293	
Fund balance, December 31, cash basis			5,279,723	
Differences from modified accrual basis:				
Advances to providers			1,721,796	
Other receivables			175	
Accounts payable			(2,438,937)	
Deferred revenue			(4,261,363)	
Payroll related accruals			(301,394)	
Fund balances at December 31, modified accrual basis			\$ -	

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	\$95,947,358
Net adjustment to general fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	(3,387,554)
Less: 911 operations revenues recognized in the general fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(4,265,215)</u>
General fund revenues per statement of revenues, expenditures, and changes in fund balances - government funds	<u>\$88,294,589</u>
General fund expenditures per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - general fund	\$85,654,530
Net adjustment to general fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	(840,155)
Less: 911 operations expenditures recognized in the general fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(6,441,113)</u>
General fund expenditures per statement of revenues, expenditures, and changes in fund balances - government funds	<u>\$78,373,262</u>

County of Lancaster, Pennsylvania

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.

County of Lancaster, Pennsylvania

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2003

Special Revenue

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Community Development Block Grant	Total Nonmajor Governmental Funds
Cash and temporary investments:							
Operating	\$2,581,418	\$ -	\$231,177	\$ -	\$2,972,706	\$ -	\$5,785,301
Other	3,995		204,164				204,164
Other receivables			1,539				5,534
Due from other governments	1,287,495	436,062	165,144	931,885	733		2,821,319
Advances to providers			8,808				8,808
Total assets	\$3,872,908	\$436,062	\$610,832	\$931,885	\$2,973,439	\$ -	\$8,825,126

LIABILITIES

Liabilities:							
Accounts payable	\$52,300	\$80,155	\$285,920	\$481,380	\$ 295,229	\$ -	\$ 1,194,984
Due to other funds		311,309		352,594	119		664,022
Deferred revenue			166,596	75,633			242,229
Payroll related accruals	135,110	44,598	158,316	22,278	1,550		361,852
Total liabilities	187,410	436,062	610,832	931,885	296,898	-	2,463,087

FUND BALANCES

Unreserved:							
Designated for programmatic expenditures	3,685,498	-	-	-	2,676,541	-	6,362,039
Total fund balances	3,685,498	-	-	-	2,676,541	-	6,362,039
Total liabilities and fund balances	\$3,872,908	\$436,062	\$610,832	\$931,885	\$2,973,439	\$ -	\$8,825,126

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2003

	Special Revenue						Total Nonmajor Governmental Funds
	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Community Development Block Grant	
REVENUES							
Intergovernmental	\$3,296,808	\$3,044,248	\$7,353,183	\$4,688,220	\$837,765	\$5,210,433	\$24,410,657
Departmental	95,977			18,057			114,034
Interest	33,307			1,507	54,026		88,840
Other		15,988	65,963	45,732	2,125		129,808
Total revenues	3,426,092	3,060,236	7,419,146	4,733,516	893,916	5,210,433	24,743,339
EXPENDITURES							
Current:							
Roads and bridges							520,417
Health, education, and welfare:							
Drug and alcohol		3,034,645		4,887,973			4,887,973
Employment and training			7,704,959				3,034,645
Office of aging							7,704,959
Judicial	3,979,513						3,979,513
Community development						5,210,433	5,210,433
Capital outlay	15,563	25,591	63,967	6,542	1,693,654		1,805,317
Total expenditures	3,995,076	3,060,236	7,768,926	4,894,515	2,214,071	5,210,433	27,143,257
Deficiency of revenues under expenditures	(568,984)	-	(349,780)	(160,999)	(1,320,155)	-	(2,399,918)
OTHER FINANCING SOURCES							
Transfers in	1,675,742		349,780	160,999			2,186,521
Total other financing sources	1,675,742	-	349,780	160,999			2,186,521
Net change in fund balances	1,106,758	-	-	-	(1,320,155)	-	(213,397)
Fund balances, January 1	2,578,740				3,986,696		6,575,436
Fund balances, December 31	\$3,685,498	\$-	\$-	\$-	\$2,676,541	\$-	\$6,362,039

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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$2,731,524	\$2,731,524	\$2,636,187	\$(95,337)
Departmental	105,000	105,000	95,978	(9,022)
Interest	40,000	40,000	33,307	(6,693)
Total revenues	<u>2,876,524</u>	<u>2,876,524</u>	<u>2,765,472</u>	<u>(111,052)</u>
EXPENDITURES				
Current:				
Judicial	4,235,746	4,235,746	3,918,888	316,858
Capital outlay	305,873	305,873	15,563	290,310
Total expenditures	<u>4,541,619</u>	<u>4,541,619</u>	<u>3,934,451</u>	<u>607,168</u>
Excess (deficiency) of revenues over (under) expenditures	(1,665,095)	(1,665,095)	(1,168,979)	496,116
OTHER FINANCING SOURCES (USES)				
Transfers in	1,362,675	1,362,675	1,675,742	(313,067)
Net change in fund balances	<u>\$(302,420)</u>	<u>\$(302,420)</u>	<u>506,763</u>	<u>\$(809,183)</u>
Fund balances, January 1, cash basis			<u>2,074,655</u>	
Fund balance, December 31, cash basis			<u>2,581,418</u>	
Differences from modified accrual basis:				
Due from other governments			1,287,495	
Other receivables			3,995	
Accounts payable			(52,300)	
Payroll related accruals			(135,110)	
Fund balances at December 31, modified accrual basis			<u>\$3,685,498</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$3,949,954	\$3,949,954	\$3,046,324	\$(903,630)
Other revenues			\$15,988	\$15,988
Total revenues	3,949,954	3,949,954	3,062,312	(887,642)
EXPENDITURES				
Current:				
Health, education, and welfare:				
Employment and training	3,939,153	3,911,493	3,119,904	791,589
Capital outlay	16,300	43,960	25,591	18,369
Total expenditures	3,955,453	3,955,453	3,145,495	809,958
Net change in fund balances	\$(5,499)	\$(5,499)	(83,183)	\$77,684
Net increase in due to other funds			83,183	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Other receivables			-	
Due from other governments			436,062	
Accounts payable			(80,155)	
Due to other funds			(311,309)	
Payroll related accruals			(44,598)	
Fund balances at December 31, modified accrual basis			\$ -	

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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$7,328,861	\$7,333,861	\$6,528,199	\$(805,662)
Interest			1,684	1,684
Other	86,430	86,430	64,330	(22,100)
Total revenues	<u>7,415,291</u>	<u>7,420,291</u>	<u>6,594,213</u>	<u>(826,078)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Office of Aging	7,921,888	7,873,180	7,659,041	214,139
Capital outlay	10,259	63,967	63,967	-
Total expenditures	<u>7,932,147</u>	<u>7,937,147</u>	<u>7,723,008</u>	<u>214,139</u>
Excess (deficiency) of revenues over (under) expenditures	(516,856)	(516,856)	(1,128,795)	(611,939)
OTHER FINANCING SOURCES (USES)				
Transfers in	420,705	420,705	422,272	(1,567)
Net change in fund balances	<u>\$(96,151)</u>	<u>\$(96,151)</u>	<u>(706,523)</u>	<u>\$610,372</u>
Fund balances, January 1, cash basis			1,141,864	
Fund balance, December 31, cash basis			<u>435,341</u>	
Differences from modified accrual basis:				
Other receivables			1,539	
Due from other governments			165,144	
Advances to providers			8,808	
Accounts payable			(285,920)	
Deferred revenue			(166,596)	
Payroll related accruals			(158,316)	
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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$5,368,299	\$5,368,299	\$3,736,335	\$(1,631,964)
Departmental	1,000	1,000	64,310	63,310
Interest	8,929	8,929	1,507	(7,422)
Other	750	750	(521)	(1,271)
Total revenues	5,378,978	5,378,978	3,801,631	(1,577,347)
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	5,669,521	5,669,921	4,901,975	767,946
Capital outlay	8,739	8,339	6,542	1,797
Total expenditures	5,678,260	5,678,260	4,908,517	769,743
Deficiency of revenues under expenditures	(299,282)	(299,282)	(1,106,886)	(807,604)
OTHER FINANCING SOURCES				
Transfers in	283,351	283,351	160,999	122,352
Net change in fund balances	\$(15,931)	\$(15,931)	(945,887)	\$929,956
Net decrease in due to other funds			352,594	
Fund balances, January 1, cash basis			593,293	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Due from other governments			931,885	
Accounts payable			(481,380)	
Deferred revenue			(75,633)	
Payroll related accruals			(22,278)	
Due to other funds			(352,594)	
Fund balances at December 31, modified accrual basis			\$ -	

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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$820,000	\$820,000	\$838,257	\$18,257
Interest	80,000	80,000	54,026	(25,974)
Other	3,000	3,000	2,125	(875)
Total revenues	<u>903,000</u>	<u>903,000</u>	<u>894,408</u>	<u>(8,592)</u>
EXPENDITURES				
Current:				
Roads and bridges	1,103,905	1,249,105	226,447	1,022,658
Capital outlay	2,083,000	1,937,800	1,693,654	244,146
Total expenditures	<u>3,186,905</u>	<u>3,186,905</u>	<u>1,920,101</u>	<u>1,266,804</u>
Net change in fund balances	<u>\$(2,283,905)</u>	<u>\$(2,283,905)</u>	<u>(1,025,693)</u>	<u>\$(1,258,212)</u>
Fund balances, January 1, cash basis			<u>3,998,399</u>	
Fund balance, December 31, cash basis			<u>2,972,706</u>	
Differences from modified accrual basis:				
Due from other governments			733	
Accounts payable			(295,229)	
Payroll related accruals			(1,550)	
Due to other funds			(119)	
Fund balances at December 31, modified accrual basis			<u>\$2,676,541</u>	

STATISTICAL SECTION

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

Table 1

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Expenditures:										
General Government	\$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	\$38,000,997
Public Safety	2,808,901	3,711,180	4,357,884	4,534,442	5,282,574	5,206,259	5,971,456	6,241,988	254,174	647,582
Roads and Bridges	551,955	309,163	708,795	817,071	182,156	560,989		433,594	205,939	520,417
Health, education and welfare:										
Drugs and Alcohol	1,872,718	1,749,674	2,288,085	3,433,610	3,852,526	3,839,594	4,086,542	4,607,956	3,537,426	4,887,973
Employment and Training	3,296,063	2,877,233	2,487,666	2,769,095	2,540,502	2,426,380	1,937,120	2,207,559	2,937,889	3,034,645
Mental Health/Mental Retardation	17,455,452	20,448,922	22,489,247	23,417,171	29,056,207	26,077,370	34,639,492	40,350,436	45,841,259	51,342,153
Office of Aging	4,951,555	5,735,513	5,657,919	5,885,116	6,092,531	5,968,280	7,136,954	7,172,111	6,713,840	7,704,959
Children and Youth	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	39,021,718
Other	3,308,767	3,296,100	3,414,825	3,195,689	528,528	595,725	661,207	713,286	832,977	655,866
Judicial	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	29,933,955
Corrections	9,276,720	9,836,218	9,980,618	10,747,625	11,449,924	11,721,089	12,567,146	13,082,682	14,041,578	14,118,091
Culture and Recreation	1,310,412	1,397,709	1,546,124	1,685,611	1,737,960	1,891,487	2,016,937	2,263,339	2,117,355	2,112,098
Community Development	4,492,277	4,337,284	3,936,044	5,026,949	6,407,530	3,985,971	5,133,874	4,561,550	4,836,576	5,210,433
Depreciation in Fair Value of Investments						210,073				
Capital Outlay	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	17,264,521
Debt service (2)	979,655				1,371,165					
Principal Retirement	3,320,000	3,070,000	3,205,000	3,220,000	4,530,000	4,380,000	4,810,000	4,495,000	1,920,000	4,745,000
Interest and fiscal charges	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	4,505,001
Bond issuance costs									288,909	694,877
Total Expenditures	\$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	\$224,390,286

- (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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues:										
Real Estate Taxes	\$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	\$67,106,816
Personal Property Taxes	5,212,350	5,255,102	59,221,424	64,891,091	38,544	8,110	84,176,629	92,023,376	101,367,081	109,987,669
Intergovernmental	53,014,168	57,087,622	10,934,728	10,925,017	72,619,983	69,668,080	12,844,848	13,865,686	15,494,862	14,186,879
Departmental	7,851,462	10,934,728	2,471,293	2,569,576	11,894,457	13,043,400	3,121,137	3,957,438	3,532,836	3,610,638
Fines and Costs	2,209,316	2,300,402	2,415,281	1,535,983	2,745,813	2,961,714	4,885,056	3,622,738	1,755,276	1,328,286
Interest	1,755,014	2,415,281	2,609,775	418,961	3,031,788	1,966,978	802,947	697,691	932,256	581,403
Other	1,218,745	639,893	396,521	418,961	328,169	1,516,854			72,421	168,922
Health Choices										
Total Revenues	\$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	\$196,970,613

(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
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%
2003	66,544,976	65,227,229	98.02%	1,472,215	66,699,444	100.23%	787,401	1.18%

(1) Total tax levy includes real estate and personal property taxes for 1994 - 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)		
	Assessed Value	Estimated Actual Value (1)	Millage Rate	Assessed Value to Estimated Actual Value	Assessed Value	Millage Rate	Total Assessed Value
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
2003	26,407,814,800	23,863,507,500	2.847	90%			26,407,814,800

(1) 1994-1996 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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
City:										
Lancaster	\$130.2	\$131.6	\$144.1	\$24.505	\$25.515	\$26.455	\$26.455	\$26.5530	\$28.6730	\$29.5570
Borough:										
Adamstown	96	97.5	100	16.265	17.825	18.555	18.555	19.1530	20.1530	20.3870
Akron	84	86	85.5	14.569	16.225	16.205	17.205	18.3030	19.9530	20.1870
Christiana	105.5	102	115	16.625	17.945	19.485	21.075	21.9830	25.4630	27.1470
Columbia	114	116.5	115.5	18.601	22.161	23.091	23.675	23.7730	24.2730	27.9970
Denver	97.25	98.75	101.25	16.585	18.145	18.375	18.375	18.7230	19.7230	20.1370
East Petersburg	81.85	81.85	84.85	15.37	16.477	16.457	17.757	18.4050	19.2250	19.9590
Elizabethtown	82.5	84.5	87.5	14.72	16.105	17.265	17.265	18.2130	18.7130	18.9470
Ephrata	88	88	89.5	15.082	16.162	16.142	17.142	18.2400	19.8900	20.1240
Litz	94.7	97	97.9	16.2	16.76	16.74	16.74	16.8380	18.7130	20.4470
Manheim	100	102.8	104.6	17.375	18.505	18.815	19.385	19.9830	20.7330	20.9670
Marlatta	108	109.5	108.5	16.275	17.135	17.975	18.205	19.5230	20.2230	20.8770
Millersville	89.5	98.5	105.4	17.363	18.873	19.493	19.635	19.7330	20.2830	20.5170
Mount Joy	98.5	100.5	99.5	15.775	16.385	16.725	17.105	18.5230	19.2230	19.9770
Mountville	83.85	83.85	84.85	15.315	15.875	15.855	16.355	17.0030	18.0530	18.7870
New Holland	90.8	90.8	92.55	14.815	15.375	15.355	15.355	15.6230	15.6230	16.9970
Quarryville	70.5	73.5	73	11.155	11.715	11.995	11.995	12.4130	13.7630	13.9970
Strasburg	81.2	85.6	90	15.455	16.835	17.005	17.465	18.1130	19.6530	20.4870
Terre Hill	94.8	95.3	96.3	15.325	16.345	16.325	16.825	16.9230	16.9230	17.7970
Townships:										
Bart	66	69	70	10.425	10.915	10.895	10.845	17.5130	17.8630	11.7970
Brecknock	85.8	85.8	84.8	13.485	14.345	14.325	14.325	14.4230	14.4230	15.3303
Caernarvon	85.3	85.3	86.3	13.685	14.245	14.225	14.225	14.3230	14.3230	15.1970
Clay	83	83	83.5	14.13	15.2098	15.1898	16.1898	17.2878	18.9378	19.1718
Coletain	62	65	66	9.955	10.515	10.495	10.495	11.1130	11.4630	11.6970
Conestoga	78.5	85.5	90.4	15.002	16.512	17.132	17.442	17.5400	18.0900	18.3240
Conoy	69.5	69.5	72.5	12.12	13.505	14.665	14.665	15.1130	15.6130	15.8470
Drumore	59	62	63	9.555	10.115	10.095	10.095	10.5130	11.0630	11.2970

(Continued)

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

Table 5 (Cont.)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Earl	\$87.3	\$87.3	\$88.3	\$14.125	\$15.045	\$15.025	\$15.025	\$15.1230	\$15.1230	\$15.9970
East Cocalico	92.75	94.25	96.75	15.835	17.395	17.675	17.625	18.2230	19.2230	19.4570
East Donegal	91	92	92	14.868	15.535	15.875	16.105	17.5230	18.2230	19.1270
East Drumore	61.5	64.5	65.5	9.955	10.515	10.495	10.495	10.9130	11.2630	11.4970
East Earl	86.8	86.8	87.8	13.975	14.535	14.565	14.825	14.9230	14.9230	15.7970
East Hempfield	83.1	83.85	84.85	15.495	16.155	16.135	16.635	17.2830	18.1030	18.8370
East Lampeter	74	76.25	78.25	13.705	14.515	14.625	14.755	14.8530	15.2530	16.2570
Eden	63	66	67	10.155	10.815	10.165	10.165	10.5830	10.9330	11.1670
Elizabeth	87.7	90	90.9	15.075	15.635	15.615	15.615	15.7130	17.2130	18.9470
Ephrata	82.5	84.5	87	14.705	15.845	16.055	17.055	18.1530	19.8030	20.0370
Fulton	61	64	65	9.775	10.335	10.315	10.315	10.7330	11.0830	11.3170
Lancaster	105.7	104.7	111.7	19.025	20.035	20.015	20.015	20.1130	21.4830	21.7170
Leacock	83.25	85.25	86.75	13.586	14.535	15.215	15.415	15.9130	17.0130	17.8470
Little Britain	62	65	66	9.975	10.535	10.515	10.515	10.9330	11.2830	11.5170
Manheim	92.3	92.3	91.7	16.245	16.785	16.765	17.165	17.7530	18.7430	19.9270
Manor	77.5	84.5	89.4	15.045	16.555	17.225	17.535	17.6330	18.1830	18.4170
Martic	72.5	79.5	84.4	14.195	15.705	16.325	16.635	16.7330	17.2830	17.5170
Mount Joy (Part)(2)	97	95	93	14.675	14.105	15.375	15.855	17.1480	18.1730	18.8270
Mount Joy (Part)(3)	78.5	76.5	78.5	12.82	15.135	15.165	15.415	16.2380	17.0630	17.2970
Paradise	87.25	89.25	90.75	14.125	14.985	15.665	15.865	16.9130	18.0130	18.8470
Pann	89.5	92.3	94.1	15.875	17.005	17.565	18.135	18.2330	18.9830	19.2170
Pequea	80	87	91.9	15.319	16.82865	17.4487	17.7587	17.8566	18.8930	19.2170
Providence	60.5	63.5	64.5	9.775	10.335	10.315	10.315	10.7330	11.0830	11.3170
Rapbo	86.5	89.3	91.1	15.375	16.505	16.815	17.385	17.4830	18.2330	18.4670
Sadsbury	104	97	108	15.825	17.145	17.735	19.325	20.2330	22.2130	23.8970
Sallsbury	82.75	84.75	86.25	13.505	14.265	14.945	15.145	15.6430	16.7430	17.5770
Strasburg	75.7	78.6	83	14.255	15.635	15.805	16.065	16.5130	18.1530	18.9870
Upper Leacock	71	75.25	77.25	13.575	14.485	14.665	14.925	15.2230	15.7330	16.6170
Warwick	89.7	92	92.9	15.405	15.9654	15.9454	15.9454	16.0434	17.5434	19.2774
West Cocalico	90.75	92.25	94.75	15.335	16.895	17.125	17.625	18.4730	19.4730	19.7070
West Donegal	75.5	77.5	80.5	13.62	15.005	16.165	16.165	16.6130	17.1130	17.3470
West Earl	70.25	73.25	75.25	13.24	14.185	14.295	14.925	15.0230	15.4230	16.3070
West Hempfield	79.35	79.35	80.35	14.595	15.155	15.135	15.635	16.2830	17.1030	17.8370
West Lampeter	74.95	77.85	82.25	14.19	15.47	15.6988	16.1057	16.5537	18.3530	19.1870

(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 31, 2003

Table 6

Taxpayer	Type of Business	Assessed Value	Percentage of Total Assessed Valuation
High Properties	Construction/Real Estate	\$ 158,974,400	13.88%
Spitzer M James Etal (Park City)	Retailing	146,740,200	12.81%
Willow Valley Association Inc	Retirement Complex	83,385,700	7.28%
Lancaster General Hospital Foundation	Medical Services	77,183,800	6.74%
Armstrong Cork Co	Manufacturing	72,427,000	6.32%
PECO Energy Company	Electric Supplier	68,660,700	5.99%
Willow Valley Retirement	Retirement Complex	62,191,300	5.43%
Dart Container Corp of PA	Manufacturing	56,048,800	4.89%
Rockvale Group	Retailing	52,657,800	4.60%
American Stores	Warehouse	50,996,100	4.45%
Granite Properties	Retailing	50,867,900	4.44%
Garden Spot Village Inc	Retirement Complex	36,185,200	3.16%
New Holland North America	Manufacturing	34,577,600	3.02%
Masonic Homes	Retirement Complex	34,457,500	3.01%
Memonite Home	Retirement Complex	31,271,100	2.73%
Luthercare	Retirement Complex	28,706,400	2.51%
Willow Valley Assoc. Inc.	Retirement Complex	25,743,300	2.25%
Warner-Lambert Co	Manufacturing	25,647,900	2.24%
Safe Harbor Water Power Co	Electric Supplier	25,633,400	2.24%
Village of Olde Hickory LP	Property Management	23,165,400	2.02%
	Total	\$ 1,145,521,500	100.00%

County of Lancaster, Pennsylvania
 Computation of Legal Debt Margin
 December 31, 2003

Table 7

Borrowing base revenues (1):			
2001		\$	105,046,643
2002			114,988,835
2003			126,410,082
Total Revenue		<u>\$</u>	<u>346,445,560</u>
Net Nonelectoral Debt Limit:			
Average borrowing base revenues		\$	115,481,853
Debt limit percentage			300%
Net Nonelectoral Debt Limit			<u>346,445,558</u>
Total amount of debt applicable to debt limit			151,950,075
Total Remaining Nonelectoral Debt Capacity		<u>\$</u>	<u>194,495,483</u>
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit			
Average borrowing base revenues		\$	115,481,853
Debt limit percentage			400%
Less: Nonelectoral Debt and Lease Rental Debt			461,927,413
Remaining Nonelectoral Debt and Lease Rental Debt Capacity		<u>\$</u>	<u>309,028,338</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
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
2003	482,775	26,407,815	152,899,075	57.90%	316.71

(1) Population Sources: 1994-1996 Estimated by Lancaster 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		Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
		Fiscal Charges				
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%
2003	4,745,000	4,505,001		9,250,001	224,390,286	4.12%

(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, 2003

Table 10

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
County of Lancaster	\$152,899,075
Overlapping:	
City of Lancaster	-
School Districts:	
Cocalico	37,530,044
Columbia Borough	5,905,058
Conestoga Valley	64,039,534
Donegal	21,277,311
Eastern Lancaster County	20,739,000
Elizabethtown Area	
Ephrata Area	56,557,306
Hempfield	71,228,374
Lampeter-Strasburg	47,225,410
Lancaster	74,424,116
Lancaster County Vo-Tech School	11,580,000
Manheim Central	18,781,444
Manheim Township	54,896,132
Octorara	24,665,000
Penn Manor	46,383,380
Pequea Valley	25,839,306
Solanco	25,552,260
Warwick	65,732,000
Total School Districts	672,355,675
Municipal Authorities:	
Adamstown Borough Authority	-
Akron Borough Authority	-
Bainbridge Water	-
Blue Ball Water Authority	-
Christiana Borough	876,966
East Cocalico Water And Sewer	5,830,000
Columbia Municipal	1,450,000
Denver Borough	-
Earl Township Sewer Authority	2,925,000
East Donegal Township - Marietta Borough Sewer	-
East Donegal Township Sewer	207,983
East Donegal Township Water	2,044,585
East Earl Sewer Authority	2,010,000
East Hempfield Municipal Authority	-
East Lampeter Township Sewer	13,340,000
Elizabethtown Regional Area Authority	-
Ephrata Borough	20,413,239
Ephrata Area Joint Authority	4,955,000
Ephrata Township Sewer Authority	2,092,850

(Continued)

County of Lancaster
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 December 31, 2003

Table 10 (Cont.)

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
Georgetown Area Sewer Authority	\$467,918
Lancaster Airport	125,895
Lancaster Area Sewer	62,020,000
Lancaster County Convention Center	-
Lancaster County Hospital Authority	467,848,983
Lancaster County Solid Waste Management Auth	113,735,738
Lancaster Downtown Investment District Authority	-
Lancaster Higher Education Authority	-
Lancaster-Lebanon Joint Authority	3,261,767
Lancaster Municipal Authority	-
Lancaster Parking	23,532,047
Leacock Township Sewer Authority	3,016,810
Leola Sewer	2,315,704
Lititz Sewer	-
Manheim Borough	11,750,000
Manheim Township	-
Marietta Borough Authority	-
Mount Joy Borough	18,172,570
Mount Joy Township Authority	13,259,149
Mountville Borough Water Authority	-
New Holland Borough	-
Northern Lancaster County	-
Northwestern Lancaster County Water and Sewer	8,083,194
Paradise Township Sewer Authority	-
Quarryville Borough Sewer Authority	-
Red Rose Transit Authority	-
Redevelopment Authority	104,950
Sadsbury Township Sewer Authority	1,681,661
Strasburg Borough	-
Suburban Lancaster Sewer	19,480,000
Warwick Township Municipal	11,100,000
West Cocalico Township Authority	1,139,203
West Donegal Township Sewer & Water	8,276,856
West Earl Water Authority	-
West Earl Sewer Authority	-
Western Heights Water Authority	-
Total Municipalities	825,518,068
Total Overlapping Debt	1,497,873,743
Total direct and overlapping debt	\$1,650,772,818

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

County of Lancaster, Pennsylvania
Demographic Statistics
Last Ten Years

Table 11

Year	Population	Per Capita Personal Income	School Enrollment	Unemployment Rate
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%
2003	482,775	28,863 (6)	86,364	4.0%

Data Sources:

- (1) Population Sources: 1994 - 1996 Estimated by Lancaster County Planning Commission; 1997 - 1999 Estimated by U.S. Census Bureau; 2000 U.S. Census Bureau; 2001 - 2003 Estimated by U.S. Census Bureau
- (2) 1994 - 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.)

Census Year	Population Count and Age Distribution (1):						Total Population		
	Under 5	5-9	10-14	15-19	20-24	25-44		45-64	Over 65
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 Additions (2)		Bank Deposits (3)
	Taxable	Nontaxable	Number of Units	Value	
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
2003	23,863,507,500	2,544,307,300	3,833	467,475,900	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 commercial 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, 2003

Table 13

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Paul Thibault, Commissioner	\$ 73,994	\$ 7,500
Howard "Pete" Shaub, Commissioner	72,994	7,500
Ronald Ford, Commissioner	72,994	7,500
Dale R. Denlinger, Clerk of Courts	63,534	11,000
Dennis P. Stuckey, Controller	63,534	100,000
Barry D. Walp, Coroner	63,534	15,000
Timothea Kirchner, County Administrator	98,604	7,500
Terry L. Styer, Chief Clerk	54,740	7,500
Donald R. Totaro, District Attorney	120,225	(1)
Judith Saylor, Jury Commissioner	6,936	(1)
Linda Schwanger, Jury Commissioner	6,936	(1)
Robert H. Getz, Prothonotary	63,534	200,000
Stephen J. McDonald, Recorder of Deeds	63,534	350,000
Donna S. Reinaker, Register of Wills	63,534	25,000
Terry Bergman, Acting Sheriff	63,534	500,000
Gregory Sahd, Treasurer	63,534	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 31, 2003

Table 14

	May 10, 1729
Date of Incorporation	Elected Board of Commissioners
Form of Government	
Number of employees (excluding police and fire):	
Full-time	2,082
Part-time	610
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	1,095 miles
Local (municipal)	2,722 miles
Number of street lights	16,022
Number of traffic lights	430
Cultural and recreation:	
Community centers	4
Parks land acreage:	
County Parks	2,028 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	3,160
Career Fire Fighters	85
Police protection:	
Number of stations	34
Number of police personnel and officers	750
Number of patrol units	264
Emergency Medical Services:	
Number of units	34
Volunteer Personnel	600
Career Personnel	200
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	5
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	278,540
Number of votes cast in last general election	76,609
Percentage of registered voters in last general election	27.50%

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	02/01/03-02/01/04	\$ 319,262	General Liability Sublimit: Physical & Sexual Abuse Professional Liability Excess Professional Employee Benefits Liability Building and Contents, Deductible \$1,000 Business Interruption and Extra Expense	\$ 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 \$ 1,000,000 Each Occurrence \$ 1,000,000 Policy/Aggregate \$ 500,000 Each Medical Incident \$ 1,500,000 Annual Aggregate \$ 500,000 Each Medical Incident \$ 150,000 Annual Aggregate \$ 1,000,000 Claims Made \$ 1,000,000 Retro Reception
BROTHMARKLE INS. (1): Foster Parent Liability Ins.	FPL - 118	07/01/03-06/30/04	\$ 11,376	Personal liability insurance for foster parents	\$ 300,000 Per person \$ 300,000 Per occurrence
EMPLOYERS REINSURANCE CORPORATION Excess Workers Comp. & Employers Liability	SP6929PA	01/01/03-01/01/04	\$ 66,015	Workers Compensation Employers Liability	Statutory Each Accident/Limit \$ 1,000,000 Each Employee Per Disease
INDIAN HARBOR INSURANCE COMPANY Pollution Liability	PEC0005945	7/1/99-6/30/09	\$ 29,801	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, Remediation Expense Or Legal Defense Expense
ACE FIRE UNDERWRITER INSURANCE COMPANY Bridges	I20442736	01/26/03-02/01/04	\$ 32,352	Bridge Property Damage, Deductible \$25,000	Total Limit, Schedule Of Bridges On File With Carrier
HARTFORD FIRE INS. CO.	44BFECAC2695	02/01/03-02/01/04	\$ 9,340	Public Employees Blanket Bond, Deductible \$2,500	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