

# *County of Lancaster*

PENNSYLVANIA



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
For the year ended December 31, 2010

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

For the Year Ended December 31, 2010

PREPARED BY THE CONTROLLER'S OFFICE

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COVER PHOTOGRAPH  
Historic Rock Ford Plantation  
Photo By: Paige A. Smucker

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COUNTY OF LANCASTER, PENNSYLVANIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the year ended December 31, 2010

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Keith J. Greiner, CPA  
Controller



## Controller's Office

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Controller  
Keith J. Greiner, CPA

June 30, 2011

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, 2010, 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 U.S. 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 2010 will be completed during September 2011. 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, 2009, and the County's organizational chart. The financial section includes Management's Discussion and Analysis, the basic financial statements, the required supplementary information and notes to the required supplementary information, and the combining and individual fund statements and schedules, as well as the report of independent auditors. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The County's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

## **Profile of the Government**

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 consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships. It was established in 1729 and has been a third class county since 1962. Lancaster County is home to approximately 519,445 people making it the sixth most populous county in the state behind Philadelphia, Allegheny, Montgomery, Bucks and Delaware counties.

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

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.** With hundreds of manufacturers producing widely diverse products, manufacturing remains the dominant segment of the local economy. Many firms have existed here for at least 50 years and some for more than 100 years. The County's close proximity to major metropolitan markets and the Ports of Baltimore, Philadelphia and Wilmington makes it ideal for getting products to market. Lancaster County is located within 500 miles of more than half the buying power of the nation and access to these growing markets offers many possibilities. Trailing only the metropolitan areas of Philadelphia and Pittsburgh, the County is the third largest industrial area in Pennsylvania. The County's unemployment rate of 6.8% remains consistently lower than both the state and national averages of 8.5% and 9.4%, respectively. These factors have helped Lancaster County's business and industrial communities thrive as they continue to adapt to ever-changing markets.

Contributing to the economic well-being of the County and to its quality of life, agriculture is a multi-billion dollar industry. Every dollar of agriculture-related products that leave Lancaster County's farms boosts our economy by \$6.00; a value of \$6 billion per year. With the most productive non-irrigated farmland in the United States, Lancaster County is one of the nation's top food producers. Products such as dairy, poultry, swine, beef, corn, bedding plants, fruit and vegetables are distributed to millions of people worldwide. Lancaster County has a strong agricultural preservation effort in place to help ensure that farm families have the opportunity to continue to keep the rich and valuable farmland in production for generations to come. Preservation in the County is spearheaded by the Lancaster County Agricultural Preservation Board and the Lancaster Farmland Trust resulting in Lancaster County being first in the nation in number of acres of preserved farmland, with approximately 88,000 acres preserved on more than 1,100 individual farms.

Lancaster County's lush and productive farmland and the culture it represents are top draws for a dynamic tourism industry which brings in \$1.6 billion annually. "Pennsylvania Dutch Country" attracts an estimated seven million visitors each year. These visitors come to experience a slower pace of life in the County's lush, rolling farmland, charming historic districts, historical landmarks and unique Downtown. Just a short drive from Philadelphia, Baltimore, New York and Washington D.C., the County is a popular destination for day trips, weekend escapes and extended vacations. The relaxing atmosphere, peaceful scenery, and variety of unique attractions and family activities make Lancaster County one of America's favorite vacation destinations.

## **Major Initiatives**

### **For the Year**

- ◆ The Parks Department assisted the Lancaster County Conservancy with construction supervision of the new Conestoga Greenway and administered the Pennsylvania Department of Conservation and Natural Resources (PA-DCNR) grant for the project. In August, the County assumed ownership of this 1.3 mile linear trail around the Sunnyside Peninsula making it the ninth County Park. A ribbon cutting ceremony for the new trail was held in October. This new trail not only provides a site for residents of the City of Lancaster to enjoy passive recreation, but it also provides a direct connection to the 544 acre Lancaster County Central Park with its various active and passive recreation opportunities.
- ◆ Developed by the County's IT department, a new website was launched by the County Commissioners and District Attorney: [www.crimefreelancaster.org](http://www.crimefreelancaster.org). Created by the Lancaster County Crime Prevention Task Force (CPTF), the website is designed to offer resources to children, parents, schools, justice systems, and community organizations. It serves as a clearinghouse for crime treatment, prevention, intervention, and education information within Lancaster County. The CPTF grew out of a recommendation of the Lancaster County Crime Summit sponsored by the Lancaster County Commissioners in 2008. The agencies in the CPTF are dedicated to decreasing crime in Lancaster County. It is clear that the best way to do away with crime is by reaching out to potential offenders before they offend and to provide services that will ensure that they do not become a statistic. One of the fundamental purposes behind the task force is to lessen crime in Lancaster County by reaching children before they begin to make the poor choices that can lead to criminal behavior.
- ◆ The Lancaster County Children and Youth Agency in conjunction with the Juvenile dependency courts implemented the One Judge/One Family model program. This model required restructuring of the court teams and the court schedule. The goal of this program is for all families to have the same legal team throughout their involvement with the courts. This in turn will hopefully enhance the outcomes by either achieving reunification or permanency with their child/children in a timelier manner.

## **For the Future**

- ◆ Several changes will be made at the County Swimming Pool to improve safety, increase efficiency and reduce costs. The membership module, added to the recreation software system in 2010, will be expanded to include a card scanner and gate release mechanism. These features will eliminate the need to have an employee review season passes at the pool entrance. It will also provide a record of which members are at the pool each day enabling us to better protect our pool patrons and reduce County liability. The concession stand will be replaced with vending machines thus reducing County costs and providing snacks and beverages to our patrons at lower prices. Also, to promote the health and safety of our patrons, smoking will be prohibited inside the fenced area at the pool and a designated smoking area will be set up outside the fence.
  
- ◆ The County received \$1.4 million in federal stimulus funds to improve the energy efficiency of the Courthouse. The monies will be used for a new roof, roof insulation, energy-efficient light fixtures and energy efficient doors. The work is expected to be completed by the end of the summer.
  
- ◆ The Lancaster County Commissioners plan to buy a 4-acre property in East Hempfield Township from M&T Bank for \$4.5 million. The property includes three buildings at 2250, 2260 and 2270 Erin Court and 193 parking spaces. The largest of the three buildings on the site is 2270 Erin Court where the county plans to move the Children and Youth offices and the Mental Retardation offices which are currently housed in a leased building on Janet Avenue in Manheim Township. When the previous board of Commissioners sold Conestoga View to Complete HealthCare Resources, the company agreed to allow Children and Youth to remain in the old county almshouse lease free until 2015. Thus, the driving force behind the purchase of the property is the need to move the county's Children and Youth Agency to a different site.

## **Financial Policies**

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

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

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lancaster for its comprehensive annual financial report for the year ended December 31, 2009. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report (CAFR), which

conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

A handwritten signature in black ink that reads "Keith J. Greiner". The signature is written in a cursive, flowing style.

Keith J. Greiner, CPA  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Lancaster  
Pennsylvania

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

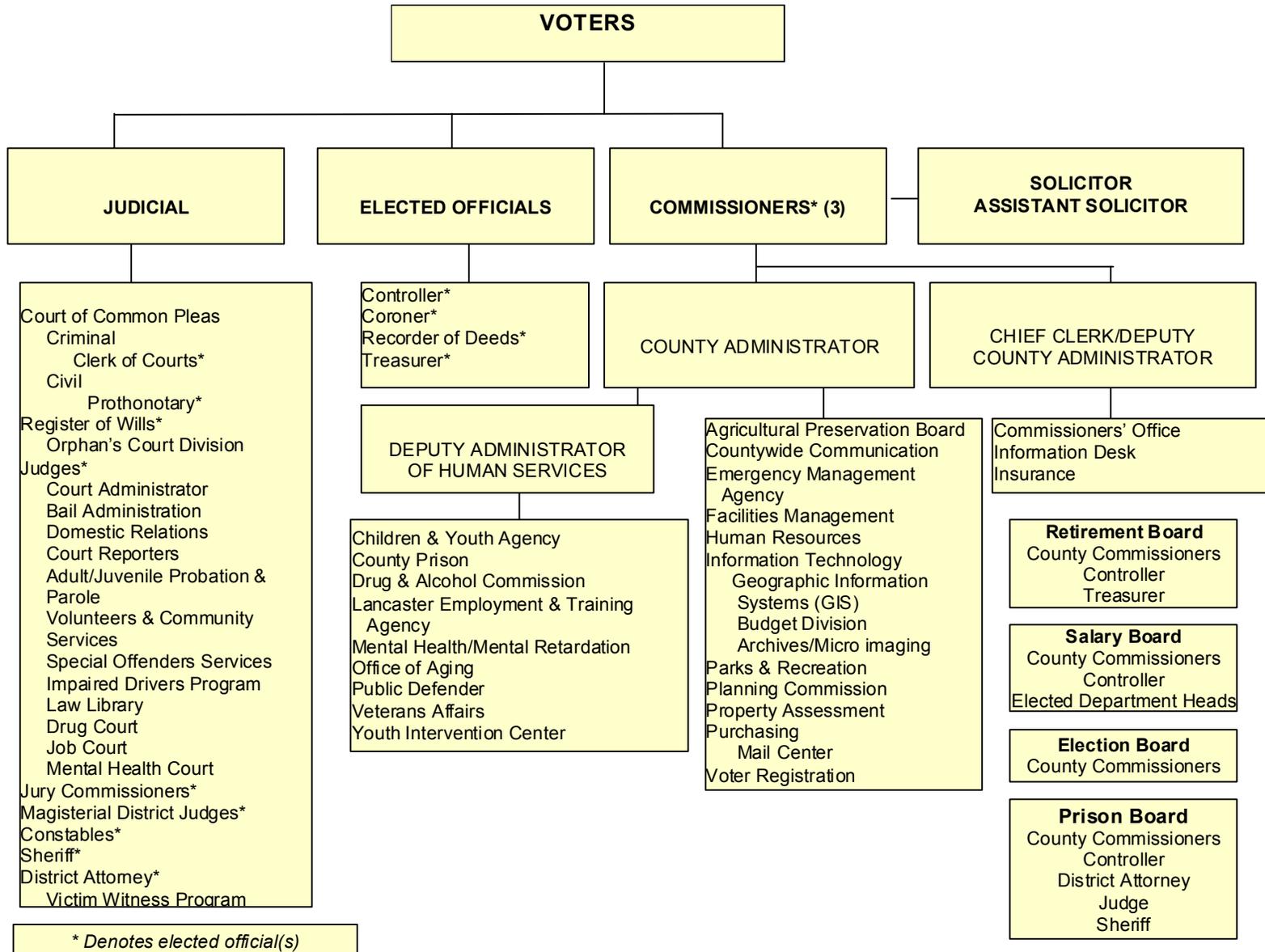
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# LANCASTER COUNTY ORGANIZATIONAL CHART – 3<sup>rd</sup> CLASS COUNTY



**2010  
County of Lancaster  
Elected Officials**

**COMMISSIONERS**

Scott Martin, Chairman  
Dennis Stuckey, Vice Chairman  
Craig Lehman

**CONTROLLER**

Keith J. Greiner, CPA

**TREASURER**

Craig Ebersole

**PROTHONOTARY**

Randall O. Wenger

**REGISTER OF WILLS**

Mary Ann Gerber

**RECORDER OF DEEDS**

Bonnie Bowman

**JURY COMMISSIONERS**

Debbie Frantz  
Kathleen Harrison

**CLERK OF COURTS OF COMMON PLEAS**

Danette K. Burkholder, Acting Clerk of Courts

**DISTRICT ATTORNEY**

Craig W. Stedman

**JUDGES OF COURT OF COMMON PLEAS**

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

**SHERIFF**

Mark S. Reese, Acting Sheriff

**CORONER**

Stephen G. Diamantoni, MD

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## Report of Independent Auditors

County Commissioners  
County of Lancaster

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. We were not engaged to perform an audit of the County's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with US generally accepted accounting principles.

As discussed in Note 1, the County adopted Governmental Accounting Standards Board Statement No. 51, “Accounting and Financial Reporting for Intangible Assets” and Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2011 on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management’s discussion and analysis, the required supplementary schedules of employer contributions and funding progress for the County of Lancaster, Pennsylvania, Employee Retirement Plan, schedule of funding progress for other postemployment healthcare benefits, and the required supplementary schedules of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis for the General Fund, Children and Youth Services Fund, and Mental Health/Mental Retardation Fund listed in the Table of Contents on pages 13 through 27 and 91 through 96 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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’s basic financial statements. The introductory section, combining and individual fund financial 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 financial statements and schedules have been subjected to the auditing procedures applied 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 29, 2011

# 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, 2010. 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, 2010.

## FINANCIAL HIGHLIGHTS

- ◆ The County's 2010 real estate property tax rate remained unchanged at 3.416 mills.
- ◆ The County's net assets decreased \$4.4 million in 2010, or 86.5%.
- ◆ The County's unrestricted deficit was \$(47.3) million at December 31, 2010 compared to \$(9.0) million at December 31, 2009.
- ◆ The County's bond rating is Aa2 (negative outlook).
- ◆ At December 31, 2010, the County had \$271 million of general obligation debt outstanding. This represents an increase of \$24.2 million, or 9.8%, from the previous year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

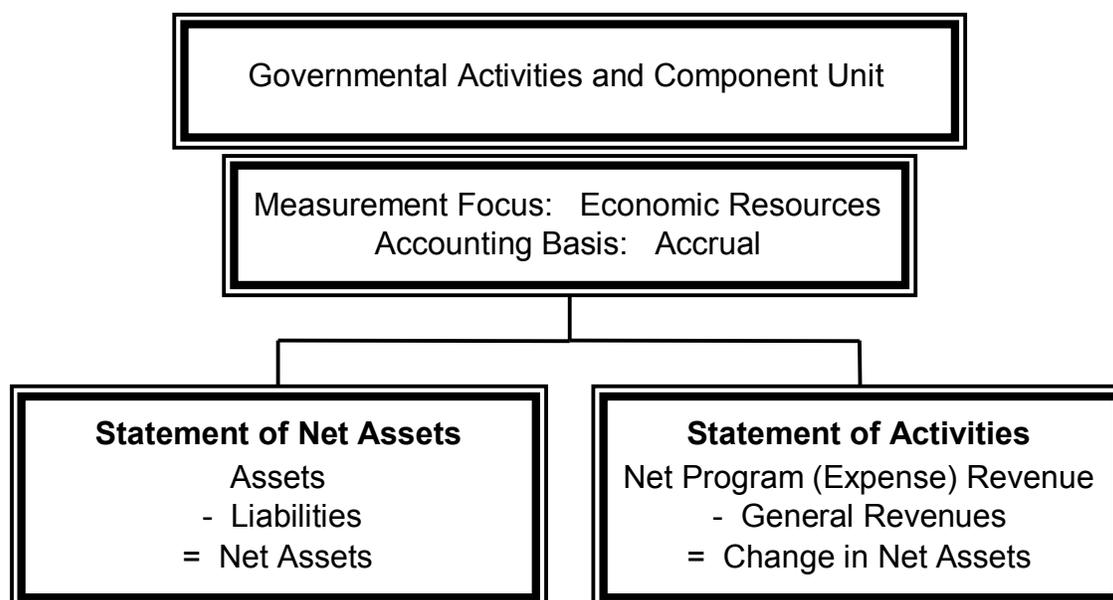
The financial section also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements, as well as required supplementary information regarding employee pension contributions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

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

### Government-wide Financial Statements



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

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

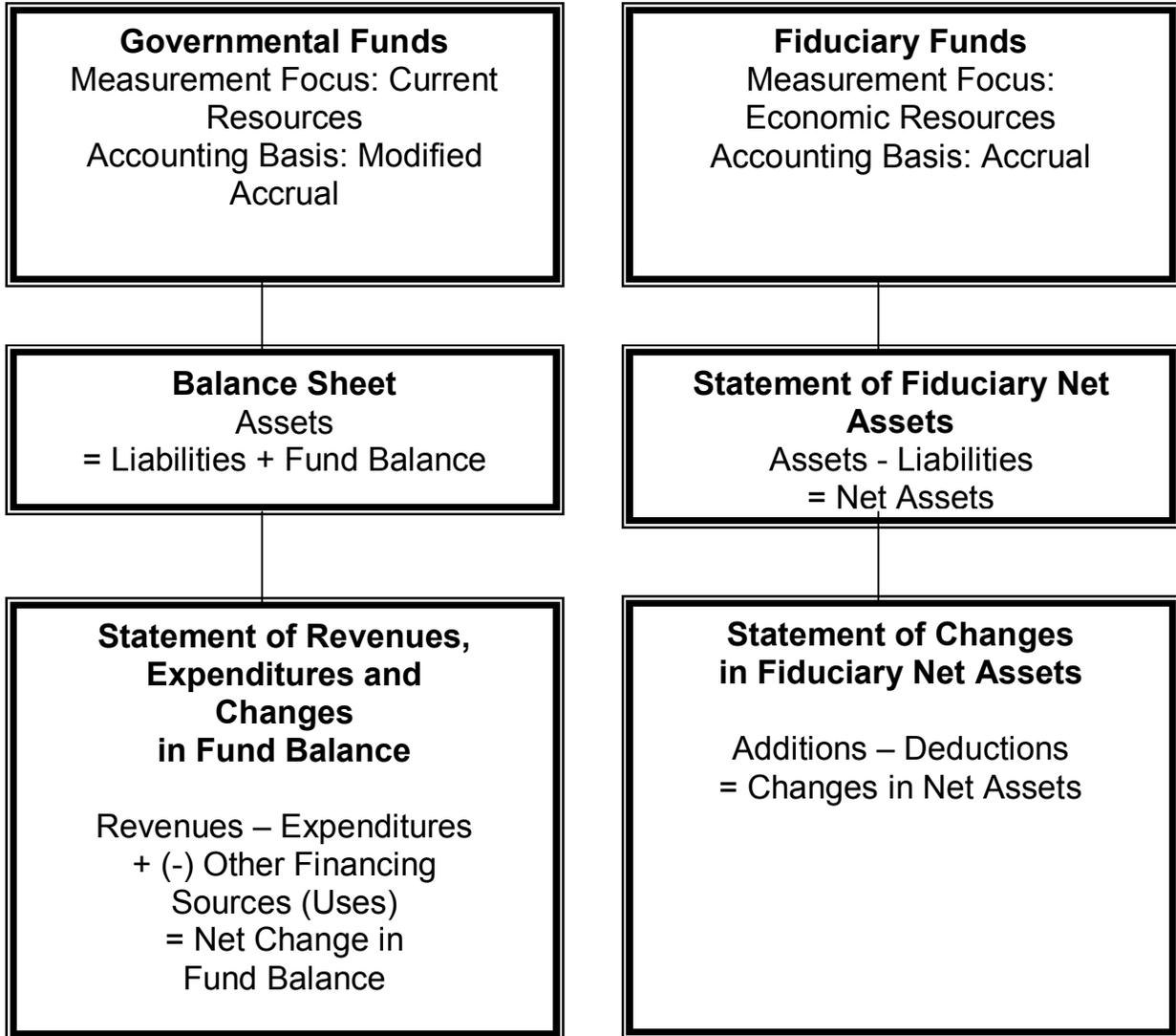
- ◆ *Governmental activities* – All of the County’s basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Component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

## **FUND FINANCIAL STATEMENTS**

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

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

## Fund Financial Statements



The County has two types of funds:

- ◆ *Governmental funds* – All 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 and the Capital Projects Fund. The County also maintains seven non-major special revenue funds and the Debt Service Fund that are combined into a single aggregated presentation. Because this information does not encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between the fund and government-wide financial statements.
- ◆ *Fiduciary funds* – The County is the trustee, or fiduciary, for its employees’ pension plan. In addition, the County is also responsible for an agency fund, which represents clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in the fund are used for their intended purpose. All of the County’s fiduciary asset and liability balances are reported in the statement of fiduciary net assets. A statement of changes in fiduciary net assets is also presented. All fiduciary activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

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

## NET ASSETS:

The County's net assets as of December 31, 2010 and 2009 are presented below:

Table A-1 County Net Assets as of December 31, 2010 (amounts in millions)				
	2010		2009	
Capital assets, net	\$	245.6	\$	223.5
Other assets		86.0		68.3
<b>Total assets</b>		<b>331.6</b>		<b>291.8</b>
Other liabilities		20.1		25.4
Long-term liabilities		310.8		275.2
<b>Total liabilities</b>		<b>330.9</b>		<b>300.6</b>
Net assets (deficit):				
Invested in capital assets, net of related debt		35.3		(11.1)
Restricted		12.7		11.3
Unrestricted (deficit)		(47.3)		(9.0)
<b>Total net assets (deficit)</b>	<b>\$</b>	<b>0.7</b>	<b>\$</b>	<b>(8.8)</b>

Net assets of the County's governmental activities increased by 108% to \$0.7 million. This increase was due to the fact that the County restated (increased) net assets by \$13.8 million as a result of adopting GASB statement No. 51 and 53. Of this amount, \$35.3 million represents the balance of capital assets, net of related debt, while \$12.7 million is restricted for various purposes. The County has an unrestricted deficit balance of \$(47.3) million as of the end of the year.

Lancaster County's total assets stand at \$331.6 million as of December 31, 2010. Of this amount, \$245.6 million is accounted for by capital assets, which includes some infrastructure.

The following table presents the County's changes in net assets for the fiscal year ended December 31, 2010 and 2009:

<p>Table A-2  <b>County's Changes in Net Assets as of December 31, 2010</b>  (amounts in millions)</p>
----------------------------------------------------------------------------------------------------------------

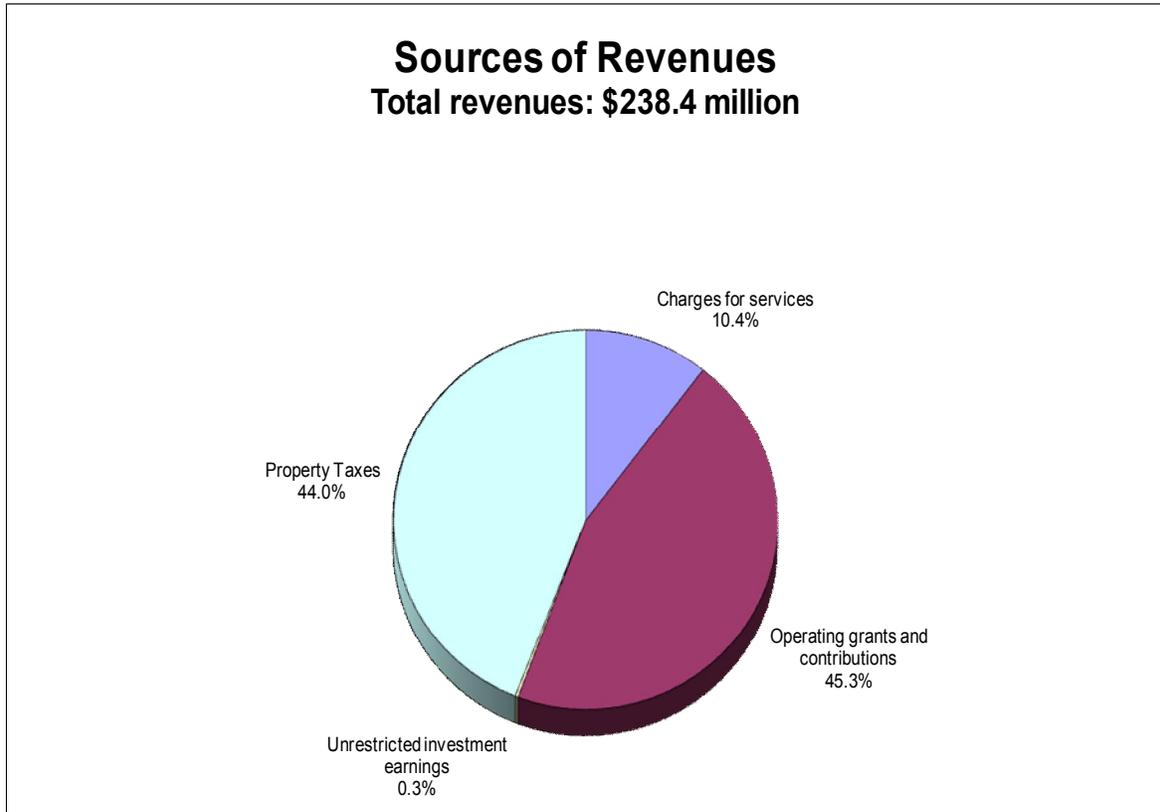
	2010	2009
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 24.9	\$ 19.8
Operating grants and contributions	108.0	116.3
<b>General revenues:</b>		
Property taxes	104.9	103.6
Unrestricted investment earnings	0.6	0.8
<b>Total revenues</b>	<b>238.4</b>	<b>240.5</b>
<b>Expenses:</b>		
General government	63.8	58.0
Public safety	12.1	12.2
Roads and bridges	0.6	0.5
Health, education, and welfare	81.8	97.6
Judicial	42.3	41.5
Corrections	24.0	23.4
Cultural and recreation	3.0	3.0
Community development	5.6	5.6
Interest on long-term debt	9.5	9.2
<b>Total expenses</b>	<b>242.7</b>	<b>251.0</b>
<b>Change in Net Assets</b>	<b>(4.3)</b>	<b>(10.5)</b>
<b>Net assets – beginning*</b>	<b>5.0</b>	<b>1.7</b>
<b>Net assets – ending</b>	<b>\$ 0.7</b>	<b>\$ (8.8)</b>

\*Certain restatements have been made to the beginning balances of governmental activities net assets. More detailed information about the restatement can be found in Note 2 of the notes to the financial statements.

The decrease of \$4.3 million in net assets was the result of the County's liability for other post employment benefits (OPEB) increasing over \$4.0 million for 2010.

**GOVERNMENTAL ACTIVITIES:**

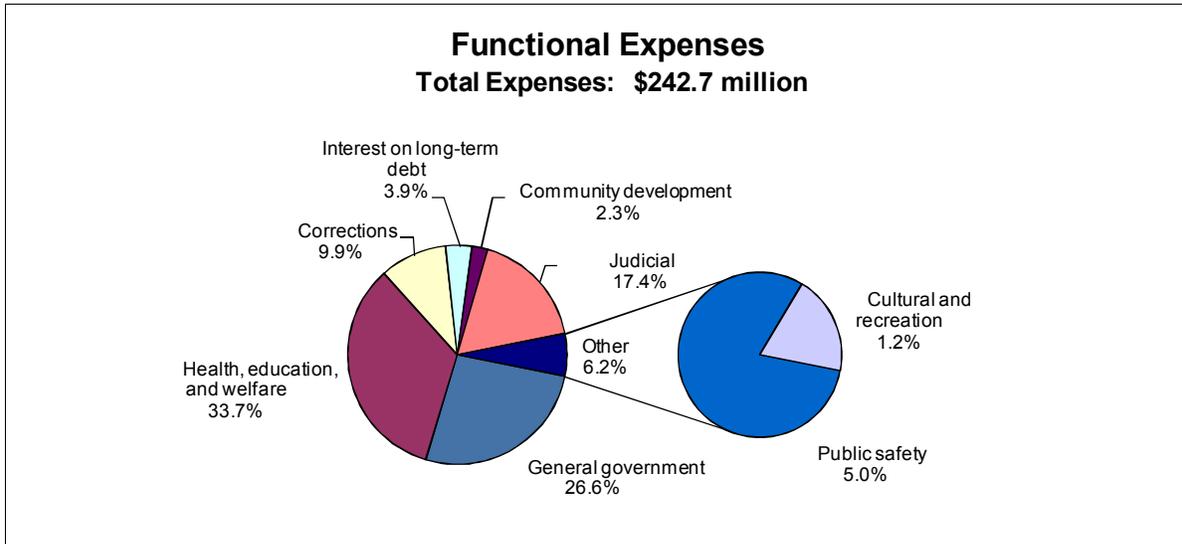
The following chart graphically depicts the sources of revenues for the year ended December 31, 2010:



Total government-wide revenues of \$238.4 million were derived primarily from operating grants and contributions, representing 45.3% of the total. Property taxes made up the second largest source of revenue at 44.0%, followed by charges for services at 10.4%, and unrestricted investment earnings at 0.3%.

## GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the year ended December 31, 2010:



Total expenses for all programs in 2010 were \$242.7 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 33.7%. The second largest program area was general government at 26.6%, followed by judicial at 17.4%, corrections at 9.9%, other (cultural and recreation and public safety) at 6.2%, interest on long term debt at 3.9%, and community development at 2.3%.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

### **GOVERNMENTAL FUNDS:**

The General Fund, the Children and Youth Services special revenue fund, the Mental Health/Mental Retardation special revenue fund and the Capital Projects Fund make up the County's major governmental funds. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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, 2010, the General Fund reported a fund balance of \$11.8 million, which was a \$2.8 million or 19.2% decrease over the previous year's balance of \$14.6 million. Revenues increased from \$133.9 million to \$142.4 million, an \$8.5 million or 6.3% increase. The Planning Department received \$4.8 million in Federal funding as well as several hundred thousand dollars in State funding for the Amtrak Station project and property taxes increased by \$1 million as a result of the normal growth in the County's tax base. Expenditures increased from \$124.8 million to \$132.8 million as reported, which was an \$8.0 million or 6.4% increase. This increase is due to the Planning Department spending \$3.2 million on the Amtrak Station project as well as the first principal and interest payments being made on the 2009 Series A and Series B bonds.

The fund balance in the Children and Youth Services special revenue fund increased to \$1.3 million at December 31, 2010, from \$0.4 million, a \$0.9 million or 225.0% increase. Revenues increased from \$31.0 million to \$32.7 million, a \$1.7 million or 5.5% increase. This increase is due to the fact that for FY08/09 Children and Youth ended with an overmatch of \$1.1 million. The State decided to provide additional State funding and paid the entire overmatch for that year which was receipted by the County in 2010 and resulted in that much less in County match being requested during the year. Expenditures decreased from \$40.9 million to \$39.8 million, a decrease of \$1.1 million or 2.7%. The decrease was the result of a reduction in the County's Youth Detention Center's share due to the fact that Juvenile Probation and Parole is not using these facilities as much as in previous years.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund decreased to \$30.6 million from \$48.4 million, a decrease of \$17.8 million or 36.8%. Expenditures decreased from \$50.0 million to \$31.7 million, an \$18.3 million or 36.6% decrease. The decreases were the result of the State withholding MR waiver funds and paying them directly to the providers beginning in July 2009.

The fund balance in the Capital Projects Fund at December 31, 2010, was \$28.6 million, up from \$12.0 million the previous year. This represents an increase of \$16.6 million or 138.3%. Revenues decreased to \$0.1 million from \$0.2 million the previous year, a decrease of \$0.1 million or 50.0%. Expenditures decreased to \$17.7 million, a decrease of \$8.4 million or 32.2% from the amount spent in the previous year of \$26.1 million. The increase in the fund balance is the result of the County issuing 2010 Series A, Series B and Series C bonds totaling \$34.2 million.

### **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 \$144.3 million to \$149.1 million, an increase of \$4.8 million or 3.3%. Actual revenues received totaled \$145.5 million or 97.6% of the final budget. Intergovernmental revenues fell \$4.6 million short of the final budgeted amounts as a result of anticipated grants not being received. This amount was also reflected in decreased grant expenditures.

The County's original operating expenditure budget, excluding transfers, increased from \$144.7 million to \$149.5 million, an increase of \$4.8 million or 3.3%. Actual expenditures were \$137.6 million or 92.0% of the final budget due to cost saving measures implemented in 2010.

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, 2010, net of accumulated depreciation, amounted to \$245.6 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, infrastructure and easements. The following is a summary of capital assets at December 31, 2010 and 2009:

<b>Summary of Capital Assets</b>		
	<b>2010</b>	<b>2009</b>
Land	\$ 5,275,585	\$ 5,275,585
Buildings and improvements	171,590,006	166,850,968
Improvements other than buildings	1,777,936	1,777,936
Furniture and equipment	37,291,245	35,691,945
Infrastructure	11,344,518	9,196,449
Easements	89,174,375	85,051,530
Less accumulated depreciation/amortization	<u>(70,804,127)</u>	<u>(80,307,214)</u>
Total	<u>\$ 245,649,538</u>	<u>\$ 223,537,199</u>

Total capital assets increased from \$223.5 million to \$245.6 million, an overall increase of \$22.1 million or 9.9%. Significant elements of this increase include the implementation of GASB Statement No. 51 "Accounting and Financial Reporting for Intangible Assets". The County had previously depreciated agricultural easements; however, these intangible assets should be recorded in perpetuity under the provisions of the statement. The County also added computer software, net of accumulated amortization, which had previously not been capitalized. Accordingly, the County increased capital net assets in the Governmental Activities Statement of Net Assets as of January 1, 2010 by \$16.4 million.

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, 2010, the County had \$271 million of general obligation bonds and notes outstanding. This was an increase of \$24.2 million, or 9.8%, from the previous year. The following details activity related to general obligation bonds and notes during 2010:

**Summary of General Obligation Bond and Note Activity**

Beginning balance at 1/1/2010	\$ 247,014,571
Accretion adjustment	1,049,450
Debt issued	33,945,000
Less principal payments	<u>(10,841,800)</u>
Ending balance at 12/31/2010	<u>\$ 271,167,221</u>

**BOND RATING:**

The County's general obligation bond Series A of 2010 has been rated Aa2 (negative outlook) by Moody's Investors Service.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The key economic factors affecting the County include the following:

- ◆ The County's population grew by 11,679 or 2.3% during 2010. 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 6.8%, which is a 9% decrease over the previous year's rate of 7.5%. This rate compares favorably with the State's rate of 8.5% and the national rate of 9.4%.

These factors were considered in preparing the County's 2011 budget. Amounts available for appropriation in the General Fund budget are \$146.8 million, an increase of 1.7% over the original 2010 budget of \$144.3. Fees and fines were budgeted to increase by \$1.3 million as the result of an increase in wireless phone fees and state and federal grants were budgeted to increase by \$2.6 million as the result of grant money for the Amtrak project.

Budgeted operating expenditures, excluding transfers, have increased 1.2% to \$147.2 million. The largest increments are increases in other operating expenditures and in the County's debt service.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

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

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## **BASIC FINANCIAL STATEMENTS**

County of Lancaster, Pennsylvania

Statement of Net Assets

December 31, 2010

	Primary Government	Component Unit
	Governmental Activities	Lancaster County Convention Center Authority
<b>ASSETS</b>		
Cash and temporary investments:		
Operating	\$ 49,898,713	\$ 306,265
Other	710,575	-
Cash with fiscal agents	983,908	-
Investments	582,630	5,927,689
Receivables:		
Room rental tax	-	533,665
Taxes, net of allowance for uncollectibles of \$98,653	3,189,796	-
Fines and costs, net of allowance for uncollectibles of \$30,103,628	3,411,010	-
Accounts	3,422,303	-
Due from other governments	14,079,172	-
Advances to providers and other governments	10,283	-
Other	107,386	107,454
Deferred charges:		
Issuance costs, net of accumulated amortization of \$1,380,848 and \$164,340	2,299,275	1,052,707
Prepaid expenses	1,732,403	237,390
Restricted cash	323,950	373,181
Capital assets not being depreciated/amortized:		
Land	5,275,585	1,579,621
Easements	89,174,375	-
Capital assets being depreciated/amortized:		
Buildings and improvements	171,590,006	75,062,414
Improvements other than buildings	1,777,936	-
Furniture and equipment	37,291,245	4,512,393
Infrastructure	11,344,518	-
Less accumulated depreciation/amortization	(70,804,127)	(3,849,050)
Total capital assets, net	245,649,538	77,305,378
Deferred outflows from interest rate swap	5,211,470	11,060,625
Total assets	<u>331,612,412</u>	<u>96,904,354</u>
<b>LIABILITIES</b>		
Accounts payable	7,344,080	375,619
Contracts payable	3,660,265	-
Retainage payable	728,056	-
Accrued interest payable	1,466,783	199,938
Unearned revenue	2,671,078	56,958
Payroll related accruals	4,238,618	4,225
Long-term liabilities:		
Due within one year	13,503,629	545,000
Due in more than one year	287,209,051	63,854,645
Derivative instruments - interest rate swap/swaption liability	4,859,470	11,060,625
Borrowing payable	5,252,254	-
Total liabilities	<u>330,933,284</u>	<u>76,097,010</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	35,298,967	19,057,314
Restricted for:		
Federal and state grant programs	12,686,089	-
Other	-	1,317,692
Unrestricted (deficit)	(47,305,928)	432,338
Total net assets	<u>\$ 679,128</u>	<u>\$ 20,807,344</u>

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

County of Lancaster, Pennsylvania

Statement of Activities

For the Year Ended December 31, 2010

				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Program Revenues		Primary Government	Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Lancaster County Convention Center Authority
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 63,863,797	\$ 6,905,007	\$ 9,897,518	\$ (47,061,272)	\$ -
Public safety	12,145,608	6,817,662	149,797	(5,178,149)	-
Roads and bridges	632,719	48,098	1,153,429	568,808	-
Health, education, and welfare:					
Drug and alcohol	3,849,972	110,428	3,866,746	127,202	-
Employment and training	8,277,026	4,541	8,515,613	243,128	-
Mental health/mental retardation	30,433,719	1,758,683	28,758,275	83,239	-
Office of aging	7,791,954	47,338	8,244,080	499,464	-
Children and Youth	31,159,349	1,767,646	30,930,963	1,539,260	-
Other	284,112	-	522,203	238,091	-
Judicial	42,298,718	6,992,023	10,355,686	(24,951,009)	-
Corrections	23,975,680	132,581	29,904	(23,813,195)	-
Cultural and recreation	2,953,256	281,093	7,814	(2,664,349)	-
Community development	5,604,729	-	5,604,729	-	-
Interest on long-term debt	9,506,172	-	-	(9,506,172)	-
Total governmental activities	<u>242,776,811</u>	<u>24,865,100</u>	<u>108,036,757</u>	<u>(109,874,954)</u>	<u>-</u>
<b>Component unit:</b>					
Convention Center	\$ 13,325,024	\$ 1,773,657	\$ -		(11,551,367)
Total component unit	<u>\$ 13,325,024</u>	<u>\$ 1,773,657</u>	<u>\$ -</u>		<u>(11,551,367)</u>
General Revenues:					
Property taxes				104,918,937	-
Unrestricted investment earnings				596,083	328,429
Room rental tax				-	6,481,547
Grant revenues					1,335,215
Total general revenues				<u>105,515,020</u>	<u>8,145,191</u>
Change in net assets				(4,359,934)	(3,406,176)
Net assets - beginning (as restated)				5,039,062	24,213,520
Net assets - ending				<u>\$ 679,128</u>	<u>\$ 20,807,344</u>

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

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2010

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and temporary investments:						
Operating	\$ 3,838,347	\$ -	\$ 3,134,374	\$ 30,052,936	\$ 12,873,056	\$ 49,898,713
Other	323,950	9,195	555,644	-	145,736	1,034,525
Cash with fiscal agents	-	-	-	983,908	-	983,908
Investments	4,198	-	-	-	578,432	582,630
Prepaid expenses	1,732,403	-	-	-	-	1,732,403
Receivables:						
Taxes	3,288,449	-	-	-	-	3,288,449
Less allowance for uncollectible taxes	(98,653)	-	-	-	-	(98,653)
Fines and costs	33,514,638	-	-	-	-	33,514,638
Less allowance for uncollectible fines and costs	(30,103,628)	-	-	-	-	(30,103,628)
Accounts	2,092,001	-	-	-	-	2,092,001
Due from other funds	5,170,980	-	-	-	-	5,170,980
Due from other governments	3,066,190	8,172,929	-	-	2,840,053	14,079,172
Advances to providers	-	-	-	-	10,283	10,283
Other	-	68,368	1,174	15,338	22,506	107,386
<b>Total assets</b>	<b>\$ 22,828,875</b>	<b>\$ 8,250,492</b>	<b>\$ 3,691,192</b>	<b>\$ 31,052,182</b>	<b>\$ 16,470,066</b>	<b>\$ 82,292,807</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 2,240,170	\$ 2,599,671	\$ 1,481,385	\$ -	\$ 1,022,854	\$ 7,344,080
Contracts payable	-	-	-	1,720,850	1,939,415	3,660,265
Retainage payable	-	-	-	728,056	-	728,056
Due to other funds	-	3,943,382	-	-	1,227,598	5,170,980
Deferred revenue - taxes, fines and costs receivable	5,276,481	-	-	-	-	5,276,481
Unearned revenue	173,882	2,909	1,906,787	-	587,500	2,671,078
Payroll related accruals	3,329,744	362,129	303,020	-	349,011	4,343,904
Arbitrage payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>11,020,277</b>	<b>6,908,091</b>	<b>3,691,192</b>	<b>2,448,906</b>	<b>5,126,378</b>	<b>29,194,844</b>
Fund balances:						
Unreserved:						
Designated for programmatic expenditures						
in special revenue funds	-	1,342,401	-	-	11,343,688	12,686,089
Designated for postemployment benefits	7,700,000	-	-	-	-	7,700,000
Undesignated	4,108,598	-	-	28,603,276	-	32,711,874
<b>Total fund balances</b>	<b>11,808,598</b>	<b>1,342,401</b>	<b>-</b>	<b>28,603,276</b>	<b>11,343,688</b>	<b>53,097,963</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,828,875</b>	<b>\$ 8,250,492</b>	<b>\$ 3,691,192</b>	<b>\$ 31,052,182</b>	<b>\$ 16,470,066</b>	

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

Capital assets used in governmental activities are not current financial resources and, therefore are not reported as assets in the governmental funds.(Note 7)	245,649,538
Certain receivables are not available to pay for current-period expenditures and, therefore, are not recognized or deferred in the funds.	6,606,783
Long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.(Note 3)	(304,675,156)
<b>Total net asset of governmental activities</b>	<b>\$ 679,128</b>

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, 2010

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real estate taxes	\$ 104,555,174	\$ -	\$ -	\$ -	\$ -	\$ 104,555,174
Intergovernmental	14,205,615	30,930,963	28,758,275	-	32,203,007	106,097,860
Departmental	19,510,507	1,765,529	139,068	-	121,777	21,536,881
Fines and costs	2,773,058	-	-	-	-	2,773,058
Investment earnings	361,542	570	52,003	140,498	65,054	619,667
Other	985,580	2,117	5,385	-	180,848	1,173,930
Health Choices revenues	-	-	1,614,230	-	-	1,614,230
Total revenues	142,391,476	32,699,179	30,568,961	140,498	32,570,686	238,370,800
<b>EXPENDITURES</b>						
Current:						
General government	36,855,302	-	-	4,457,022	-	41,312,324
Public safety	10,558,753	-	-	-	-	10,558,753
Roads and bridges	-	-	-	-	388,008	388,008
Health, education, and welfare:						
Drug and alcohol	-	-	-	-	4,279,559	4,279,559
Employment and training	-	-	-	-	8,490,872	8,490,872
Mental health/mental retardation	-	-	31,586,081	-	-	31,586,081
Office of aging	-	-	-	-	9,090,463	9,090,463
Children and youth	-	39,816,752	-	-	-	39,816,752
Other	264,649	-	-	-	-	264,649
Judicial	38,754,367	-	-	-	6,046,573	44,800,940
Corrections	22,725,580	-	-	-	-	22,725,580
Cultural and recreation	2,484,440	-	-	-	-	2,484,440
Community development	-	-	-	-	5,604,729	5,604,729
Capital outlay	561,574	16,000	144,522	12,993,395	743,537	14,459,028
Debt Service:						
Principal retirement	10,841,800	-	-	-	-	10,841,800
Interest and fiscal charges	9,755,340	-	-	-	-	9,755,340
Bond issuance costs	-	-	-	296,556	-	296,556
Total expenditures	132,801,805	39,832,752	31,730,603	17,746,973	34,643,741	256,755,874
Excess (deficiency) of revenues over (under) expenditures	9,589,671	(7,133,573)	(1,161,642)	(17,606,475)	(2,073,055)	(18,385,074)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	8,061,607	1,161,642	-	3,180,054	12,403,303
Transfers out	(12,403,303)	-	-	-	-	(12,403,303)
Premium on bonds issued	-	-	-	235,463	-	235,463
Face amount of bonds issued	-	-	-	33,945,000	-	33,945,000
Total other financing (uses) sources	(12,403,303)	8,061,607	1,161,642	34,180,463	3,180,054	34,180,463
Net change in fund balances	(2,813,632)	928,034	-	16,573,988	1,106,999	15,795,389
Fund balances, January 1	14,622,230	414,367	-	12,029,288	10,236,689	37,302,574
Fund balances, December 31	\$ 11,808,598	\$ 1,342,401	\$ -	\$ 28,603,276	\$ 11,343,688	\$ 53,097,963

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, 2010

Net change in fund balances - total governmental funds (page 32)	\$ 15,795,389
The change in net assets reported for <i>governmental activities</i> in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.	5,735,675
Deferred revenues that do not provide current financial resources and activities which are not recognized as available in the governmental funds, but are earned in the statement of activities.	1,238,812
The issuance of long-term debt (i.e., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(24,388,113)
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.	242,695
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>(2,984,392)</u>
Change in net assets of governmental activities (page 30)	<u>\$ (4,359,934)</u>

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

County of Lancaster, Pennsylvania

Statement of Fiduciary Net Assets - Fiduciary Funds

December 31, 2010

	Pension Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and temporary investments-operating	\$ 3,465,930	\$ 12,052,531
Investments, at fair value:		
U.S. Government securities	18,060,625	-
U.S. Government agency-mortgage backed securities	13,813,213	-
Domestic corporate bonds	17,833,339	-
Mutual funds	21,549,997	-
Collateralized mortgage obligations	1,898,481	-
Domestic common stock	62,474,241	-
Real estate investment trust equity	8,017,742	-
International index funds	33,548,206	-
Total investments	177,195,844	-
Accrued employee contribution receivable	142,083	-
Other receivable	97,746	-
<b>Total assets</b>	<b>180,901,603</b>	<b>12,052,531</b>
<b>LIABILITIES</b>		
Deposits and advances	-	2,707,044
Escrow liability	-	4,242,254
Other liabilities	-	897,905
Due to other governments	-	4,205,328
<b>Total liabilities</b>	<b>-</b>	<b>12,052,531</b>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<b>\$ 180,901,603</b>	<b>\$ -</b>

*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, 2010

**ADDITIONS**

Contributions:

Employer	\$ 8,009,687
Plan members	4,599,397
Total contributions	<u>12,609,084</u>

Investment income:

Net appreciation in fair value of investments	15,133,681
Interest and dividends	4,316,632
Less investment expenses	<u>(600,324)</u>
Net investment income	<u>18,849,989</u>
Total additions	<u>31,459,073</u>

**DEDUCTIONS**

Benefits paid to plan members and beneficiaries	7,858,725
Refunds of contributions paid to plan members and beneficiaries	819,403
Administrative expenses	<u>62,357</u>
Total deductions	<u>8,740,485</u>
Change in net assets	22,718,588

Net assets held in trust for pension benefits, January 1	<u>158,183,015</u>
Net assets held in trust for pension benefits, December 31	<u>\$ 180,901,603</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, 2010

### **1. Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### A. Reporting Entity (continued)

##### *Component Unit*

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

The County is financially accountable for the Convention Center Authority because the Convention Center Authority is fiscally dependent on the County, based upon the criteria of GASB Statements No. 14 and No. 39. The County has established a hotel room rental tax, applied to all hotel room rentals throughout the County; the Convention Center Authority relies on the County to levy these taxes or set rates or charges, as it does not have the power to do so on its own. The revenues derived from this hotel room rental tax provide substantially all operating revenues of the Convention Center Authority. The Convention Center Authority imposes an additional financial burden on the County by virtue of the County's guarantee to replenish the required reserve amounts associated with the Convention Center Authority's Hotel Room Tax Revenue Bonds Series of 2003, as discussed in Note 9.

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

##### *Related Organizations*

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**A. Reporting Entity (continued)**

*Related Organizations (continued)*

Lancaster County Redevelopment Authority (the  
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

*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. Prior to GASB Statement No. 34, the model emphasized fund types (the total of all funds of a particular type), the current reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements).

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

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

##### *Government-wide Financial Statements*

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 are normally supported by taxes and intergovernmental revenues. Also, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

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

##### *Fund Financial Statements*

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. The fund financial statements are very similar to the financial statements presented in the reporting model used prior to the issuance of GASB Statement No. 34. Emphasis under the GASB Statement No. 34 reporting model is on major funds in the governmental categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds in each category are combined in a column in the fund financial statements and detailed in the combining and individual fund statements and schedules section.

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

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

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

##### *Fund Financial Statements (continued)*

are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

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

##### *Fund Financial Statements (continued)*

- Mental Health and Mental Retardation Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. These funds are restricted to provide assistance and medical care to those individuals with mental health and developmental disability problems.
- Capital Projects Fund – The Capital Projects Fund is used to account for the resources and expenditures related to construction within the County.

##### *Other Funds:*

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

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

#### C. Summary of Significant Accounting Policies – Component Unit

##### *Basis of Accounting*

The Convention Center Authority utilizes the accrual basis of accounting.

##### *Cash and Cash Equivalents*

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

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

##### *Hotel Room Rental Tax*

The County receives a 5% hotel room rental tax from the operators of each hotel within the 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 Convention Center Authority to be used for the construction and operation of the convention center facility.

#### D. New Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." Due to questions arising after the implementation of GASB Statement No. 34, the Statement provides further guidance on whether and when intangible assets, including easements, should be considered capital assets for financial reporting purposes. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009, with the provisions generally required to be applied retroactively. The County adopted this standard effective January 1, 2010, which resulted in a restatement of beginning net assets. See Note 2 for further explanation.

In June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB Statement No. 53 is effective for periods beginning after June 15, 2009. The County adopted this standard effective January 1, 2010, which resulted in a restatement of beginning net assets. See Note 2 for further explanation and Note 18 for derivative disclosures.

In March 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 is effective for periods beginning after June 15, 2010. The County is required to adopt GASB Statement No. 54 for its 2011 financial statements.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. GASB Statement No 57 is

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### D. New Accounting Pronouncements (continued)

effective for periods beginning after June 15, 2011. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 57 will have on the County's financial statements.

In December 2009, the GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 is effective for reporting periods beginning after June 15, 2009. The County has not filed, nor intends to file in the foreseeable future, for bankruptcy protection and therefore does not meet the criteria for this Statement.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus." The Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. GASB Statement No. 59 is effective for reporting periods beginning after June 15, 2010. The County is currently evaluating what effect, if any, adoption of GASB Statement No. 59 will have on the County's financial statements.

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCAs)." The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner. GASB Statement No. 60 is effective for periods beginning after December 15, 2011 with the provisions generally required to be applied retroactively. The County is not engaged in any service concession arrangements as of December 31, 2010. If such agreements are entered into in the future, GASB Statement No. 60 will be appropriately applied.

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### D. New Accounting Pronouncements (continued)

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

### 2. Assets, Liabilities, Net Assets and Restated Net Assets

#### Pooled Cash and Temporary Investments

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

#### Investments

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

Investments that are expected to be realized in cash within twelve months or less are considered to be temporary investments. Temporary investments are reported at fair value (typically using published market prices). Investments expected to be realized in cash after twelve months are considered to be long-term investments. Long-term investments are reported at fair value. Fair values are based on published market prices, quotations from national securities exchanges and securities pricing services, or by the respective fund managers for securities which are not actively traded.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **2. Assets, Liabilities, Net Assets and Restated Net Assets (continued)**

#### **Investments (continued)**

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 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.

#### **Prepays**

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

#### **Restricted Assets**

##### *Governmental Activities*

The County had a restricted cash balance of \$323,950 representing amounts deposited in an irrevocable trust to pay future workers compensation claims.

##### *Component Unit*

At December 31, 2010, the Convention Center Authority had \$531,828 of restricted cash held with a trustee or others.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Net Assets and Restated Net Assets (continued)**

**Capital Assets**

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

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

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

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

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

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

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **2. Assets, Liabilities, Net Assets and Restated Net Assets (continued)**

#### **Unearned Revenue**

The County reports unearned revenue in its governmental funds. Unearned revenue arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds balance sheet and revenue is recognized.

#### **Deferred Revenue**

The County reports deferred revenue in its governmental funds. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, such as property taxes, fines, and costs due but not collected within 60 days after year-end.

#### **Accrued Vacation and Sick Pay**

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

#### **Risk Management**

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

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

The County manages the financial risk of unemployment benefits through retention of all liability exposure. The liability for claims is estimated at two times the average benefits paid for the past three claim years.

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **2. Assets, Liabilities, Net Assets and Restated Net Assets (continued)**

#### **Risk Management (continued)**

The liability is recorded as estimated by the third party plan administrator. Claims are paid from the General Fund. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR).

#### **Fund Balance**

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

#### **Restatement of Beginning Net Assets**

During the year-ended December 31, 2010, the County implemented the provisions of GASB Statement No. 51 "Accounting and Financial Reporting for Intangible Assets". The County had previously amortized agricultural easements; however, these intangible assets should be recorded in perpetuity under the provisions of the statement. The County also added computer software, net of accumulated amortization, which had previously not been capitalized. Accordingly, the County increased both capital assets and net assets in the Governmental Activities Statement of Net Assets as of January 1, 2010, in the amount of \$16,376,664.

Additionally, during the year-ended December 31, 2010, the County implemented the provisions of GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". As of December 31, 2010, the County determined that certain interest rate swaptions did not meet the criteria for hedging effectiveness. Accordingly, the fair value and borrowing payable of the swaptions as of December 31, 2009, which were previously not recorded, were recorded as a decrease to beginning net assets in the Governmental Activities Statement of Net Assets in the amounts of \$2,539,102. During the year-ended December 31, 2010, the fair values of these derivatives decreased by \$23,584, which was recorded as a reduction of investment earnings.

#### **Leases**

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **2. Assets, Liabilities, Net Assets and Restated Net Assets (continued)**

#### **Intergovernmental Revenues**

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

#### **Departmental Revenues**

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

#### **Investment Earnings**

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

#### **Derivatives – Interest Rate Swap/Swaptions**

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 3. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *total fund balance – total governmental funds* and *total net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.” The detail of this \$304,675,156 difference is as follows:

General obligation bonds and notes payable	\$ 271,167,221
Less: Deferred charge on refundings (amortized as expense)	(4,119,084)
Less: Deferred charge for issuance costs (amortized as expense)	(2,299,275)
Plus: Issuance premium (amortized as income)	4,982,676
Accrued vacation and sick pay	4,884,177
Net pension obligation	1,623,254
Net OPEB obligation	20,178,960
Accrued interest payable	1,466,783
Deferred outflow from interest rate swap	(5,211,470)
Derivative instrument – interest rate swap/swaption liability	4,859,470
Borrowing payable	5,252,254
Unemployment Compensation	495,491
Workers' Compensation	1,394,699
Net adjustment to <i>total fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 304,675,156

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.” The detail of this \$5,735,675 difference is as follows:

Capital outlay	\$ 11,733,745
Depreciation/amortization expense	(5,998,070)
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	\$ 5,735,675

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

Another element of that reconciliation states that “the issuance of long-term debt (i.e., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The detail of this \$(24,388,113) difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (34,180,463)
Amortization of accretion	(1,049,450)
Principal repayments:	
General obligation debt	10,826,800
Repayment on installment purchase agreement	<u>15,000</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ (24,388,113)</u>

Another element of that reconciliation states that, “governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.” The detail of this \$242,695 difference is as follows:

Bond issuance costs	\$ 296,556
Net deferred amounts on refunding and prepayments	<u>(53,861)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 242,695</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

Another element of that reconciliation states that, "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The detail of this \$(2,984,392) difference is as follows:

Accrued vacation and sick pay	\$ 430,313
Net pension obligation	903,031
Net OPEB obligation	(4,131,112)
Accrued interest payable	386,735
Amortization of deferred amounts on refunding	(430,965)
Amortization of issuance costs	(174,428)
Unemployment Compensation	(107,583)
Workers' Compensation	(198,479)
Amortization of net bond premiums	<u>338,096</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ (2,984,392)</u>

**4. Budgets and Budgetary Accounting**

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

The legal level of budgetary control is established by fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Appropriations lapse at the end of each year and must be reappropriated. The 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 and 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, and Liquid Fuels nonmajor special revenue funds are located in the combining and individual fund statements and schedules.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **5. Deposits and Investments**

#### **Deposits**

At December 31, 2010, the County's bank balances, which include cash and cash equivalents, totaled \$127,737,263. Of the bank balances, \$7,659,059 was covered by Federal depository insurance. The remainder was categorized as uninsured and collateralized with securities held by the pledging financial institution's agent but not in the County's name under Act 72 of the Commonwealth of Pennsylvania. Although the County follows the Pennsylvania County Code, the County does not have a formal policy relative to managing custodial credit risk.

#### **Non-Pension Investments**

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

#### *Custodial Credit Risk*

At December 31, 2010, the County's non-pension investments included \$582,630 invested in U.S. Treasury Strips. These investments are not insured, are not registered in the name of the County, and are held by the counterparty in the counterparty's name. The County limits its exposure to custodial credit risk by maintaining only those non-pension investments required by sinking fund or other similar contractual requirements. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**5. Deposits and Investments (continued)**

**Non-Pension Investments (continued)**

*Interest Rate Risk*

Interest rate risk is the risk associated with changes in interest rates adversely affecting the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. At December 31, 2010, the County's non-pension investments were subject to interest rate risk as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 – 5	6 – 10	More than 10 Years
U.S. Treasury Strips	\$ 582,630	\$ 4,197	\$ -	\$ 314,039	\$ 264,394

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

**Pension Investments**

Pension investments by type were as follows at December 31, 2010:

	Fair Value
Investments	
U.S. Government Securities	\$ 18,060,625
U.S. Government Agency Mortgage Backed Securities	13,813,213
Domestic Corporate Bonds	17,833,339
Collateralized Mortgage Obligations	1,898,481
Domestic Common Stock	62,474,241
Mutual Funds	21,549,997
International Index Funds	33,548,206
Real Estate Investment Trust Equity	8,017,742
Total Investments	\$ 177,195,844

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**5. Deposits and Investments (continued)**

**Pension Investments (continued)**

*Credit Risk*

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
Investments			
Domestic Corporate Bonds	\$ 574,869	AA+	S&P
Domestic Corporate Bonds	373,680	AA	S&P
Domestic Corporate Bonds	539,828	AA-	S&P
Domestic Corporate Bonds	978,425	A+	S&P
Domestic Corporate Bonds	2,757,915	A	S&P
Domestic Corporate Bonds	1,552,920	A-	S&P
Domestic Corporate Bonds	1,079,386	BBB+	S&P
Domestic Corporate Bonds	274,520	BBB	S&P
Domestic Corporate Bonds	81,037	Aaa	Moody's
Domestic Corporate Bonds	1,157,364	Aa	Moody's
Domestic Corporate Bonds	4,934,048	A	Moody's
Domestic Corporate Bonds	<u>3,529,347</u>	Baa	Moody's
Total Domestic Corporate Bonds	\$ 17,833,339		
Collateralized Mortgage Obligations	\$ 440,644	A-	S&P
Collateralized Mortgage Obligations	907,735	Aaa	Moody's
Collateralized Mortgage Obligations	265,109	A	Moody's
Collateralized Mortgage Obligations	80,164	Baa	Moody's
Collateralized Mortgage Obligations	<u>204,829</u>	N/A	N/A
Total Collateralized Mortgage Obligations	\$ 1,898,481		
U.S. Government Agency Mortgage-Backed Securities	\$ 7,066,473	AAA	S&P
U.S. Government Agency Mortgage-Backed Securities	6,391,723	Aaa	Moody's
U.S. Government Agency Mortgage-Backed Securities	<u>355,017</u>	A+	S&P
Total U.S. Government Agency Mortgage-Backed Securities	\$ 13,813,213		
U.S. Government Securities	18,060,625	N/A	N/A
Domestic Common Stock	62,474,241	N/A	N/A
Mutual Funds	21,549,997	N/A	N/A
International Index Funds	33,548,206	N/A	N/A
Real Estate Investment Trust Equity	<u>8,017,742</u>	N/A	N/A
Total Investments	<u>\$ 177,195,844</u>		

Per County policy, the County manages its exposure to credit risk relative to pension investments by restricting the average quality of fixed income securities to meet or exceed a rating of "A<sub>2</sub>", the third broad investment grade as determined by Moody's,

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 5. Deposits and Investments (continued)

#### Pension Investments (continued)

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

#### *Custodial Credit Risk*

At December 31, 2010, the County’s pension investments were subject to custodial credit risk. All pension investments are held by the counterparty in the counterparty’s name and not the name of the County and are recorded by the counterparty in book entry form only in the name of the County. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

#### *Interest Rate Risk*

At December 31, 2010, the County’s pension investments were subject to interest rate risk as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 – 5	6 – 10	More than 10 Years
Pension Investments					
U.S. Government Securities	\$ 18,060,625	\$ 248,059	\$ 10,090,918	\$ 6,463,879	\$ 1,257,769
U.S. Government Agency Mortgage Backed Securities	13,813,213	-	2,802,200	3,980,208	7,030,805
Domestic Corporate Bonds	17,833,339	822,670	7,880,313	8,231,052	899,304
Collateralized Mortgage Obligations	<u>1,898,481</u>	<u>-</u>	<u>-</u>	<u>785,917</u>	<u>1,112,564</u>
Total Pension Investments - Debt Securities	51,605,658	<u>\$ 1,070,729</u>	<u>\$ 20,773,431</u>	<u>\$ 19,461,056</u>	<u>\$ 10,300,442</u>
Domestic Common Stock	62,474,241				
Mutual Funds	21,549,997				
International Index Funds	33,548,206				
Real Estate Investment Trust Equity	<u>8,017,742</u>				
Total Investments	<u>\$177,195,844</u>				

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **5. Deposits and Investments (continued)**

##### **Pension Investments (continued)**

###### *Interest Rate Risk (continued)*

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

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

Pension investments in collateralized mortgage obligations and mortgage-backed securities are more sensitive to changes in interest rates. Declining interest rates may give rise to potential increases in prepayments of the underlying mortgages. Conversely, decreases in prepayments of the underlying mortgages may cause prevailing interest rates to rise, which inevitably gives rise to increases in the average length of maturity of these types of investment.

###### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2010, \$33,548,206 of the County's pension investments were held in international mutual funds. A percentage of the holdings within these funds are those of companies located outside of the United States, denominated in other than U.S. dollars. The County's pension investment policy limits the County's exposure to foreign currency risk by ensuring that no more than 18% of total pension investments are invested in international equity securities.

##### **Discretely Presented Component Unit**

###### **Deposits**

###### *Custodial Credit Risk*

At December 31, 2010, the Convention Center Authority's bank balance, which included cash, cash equivalents and restricted cash, equaled \$859,567. Of the bank balance, \$408,646 was covered by Federal depository insurance at December 31, 2010. The remainder was exposed to custodial credit risk and categorized as collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The Convention Center Authority does not have a policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**5. Deposits and Investments (continued)**

**Discretely Presented Component Unit (continued)**

**Investments**

Investments of the Convention Center Authority are subject to the same Pennsylvania statutes and limits as the County's (non-pension) investments. At December 31, 2010, the Convention Center Authority's investments included \$1,816,560 invested in money market funds and \$4,111,129 invested in guaranteed investment contracts.

*Interest Rate Risk*

The Convention Center Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of the Authority's money market and fixed income investments and their related average maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Money Market Funds	\$ 1,816,560	\$ 1,816,560	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	<u>4,111,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,111,129</u>
Total Investments	<u>\$ 5,927,689</u>	<u>\$ 1,816,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,111,129</u>

*Credit Risk*

At December 31, 2010, the Convention Center Authority's investment in money market funds were rated AAA by Standard & Poor's and the guaranteed investment contracts were unrated. The Convention Center Authority does not have a formal investment policy relative to managing credit risk.

*Custodial Credit Risk*

At December 31, 2010, the Convention Center Authority's investments were subject to custodial credit risk. All investments are uninsured and held by a trustee in the trustee's name. The Convention Center Authority does not have a formal investment policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**5. Deposits and Investments (continued)**

**Discretely Presented Component Unit (continued)**

**Investments (continued)**

*Concentration of Credit Risk*

The Convention Center Authority places no limit on the amount it may invest in any one issuer. More than 5% of the Convention Center Authority's investments are held as follows as of December 31, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Guaranteed investment contracts:		
Citigroup Financial Product	\$ 4,111,129	69.35%

**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 2010 was 3.416 mills.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2010 is as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated/ amortized:				
Land	\$ 5,275,585	\$ -	\$ -	\$ 5,275,585
Easements	85,051,530	4,122,845		89,174,375
Total capital assets, not being depreciated/amortized	90,327,115	4,122,845	-	94,449,960
Capital assets, being depreciated/ amortized:				
Buildings and improvements	166,850,968	4,758,233	19,195	171,590,006
Improvements other than buildings	1,777,936	-	-	1,777,936
Furniture and equipment	36,567,452	1,446,655	722,862	37,291,245
Infrastructure	9,196,449	2,148,069	-	11,344,518
Total capital assets being depreciated/ amortized	214,392,805	8,352,957	742,057	222,003,705
Less accumulated depreciation/ amortization for:				
Buildings and improvements	46,129,604	4,210,672	10,078	50,330,198
Improvements other than buildings	407,350	60,141	-	467,491
Furniture and equipment	16,597,562	2,006,346	553,347	18,050,561
Infrastructure	1,671,541	284,336	-	1,955,877
Total accumulated depreciation/ amortization	64,806,057	6,561,495	563,425	70,804,127
Total capital assets, being depreciated/ amortized, net	149,586,748	1,791,462	178,632	151,199,578
Governmental activities capital assets, net	\$239,913,863	\$ 5,914,307	\$ 178,632	\$245,649,538

\* Due to the implementation of GASB Statement No. 51, beginning balances have been restated – see Note 2 for further explanation.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets (continued)**

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

Governmental activities:	
General government	\$ 2,960,412
Public safety	1,570,672
Roads and bridges	284,336
Health, education, and welfare	78,451
Judicial	154,207
Corrections	1,279,340
Cultural and recreation	234,077
Total depreciation/amortization expense – governmental activities	<u>\$ 6,561,495</u>

As of December 31, 2010, the County had \$3,303,485 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets (continued)**

**Discretely Presented Component Unit**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated/ amortized:				
Land and improvements	\$ 1,579,621	\$ -	\$ -	\$ 1,579,621
Total capital assets, not being depreciated/amortized	1,579,621	-	-	1,579,621
Capital assets, being depreciated/ amortized:				
Building	75,011,728	50,686	-	75,062,414
Furniture and equipment	4,390,903	134,171	12,681	4,512,393
Total capital assets being depreciated/ amortized	79,402,631	184,857	12,681	79,574,807
Less accumulated depreciation/ amortization for:				
Building	1,129,119	1,963,497	-	3,092,616
Furniture and equipment	283,036	473,398	-	756,434
Total accumulated depreciation/ amortization	1,412,155	2,436,895	-	3,849,050
Total capital assets, being depreciated/ amortized, net	77,990,476	(2,252,038)	(12,681)	75,725,757
Capital assets, net	\$ 79,570,097	\$ (2,252,038)	\$ (12,681)	\$ 77,305,378

**8. Operating Leases**

The County is committed under various leases for building and office space and data processing and other equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended December 31, 2010 amounted to \$3,513,874. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2011	\$ 3,474,105
2012	2,587,255
2013	2,555,337
2014	2,305,987
2015	2,060,104
2016-2020	8,653,362
2021-2025	100,950
Total	<u>\$ 21,737,100</u>

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 9. Long-Term Liabilities

#### *General Obligation Bonds and Notes*

The County issues general obligation bonds and notes for the purposes of providing funds for and toward the cost of capital projects, asset acquisition, easements, and capital grant programs of and in the County. 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, 2010 was \$121,811,319.

General obligation bonds and notes consisted of the following at December 31, 2010:

4.00% - 5.50% Interest bearing General Obligation Notes, Series A of 2001 in the principal amount of \$16,430,000 to finance the County's capital projects as well as a partial advance refunding of Series A of 2000, dated December 15, 2001, principal payable annually, ranging in amounts \$5,000 to \$1,765,000 from November 1, 2010 to November 1, 2027.	16,385,000
Capital Appreciation Notes, Series B of 2001 in the principal amount of \$13,344,115 to finance the County's capital projects, dated December 20, 2001, principal payable annually and semi-annually, ranging in amounts from \$725,000 to \$2,815,000 from May 1, 2010 to May 1, 2019.	19,609,321
6.10% Interest bearing installment purchase agreement in the amount of \$363,000, dated January 4, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2016.	363,000
Variable rate interest bearing General Obligation Note, Series A of 2002 in the principal amount of \$25,050,000 to current refund Series of 2000, dated September 13, 2002, principal payable annually, varying in amounts from \$5,000 to \$2,439,000 from October 25, 2010 to October 25, 2030. Interest is payable monthly, based upon monthly calculations remitted by the trustee that include amounts sufficient to pay payments and receipts under any interest rate swap agreements, payments due to holders of the note, and monthly finance charges. The interest on the note will never exceed 15%.	25,010,000
4.40% - 4.70% General Obligation Bonds, Series A of 2002 in the principal amount of \$7,345,000 to finance certain capital projects dated December 15, 2002, principal payable annually, varying in amounts from \$5,000 to \$3,700,000 from November 1, 2010 to November 1, 2020.	7,310,000
5.50% Interest bearing installment purchase agreement in the amount of \$210,000, dated December 30, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2022.	210,000
3.50% - 4.75% General Obligation Bonds, Series of 2003 in the principal amount of \$23,305,000 to finance certain capital projects dated January 1, 2003, principal payable annually, varying in amounts from \$540,000 to \$1,395,000 from November 1, 2010 to November 1, 2032.	19,850,000
2.85% - 5.25% General Obligation Bonds, Series A of 2003 in the principal amount of \$23,715,000 to partially refund Series A of 2000, dated October 15, 2003, principal payable annually, varying in amounts from \$330,000 to \$4,930,000 from May 1, 2010 to May 1, 2015.	21,820,000

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 9. Long-Term Liabilities (continued)

#### *General Obligation Bonds and Notes (continued)*

5.85% Interest bearing installment purchase agreement in the amount of \$226,000, dated September 3, 2003, to finance the purchase of an agricultural easement, principal payable in full on November 15, 2023.	226,000
4.40% Interest bearing installment purchase agreement in the amount of \$150,000, dated April 30, 2003, to finance the purchase of an agricultural easement, principal payable annually in the amount of \$15,000 from January 20, 2009 to January 20, 2013.	45,000
4.00% - 5.00% General Obligation Bonds, Series A of 2004 in the principal amount of \$27,300,000 to finance certain capital projects dated May 1, 2004, principal payable annually, varying in amounts from \$1,155,000 to \$2,110,000 from November 1, 2010 to November 1, 2023.	11,825,000
Variable rate General Obligation Bonds, Series of 2005 in the principal amount of \$23,775,000 to finance certain capital projects dated April 14, 2005, principal payable annually, varying in amounts from \$665,000 to \$1,465,000 from March 1, 2010 to March 1, 2030. The Interest Mode the bonds were issued in was a weekly mode. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. The interest on the bonds will never exceed 25%.	20,695,000
1.05% - 5.00% General Obligation Bonds, Series of 2006 (Remarketing) in the principal amount of \$22,960,000 to convert the Bonds from the Weekly mode to the Term Mode dated October 1, 2009, principal payable annually, varying in amounts from \$700,000 to \$1,635,000 from March 1, 2010 to March 1, 2031.	22,260,000
3.625% - 5.00% General Obligation Bonds, Series A of 2006 in the principal amount of \$25,000,000 to provide funding for both farmland and natural land preservation and projects in the city, boroughs, and urban growth areas of townships of the County dated May 1, 2006, principal payable annually, varying in amounts from \$925,000 to \$1,865,000 from May 1, 2010 to May 1, 2026.	21,495,000
3.77% Interest bearing General Obligation Note, Series of 2007 in the principal amount of \$10,000,000 to partially refund Series A of 2004, dated December 31, 2007, principal payable annually in amounts ranging from \$76,800 to \$1,932,600 from November 1, 2010 to November 1, 2021.	9,848,900
2.00% - 5.00% General Obligation Bonds Series A of 2009 in the principal amount of \$41,220,000 to refund the outstanding General Obligation Variable Rate Demand Bonds, Series B of 2003 and the outstanding General Obligation Bonds, Series of 2008 of the County and to finance certain capital projects dated August 14, 2009, principal payable annually, varying in amounts from \$545,000 to \$2,785,000 from November 1, 2010 to November 1, 2033.	40,270,000
0.80% - 3.125% General Obligation Bonds, Series A of 2010 in the principal amount of \$17,355,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,415,000 to \$1,805,000 from November 1, 2011 to November 1, 2022.	17,355,000
5.473% General Obligation Bonds, Series B of 2010 in the principal amount of \$9,425,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$635,000 to \$2,295,000 from November 1, 2026 to November 1, 2030.	9,425,000
4.744% General Obligation Bonds, Series C of 2010 in the principal amount of \$7,165,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,405,000 to \$1,980,000 from November 1, 2023 to November 1, 2026.	7,165,000
Total general obligation bonds and notes payable	\$ 271,167,221

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**9. Long-Term Liabilities (continued)**

*General Obligation Bonds and Notes (continued)*

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

	Principal	Interest	Total
2011	\$ 12,166,479	\$ 9,095,246	\$ 21,261,725
2012	13,884,899	8,755,141	22,640,040
2013	14,263,130	8,432,639	22,695,769
2014	14,627,675	8,074,191	22,701,866
2015	15,037,390	7,685,010	22,722,400
2016-2020	75,045,048	36,526,436	111,571,484
2021-2025	63,912,600	18,500,271	82,412,871
2026-2030	56,065,000	6,815,168	62,880,168
2031-2035	6,165,000	420,075	6,585,075
	<u>\$ 271,167,221</u>	<u>\$ 104,304,177</u>	<u>\$ 375,471,398</u>

On September 22, 2010, the County issued General Obligation Bonds, Series A, B, and C of 2010, in the amount of \$33,945,000 to finance certain capital projects and to pay the costs of issuing the bonds. Principal is payable annually, ranging in amounts from \$635,000 to \$2,295,000 from November 2011 to November 2030.

The remaining \$1,049,450 of the 2010 additions to general obligation bonds and notes payable represent 2010 accretion on the capital appreciation general obligation notes dated December 20, 2001.

Proceeds of the General Obligation Note, Series of 2007 were used to advance refund a portion of the County's General Obligation Bonds, Series A of 2004. As of December 31, 2010, \$9,020,000 of these bonds outstanding is classified as defeased.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**9. Long-Term Liabilities (continued)**

*Changes in Long-Term Liabilities*

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 247,014,571	\$ 34,994,450	\$10,841,800	\$ 271,167,221	\$ 12,166,480
Deferred amounts on refundings	(4,550,049)	-	(430,965)	(4,119,084)	(430,965)
Net premium on bonds payable	5,085,309	235,463	338,096	4,982,676	338,096
Accrued vacation and sick pay	5,314,490	291,207	721,520	4,884,177	716,090
Net pension obligation	2,526,285	-	903,031	1,623,254	-
Net OPEB obligation	16,047,848	6,694,181	2,563,069	20,178,960	-
Unemployment compensation	387,908	665,359	453,635	599,632	347,217
Workers' compensation	1,196,219	564,469	364,844	1,395,844	366,711
Governmental activities long-term liabilities	<u>\$ 273,022,581</u>	<u>\$ 43,445,129</u>	<u>\$ 15,755,030</u>	<u>\$ 300,712,680</u>	<u>\$ 13,503,629</u>

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **9. Long-Term Liabilities (continued)**

##### *Discretely Presented Component Unit*

During the year ended March 31, 2007, the Convention Center Authority remarketed the Hotel Room Rental Tax Revenue Bonds, Series of 2003 (\$40,000,000), and issued the Hotel Room Rental Tax Revenue Bonds, Series of 2007 (\$23,920,000) for the purpose of paying, together with other available funds, the costs of (i) funding the design, acquisition, construction, furnishing, and equipping of that certain convention center, as defined in the indenture; (ii) funding necessary reserves for the project and the bonds; (iii) the establishment of necessary reserves and other funds under the indenture; (iv) payment of the costs and expenses of issuance of the bonds; and (v) refunding certain outstanding indebtedness of the issuer. The bonds are secured by a pledge of all current and future revenue derived by the Convention Center Authority from its share of Hotel Room Rental Tax and all monies and investments held by Trustee Bank under the indenture and are initially secured by an irrevocable, direct pay letter of credit issued by Wachovia Bank, National Association. The letter of credit expires on March 1, 2012, unless extended or earlier terminated (earlier termination is the date on which Wachovia Bank receives a certificate from the Trustee to the effect that there are no bonds outstanding other than bonds bearing interest at a term rate). The indenture permits the issuer to replace the letter of credit with an alternate letter of credit. The bonds are being marketed and sold on the basis of the letter of credit and the financial strength of Wachovia Bank, and not on the basis of the credit of the issuer or the financial viability of the project.

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

The issuer has entered into a variable-to-fixed interest rate hedge transaction with respect to the 2003 Bonds and the 2007 Bonds, pursuant to one or more ISDA Master Swap Agreements with Wachovia Bank, National Association as a swap counterparty. The swaps have been entered into by the issuer to manage its interest rate risk. Under certain circumstances, the swaps are subject to termination prior to their stated expiration dates, in which event, depending on the prevailing interest rate at the time, the issuer may be obligated to make a substantial payment to the counterparty. The fixed rate portion of the underlying swap agreement is fixed at 3.65%. For more information on this swap arrangement, see Note 18.

The County has guaranteed to replenish the lesser of \$1,509,960 or fifty percent (50%) of the required reserve amount for the 2003 Bond Issue in any fiscal year.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**9. Long-Term Liabilities (continued)**

*Discretely Presented Component Unit (continued)*

The amount of outstanding Hotel Room Rental Tax Revenue Bonds, Series of 2003 and Series of 2007 at December 31, 2010 was \$63,590,000. Final maturity is October 1, 2043, for the Series of 2003 and is March 1, 2047, for the Series of 2007.

Debt service requirements are as follows:

	Principal	Interest	Total
2011	\$ 545,000	\$ 2,414,922	\$ 2,959,922
2012	-	2,399,367	2,399,367
2013	795,000	2,391,803	3,186,803
2014	30,000	2,368,159	2,398,159
2015	1,000,000	2,357,123	3,357,123
2016 – 2020	2,835,000	11,407,175	14,242,175
2021 – 2025	5,775,000	10,634,548	16,409,548
2026 – 2030	5,700,000	9,512,138	15,212,138
2031 – 2035	10,580,000	8,093,011	18,673,011
2036 – 2040	14,395,000	6,000,218	20,395,218
2041 – 2045	13,020,000	3,286,876	16,306,876
2046 – 2047	8,915,000	270,810	9,185,810
	<u>\$ 63,590,000</u>	<u>\$ 61,136,150</u>	<u>\$ 124,726,150</u>

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Revenue bonds payable	\$ 63,615,000	\$ -	\$ 25,000	\$ 63,590,000	\$ 545,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**10. Self-Insurance Claims Liability**

The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workers' Compensation Act of 1915 as Reenacted and Amended. The liability is recorded as estimated by the third party plan administrator. The required retention amounts are accrued in a trust fund in accordance with 34 Pa. Code Section 125.10. The Bureau of Workers' Compensation issued an exemption permit renewing the County's self-insurance status on February 1, 2010.

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 past three claim years.

Changes in the County's self-insurance claims reserves for the years ended December 31, 2010 and 2009 were as follows:

	Reserve Balance as of January 1, 2010	Current Year Claims and Changes in Estimates	Claim Payments	Reserve Balance as of December 31, 2010
Unemployment Compensation	\$ 387,908	\$ 665,359	\$ 453,635	\$ 599,632
Workers' Compensation	1,196,219	564,469	364,844	1,395,844
Total Unemployment Compensation and Workers' Compensation	<u>\$ 1,584,127</u>	<u>\$ 1,229,828</u>	<u>\$ 818,479</u>	<u>\$ 1,995,476</u>
	Reserve Balance as of January 1, 2009	Current Year Claims and Changes in Estimates	Claim Payments	Reserve Balance as of December 31, 2009
Unemployment Compensation	\$ 368,847	\$ 259,860	\$ 240,799	\$ 387,908
Workers' Compensation	1,214,335	350,462	368,578	1,196,219
Total Unemployment Compensation and Workers' Compensation	<u>\$ 1,583,182</u>	<u>\$ 610,322</u>	<u>\$ 609,377</u>	<u>\$ 1,584,127</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**11. Interfund Balances**

Individual fund receivable and payable balances at December 31, 2010 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 5,170,980	\$ -
Children and Youth Services Fund	-	3,943,382
Nonmajor Governmental Funds	-	1,227,598
Total	<u>\$ 5,170,980</u>	<u>\$ 5,170,980</u>

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

**12. Interfund Transfers**

Interfund transfers for the year ended December 31, 2010 consisted of the following:

	Interfund Transfers-In	Interfund Transfers-Out
General Fund	\$ -	\$ 12,403,303
Children and Youth Services Fund	8,061,607	-
Mental Health/Mental Retardation Fund	1,161,642	-
Nonmajor Governmental Funds	3,180,054	-
Total	<u>\$ 12,403,303</u>	<u>\$ 12,403,303</u>

Transfers are utilized to use unrestricted revenues collected in the General Fund to finance various grant programs accounted for in other funds in accordance with budgetary and legal authorizations.

**13. Fines and Costs Receivable**

At December 31, 2010 \$1,747,998 in fines and costs receivable are expected to be collected in more than one year.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **14. Commitments and Liabilities**

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

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

On December 15, 2003, the County guaranteed to replenish annual debt service reserve fund draws of the Convention Center Authority over the life of the Convention Center Authority's debt service reserve fund note. The Convention Center Authority's Note was issued in connection with the Convention Center Authority's Hotel Room Rental Tax Revenue Bonds, Series of 2003, (the Bonds) to prevent a default of the Bonds in the event of an unexpected interruption in the flow of hotel room rental tax revenues that are pledged to pay debt service on the Bonds. The annual replenishment to be paid by the County equals, to the extent the Convention Center Authority has failed to provide necessary funding as required by the Convention Center Authority's debt service reserve fund note, an amount not to exceed the lesser of \$1,506,960 or 50% of the required reserve amount in any fiscal year. The Convention Center Authority debt service reserve fund has a required reserve amount equaling \$2,610,270; thus, the County's replenishment guarantee equaled \$1,305,135 at December 31, 2010. As of December 31, 2010, hotel room rental tax revenues were sufficient to cover the debt service on the Bonds; thus, it was not necessary for the County to replenish the debt service reserve fund.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **14. Commitments and Contingent Liabilities (continued)**

On May 15, 2004, the County guaranteed revenue bonds issued by the Redevelopment Authority in the amount of \$13,505,000 to fund the site acquisition, design, construction, and operation of a multi-purpose stadium and related improvements. The bonds are to be repaid by the Redevelopment Authority by receipts and revenues derived from the use of the multi-purpose stadium facilities. At December 31, 2010, \$10,910,000 of the bonds remained outstanding.

On May 12, 2005, the County guaranteed lease rental debt of the Redevelopment Authority to be incurred during the undertaking of the stadium project. At December 31, 2010, the County's guarantee equaled a maximum annual principal amount of \$1,099,996.

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **15. Gain Contingencies**

##### *\$500,000 Agreement Dated March 9, 2005*

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

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

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **15. Gain Contingencies (continued)**

##### *\$500,000 Agreement Dated March 29, 2005*

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

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

#### **16. Postretirement Healthcare Benefits**

##### *Description*

The County follows the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$20,178,960 and \$4,131,112, respectively, in governmental activities.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **16. Postretirement Healthcare Benefits (continued)**

##### *Description (continued)*

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

##### *Funding Policy*

Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the County in accordance with rates established by the County and by the County itself from appropriate governmental funds. For 2010, contribution rates for Plan members under 65 equaled \$23.84 per participant per month. Contribution rates for Plan members 65 and over equaled \$70 per participant per month. For the year ended December 31, 2010, Plan members receiving benefits paid \$319,478, which was used to offset the County's total outlays to insurance carriers equaling \$1,838,445 for current year premiums due. The net outlay from the County, which equaled \$1,518,967, represents the County's net cost paid for current year premiums due. The Plan is financed on a pay-as-you-go basis.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**16. Postretirement Healthcare Benefits (continued)**

*Annual OPEB Cost and Net OPEB Obligation*

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

Annual required contribution	\$ 5,891,789
Interest on net OPEB obligation	802,392
Adjustment to annual required contribution	<u>(1,044,102)</u>
Annual OPEB cost	5,650,079
Contributions made	<u>(1,518,967)</u>
Increase in net OPEB obligation	4,131,112
Net OPEB obligation – beginning of year	<u>16,047,848</u>
Net OPEB obligation – end of year	<u><u>\$ 20,178,960</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation - End of Year</u>
12/31/08	\$ 7,319,888	18.96%	\$11,769,276
12/31/09	\$ 5,714,523	25.13%	\$16,047,848
12/31/10	\$ 5,650,079	26.88%	\$20,178,960

*Funding Status and Funding Progress*

As of January 1, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$61,707,741, resulting in an unfunded actuarial accrued liability (UAAL) of \$61,707,741. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$79,444,845, and the ratio of the UAAL to the covered payroll equaled 77.7%.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **16. Postretirement Healthcare Benefits (continued)**

##### *Funding Status and Funding Progress (continued)*

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

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

##### *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated January 1, 2010, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 5.0% discount rate based on an assumed 3 percent general inflation rate, which approximates the expected rate of return on non-pension investments held by the County. Actuarial assumptions also included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

*Description of Plan*

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2010, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	972
Terminated Plan members enrolled but not yet receiving benefits	175
Active Plan members	<u>1,853</u>
Total members	<u><u>3,000</u></u>

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

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

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

Covered employees are required by the Act to contribute to the Plan at a rate of 5% of their gross pay. Employees may contribute up to an additional 10% of gross pay, at their option. The contributions are recorded in an individually identified account which is also credited with interest, calculated to yield 5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$60,455,095 as of December 31, 2010, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

#### *Description of Plan (continued)*

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

The Plan's investments are held in a bank-administered trust fund. The Retirement Board authorizes, within a 5% margin, the Pension Trust Fund to invest the following asset allocations:

Domestic Equity	51%
International Equity	13%
Fixed Income	32%
Real Estate	4%

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

Administrative costs of the Plan, in accordance with a 1991 amendment to the Act, may be paid from Plan assets unless it is determined by the actuary that such payment will impair the actuarial soundness of the Plan. During 2010, all administrative costs totaling \$62,357 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

#### *Summary of Significant Accounting Policies*

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

#### *Summary of Significant Accounting Policies (continued)*

The Plan's funding policy provides for periodic member contributions as discussed above and employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates on an open basis and the actuarial value of assets are determined using the entry age normal method. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Significant actuarial assumptions used to compute the annual employer required contributions for the current year are the same as those used to compute the net pension obligation as follows:

The net pension obligation and the annual required contribution were determined as part of an actuarial valuation at December 31, 2010. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5%, (c) 3.0% inflation rate, and (d) no postretirement benefit increases. The amortization of the unfunded actuarial accrued liability is over a 30 year period. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes.

#### *Annual Pension Cost and Net Pension Obligation*

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

Annual required contribution	\$ 7,216,063
Interest on net pension obligation	189,471
Adjustment to annual required contribution	(308,565)
Annual pension cost	<u>7,096,969</u>
Contributions made	<u>8,000,000</u>
Decrease in net pension obligation	(903,031)
Net pension obligation beginning of year	2,526,285
Net pension obligation, end of year	<u><u>\$ 1,623,254</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Available Trend Information*

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 3,155,327	127%	\$ 2,915,688
2009	\$ 7,031,786	106%	\$ 2,526,285
2010	\$ 7,096,969	113%	\$ 1,623,254

*Funded Status and Funding Progress*

As of December 31, 2010, the most recent actuarial valuation date, the Plan was 76.6% funded. The actuarial accrued liability for benefits was \$221,658,694, and the actuarial value of assets was \$169,788,390, resulting in an unfunded actuarial accrued liability (UAAL) of \$51,870,304. The covered payroll (annual payroll of active employees covered by the Plan) was \$78,838,153, and the ratio of the UAAL to the covered payroll was 65.8%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because 2007 was the year of transition for GASB Statement No. 50, requirements of GASB Statement No. 50 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of years preceding 2007.

*Legally Required Reserves*

At December 31, 2010, the County has a balance of \$60,455,095 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2010. Since those accumulations represent the present value of future benefits as of December 31, 2010, the reserve balance and liability are equal and this reserve is fully funded.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### *Legally Required Reserves (continued)*

The County has a balance of \$36,859,189 in the County Annuity Reserve Account as of December 31, 2010. 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, 2010 amounted to \$66,954,669.

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

#### **18. Derivative Instruments**

##### *Objectives of the Interest Rate Swaps and Swaptions*

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

##### *Significant Terms, Fair Values and Credit Risk*

Fair value for the interest rate swap is calculated using the zero-coupon method, which calculates future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The fair value of an interest rate swaption includes intrinsic and time value. The intrinsic value of the swaption is estimated using the zero-coupon method as described above. The time value is equal to the option value minus the intrinsic value. The option value is estimated using an option pricing model that incorporates market volatility data. The model calculates all possible changes in the value of the underlying swap for each future cash flow period (up, down or unchanged) and determines a probability of exercise based on the modeling inputs.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**18. Derivative Instruments (continued)**

The associated debt series (general obligation bonds or notes), terms, notional amounts, cash received at initiation, fair values, changes in fair values, classifications and counterparty credit ratings of the outstanding swap and swaptions, as of December 31, 2010, are as follows. The notional amounts of the swap and swaptions match the principal amounts of the associated debt series. The swap and swaption agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt series.

Hedged Derivative Instruments – Floating to Fixed Swap

Associated Debt Series	Effective Date	Termination Date	Type	County Pays	County Receives	Swap Notional Amount	Cash Received at Initiation	Classification	Change in Fair Value	Classification	Fair Value 12/31/2010	Counterparty Credit Rating*
GON 2002A	1/1/2002	10/25/2030	Pay-fixed/ receive- variable swap	5.195%	60% LIBOR +30.3bp	<u>\$25,010,000</u>	<u>\$3,000,000</u>	Deferred Outflows	<u>\$(891,229)</u>	Debt	<u>\$(7,549,038)</u>	AA- / AA-

\* Standard & Poor's and Fitch credit ratings

The unamortized portion of the up-front premium received by the County related to the swap or hedged derivative instrument is considered a borrowing for financial reporting purposes and is recorded as a liability in the government-wide financial statements in the amount of \$2,069,565.

*Credit Risk*

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

*Basis Risk*

Basis risk exists to the extent the County's variable rate debt coupon payments do not exactly equal the index on the associated swap. The swap exposes the County to basis risk, should the relationship between the 1-Month LIBOR rate, the basis of the swap interest payments, and SIFMA, the basis of the associated debt's interest payments, converge, thus changing the synthetic rate on the associated debt. The effect of this difference in basis is indicated by the differences between the intended synthetic rates and the actual synthetic rates as of December 31, 2010. At December 31, 2010, the 1-Month LIBOR rate equaled 0.26063% and SIFMA equaled 0.34%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**18. Derivative Instruments (continued)**

*Interest Rate Risk*

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

*Termination Risk*

The termination exposure of the County's swap and swaption agreements at December 31, 2010 is limited only to those swap and swaptions (if exercised) with negative fair values; the County would have to pay the respective amounts in order to terminate the associated swap or swaptions (if exercised). Either the County or the Counterparty can terminate the agreements if certain contractual events occur including the reduction of either party's credit rating below BBB+ as rated by Standard & Poor's or Baa1 as rated by Moody's. The County can terminate the swaption associated with the GOB 2003 Debt Series without cause with certain limitations.

Investment Derivatives – Fixed to Floating Swaptions

Associated Debt Series	Effective Date	Termination Date	Type	County Pays	County Receives	Swap Notional Amount	Cash Received at Initiation	Classification	Change in Fair Value	Classification	Fair Value 12/31/2010	Counterparty Credit Rating*
GOB 2001A	**	11/1/2027	Pay-variable/ receive-fixed swaption	SIFMA	3.90%	\$16,385,000	\$ 870,000	Investment Earnings	\$ 3,345	Investment	\$ (974,882)	AA- / AA-
GOB 2002A	**	11/1/2020	Pay-variable/ receive-fixed swaption	SIFMA	3.80%	7,310,000	395,000	Investment Earnings	32,107	Investment	\$(313,801)	AA- / AA-
GOB 2003	**	11/1/2032	Pay-variable/ receive-fixed swaption	SIFMA	3.95%	19,850,000	1,150,000	Investment Earnings	(59,036)	Investment	(1,274,003)	AA- / AA
						<u>\$43,545,000</u>	<u>\$2,415,000</u>		<u>\$(23,584)</u>		<u>\$(2,562,686)</u>	

\* Standard & Poor's and Fitch credit ratings

\*\* Effective date not applicable since none of the swaptions has been exercised as of December 31, 2010.

The unamortized portion of the up-front premium received by the County related to the swaptions or investment derivatives is considered a borrowing for financial reporting purposes and is recorded as a liability in the government-wide financial statements in the amount of \$3,182,724.

*Credit Risk*

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**18. Derivative Instruments (continued)**

*Interest Rate Risk*

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

There were no derivative instruments reclassified from hedging derivative instruments to investment derivatives instruments during the year ended December 31, 2010.

*Swap Payments and Associated Debt*

Using rates as of December 31, 2010, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. As rates vary, variable rate debt interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable Rate Debt		Interest Rate Swap, Net	Total
	Principal	Interest		
2011	\$ 5,000	\$ 85,031	\$ 1,184,666	\$ 1,274,697
2012	5,000	85,014	1,184,429	1,274,443
2013	126,000	84,920	1,183,125	1,394,045
2014	177,000	84,459	1,176,708	1,438,167
2015	187,000	83,851	1,168,237	1,439,088
2016-2020	5,406,000	384,389	5,355,462	11,145,851
2021-2025	8,204,000	266,905	3,718,971	12,189,876
2026-2030	10,900,000	108,563	1,513,356	12,521,919
Total	\$ 25,010,000	\$ 1,183,132	\$ 16,484,954	\$ 42,678,086

**Discretely Presented Component Unit**

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

*Objective of the Interest Rate Swap*

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in March 2007, the Convention Center Authority entered into an interest-rate swap in connection with Series of 2003 and Series of 2007 variable rate hotel room rental tax revenue bonds. The intention of the swap was effectively to change the government's variable interest rate on that portion of the bonds to a synthetic rate of 3.65%.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### 18. Derivative Instruments (continued)

##### Discretely Presented Component Unit (continued)

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

###### *Terms*

The bonds and the related swap agreement mature on October 1, 2043 (Series of 2003) and March 1, 2047 (Series of 2007), and the swap's notional amount of \$63,590,000 equals the total bond issuance. The notional amount of the swap agreement decreases as the outstanding principal amount of the corresponding Series of 2003 and Series of 2007 bonds decrease through maturing principal. The swap agreement was entered into at the same time the bonds were issued, March 2007. Under the swap agreement, the Convention Center Authority pays the counterparty a fixed payment of 3.65% and receives a variable payment computed as 67% of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable rate coupons are based on the weekly rate determined by the remarketing agent.

Pursuant to the swap contracts, the Convention Center Authority pays or received to/from the counterparty a monthly net swap payment. For the year ended December 31, 2010, the Authority paid \$1,448,867 and \$873,080 fixed and received \$1,376,110 and \$829,759 variable with respect to the swap on the Series of 2003 and Series of 2007, respectively.

###### *Fair Value*

Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value is based upon mid-market quotations for the transactions. Mid-market quotations are based on bid/ask quotations shown on reliable electronic information screens as of close of business on the date specified. As of December 31, 2010, it would cost the Convention Center Authority \$6,553,488 to terminate the Series of 2003 swap agreement and \$4,507,137 to terminate the Series of 2007 swap agreement. Such amounts represent the present value difference between the floating rate receipt and fixed rate payment as of December 31, 2010 and the termination value fluctuates as the interest rates fluctuate.

###### *Credit Risk*

As of December 31, 2010, the Convention Center Authority's swap agreements were not exposed to credit risk, because they had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Convention Center Authority would be exposed to credit risk in the amount of the swap agreement's fair value. The swap agreement contains a collateral agreement with the counterparty. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds. At December 31, 2010, the counterparty was rated Aa2 by Moody's, AA by Standard and Poor's, and AA- by Fitch.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **18. Derivative Instruments (continued)**

##### **Discretely Presented Component Unit (continued)**

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

###### *Basis Risk*

Basis risk is the risk that the interest rate paid by the Convention Center Authority on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Convention Center Authority bears basis risk on its swap. The swap has basis risk since the Convention Center Authority

receives a percentage of LIBOR to offset the actual variable bond rate the Convention Center Authority pays on its bonds. The Convention Center Authority is exposed to basis risk, should the floating rate that it receives on a swap be less than the actual variable rate the Convention Center Authority pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary. At December 31, 2010, the weekly rate on the Series 2003 and 2007 Hotel Room Rental Tax Revenue Bonds was 0.22%, whereas 67% of one-month LIBOR was 0.17%.

###### *Tax Risk*

Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the Convention Center Authority's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, (e.g. a tax cut that results in an increase in the ratio of tax exempt to taxable yields). The Convention Center Authority is receiving 67% of LIBOR (a taxable index) on the swap and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

###### *Termination Risk*

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

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## **REQUIRED SUPPLEMENTARY INFORMATION**

County of Lancaster, Pennsylvania

Schedule of Funding Progress - Other Post-Employment Healthcare Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 76,853,523	\$ 76,853,523	-	\$ 73,915,189	104.0%
1/1/2009	-	58,127,406	58,127,406	-	78,717,769	73.8%
1/1/2010	-	61,707,741	61,707,741	-	79,444,845	77.7%

County of Lancaster, Pennsylvania

Employee Retirement Plan

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2005	\$ 7,534,558	98%
2006	5,578,535	100%
2007	4,859,915	100%
2008	3,333,575	120%
2009	7,171,189	104%
2010	7,216,063	111%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$ 175,412,278	\$ 185,818,519	\$ 10,406,241	94.4%	\$ 73,915,189	14.1%
12/31/2008	159,134,908	199,653,516	40,518,608	79.7%	78,717,769	51.5%
12/31/2009	158,074,015	213,374,965	55,300,950	74.1%	79,444,845	69.6%
12/31/2010	169,788,390	221,658,694	51,870,304	76.6%	78,838,153	65.8%

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

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress for 2007 and 2008 has been prepared using the entry age actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan, as required by GASB Statement No. 50.

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 14,024,679	\$ 18,789,761	14,161,786	\$ (4,627,975)
Real estate taxes	104,413,196	104,413,196	104,786,117	372,921
Departmental	19,095,459	19,102,760	19,442,804	340,044
Fines and costs	2,930,444	2,930,444	2,907,920	(22,524)
Interest	553,700	553,700	361,566	(192,134)
Indirect reimbursement	2,451,521	2,451,521	2,829,278	377,757
Other	821,104	821,104	973,788	152,684
Total revenues	144,290,103	149,062,486	145,463,259	(3,599,227)
<b>EXPENDITURES</b>				
Current:				
General government	45,584,182	49,382,490	41,860,690	7,521,800
Public safety	11,612,699	11,587,972	10,555,538	1,032,434
Health, education, and welfare:				
Other	381,432	405,432	398,700	6,732
Judicial	39,459,445	39,941,755	38,536,842	1,404,913
Corrections	23,865,616	23,749,085	22,644,217	1,104,868
Cultural and recreation	1,929,864	1,913,704	2,484,328	(570,624)
Capital outlay	656,055	1,281,238	561,574	719,664
Debt service:				
Principal retirement	10,826,800	10,826,800	10,841,800	(15,000)
Interest and fiscal charges	10,422,578	10,422,578	9,755,340	667,238
Total expenditures	144,738,671	149,511,054	137,639,029	11,872,025
Excess (deficiency) of revenues over (under) expenditures	(448,568)	(448,568)	7,824,230	8,272,798
<b>OTHER FINANCING USES</b>				
Transfers out	(13,660,534)	(13,660,534)	(12,403,303)	1,257,231
Total other financing uses	(13,660,534)	(13,660,534)	(12,403,303)	1,257,231
Net change in fund balances	\$ (14,109,102)	\$ (14,109,102)	(4,579,073)	\$ 9,530,029
Net decrease in due from other funds			5,676,746	
Fund balances, January 1, cash basis			3,068,822	
Fund balance, December 31, cash basis			4,166,495	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			3,189,796	
Fines and costs, net			3,411,010	
Accounts			2,092,001	
Due from other funds			5,170,980	
Due from other governments			3,066,190	
Prepaid expenses			1,732,403	
Accounts payable			(2,240,170)	
Deferred revenue - taxes, fines and costs receivable			(5,450,363)	
Payroll related accruals			(3,329,744)	
Fund balances at December 31, modified accrual basis			\$ 11,808,598	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 31,857,118	\$ 31,857,118	\$ 35,139,886	\$ 3,282,768
Departmental	1,799,102	1,799,102	1,691,342	(107,760)
Interest	-	-	570	570
Total revenues	<u>33,656,220</u>	<u>33,656,220</u>	<u>36,831,798</u>	<u>3,175,578</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Children and youth	43,045,183	43,060,983	39,205,776	3,855,207
Capital outlay	52,029	36,229	16,000	20,229
Total expenditures	<u>43,097,212</u>	<u>43,097,212</u>	<u>39,221,776</u>	<u>3,875,436</u>
Deficiency of revenues under expenditures	(9,440,992)	(9,440,992)	(2,389,978)	7,051,014
<b>OTHER FINANCING SOURCES</b>				
Transfers in	9,407,443	9,407,443	8,061,607	(1,345,836)
Net change in fund balances	<u>\$ (33,549)</u>	<u>\$ (33,549)</u>	<u>5,671,629</u>	<u>\$ 5,705,178</u>
Net decrease in due to other funds			(5,670,614)	
Fund balances, January 1, cash basis			8,180	
Fund balance, December 31, cash basis			<u>9,195</u>	
Differences from modified accrual basis:				
Other receivables			68,368	
Due from other governments			8,172,929	
Accounts payable			(2,599,671)	
Unearned revenue			(2,909)	
Payroll related accruals			(362,129)	
Due to other funds			<u>(3,943,382)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 1,342,401</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 24,257,146	\$ 24,338,422	\$ 25,076,706	\$ 738,284
Departmental	758,000	934,756	1,753,299	818,543
Interest	50,000	50,000	52,003	2,003
Other	-	-	4,211	4,211
Total revenues	<u>25,065,146</u>	<u>25,323,178</u>	<u>26,886,219</u>	<u>1,563,041</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	26,643,235	32,068,385	31,777,103	291,282
Capital outlay	-	150,260	144,522	5,738
Total expenditures	<u>26,643,235</u>	<u>32,218,645</u>	<u>31,921,625</u>	<u>297,020</u>
Deficiency of revenues under expenditures	(1,578,089)	(6,895,467)	(5,035,406)	1,860,061
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,498,310	1,498,310	1,161,642	(336,668)
Net change in fund balances	<u>\$ (79,779)</u>	<u>\$ (5,397,157)</u>	<u>(3,873,764)</u>	<u>\$ 1,523,393</u>
Fund balances, January 1, cash basis			<u>7,563,782</u>	
Fund balance, December 31, cash basis			<u>3,690,018</u>	
Differences from modified accrual basis:				
Advances to providers				
Other receivables			1,174	
Accounts payable			(1,481,385)	
Unearned revenue			(1,906,787)	
Payroll related accruals			(303,020)	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

Notes to Required Supplementary Information

**1. Budgetary Basis of Accounting**

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

**2. Budgetary Perspective Differences**

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

General Fund revenues per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - General Fund	\$145,463,259
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	<u>(3,071,783)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$142,391,476</u></u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - General Fund	\$137,639,029
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	<u>(4,837,224)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$132,801,805</u></u>

## County of Lancaster, Pennsylvania

### Combining and Individual Fund Statements and Schedules

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

#### **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 Commonwealth. These funds are restricted to building and improving local roads and bridges.

#### **Agricultural Land Conservation Fund**

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

#### **Community Development Block Grant Fund**

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

#### **Debt Service Fund**

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

County of Lancaster, Pennsylvania  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 December 31, 2010

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and temporary investments:									
Operating	\$ 5,992,841	\$ -	\$ 364,924	\$ 489,172	\$ 4,679,920	\$ 1,346,199	\$ -	\$ -	\$ 12,873,056
Other	-	-	145,736	-	-	-	-	-	145,736
Investments	-	-	-	-	-	578,432	-	-	578,432
Other receivables	67	2,842	-	-	4,813	14,784	-	-	22,506
Due from other governments	940,366	1,507,474	392,213	-	-	-	-	-	2,840,053
Advances to providers	-	-	10,283	-	-	-	-	-	10,283
<b>Total assets</b>	<b>\$ 6,933,274</b>	<b>\$ 1,510,316</b>	<b>\$ 913,156</b>	<b>\$ 489,172</b>	<b>\$ 4,684,733</b>	<b>\$ 1,939,415</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,470,066</b>
<b>LIABILITIES</b>									
Liabilities:									
Accounts payable	\$ 10,933	\$ 223,551	\$ 282,182	\$ 457,695	\$ 48,493	\$ -	\$ -	\$ -	\$ 1,022,854
Contracts payable	-	-	-	-	-	1,939,415	-	-	1,939,415
Retainage payable	-	-	-	-	-	-	-	-	-
Due to other funds	-	1,227,598	-	-	-	-	-	-	1,227,598
Unearned revenue	-	-	454,600	15,186	117,714	-	-	-	587,500
Payroll related accruals	138,573	59,167	134,980	16,291	-	-	-	-	349,011
Other liabilities	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>149,506</b>	<b>1,510,316</b>	<b>871,762</b>	<b>489,172</b>	<b>166,207</b>	<b>1,939,415</b>	<b>-</b>	<b>-</b>	<b>5,126,378</b>
<b>FUND BALANCES</b>									
Unreserved:									
Designated for programmatic expenditures in special revenue funds	6,783,768	-	41,394	-	4,518,526	-	-	-	11,343,688
<b>Total fund balances</b>	<b>6,783,768</b>	<b>-</b>	<b>41,394</b>	<b>-</b>	<b>4,518,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,343,688</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,933,274</b>	<b>\$ 1,510,316</b>	<b>\$ 913,156</b>	<b>\$ 489,172</b>	<b>\$ 4,684,733</b>	<b>\$ 1,939,415</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,470,066</b>

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2010

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
<b>REVENUES</b>									
Intergovernmental	\$ 4,818,410	\$ 8,515,613	\$ 8,244,080	\$ 3,866,746	\$ 1,153,429	\$ -	\$ -	\$ 5,604,729	\$ 32,203,007
Departmental	92,220	-	29,557	-	-	-	-	-	121,777
Interest	37,713	-	-	1,520	25,821	-	-	-	65,054
Other	-	4,541	17,781	110,428	48,098	-	-	-	180,848
Total revenues	4,948,343	8,520,154	8,291,418	3,978,694	1,227,348	-	-	5,604,729	32,570,686
<b>EXPENDITURES</b>									
Current:									
Roads and bridges	-	-	-	-	388,008	-	-	-	388,008
Health, education, and welfare:	-	-	-	-	-	-	-	-	-
Drug and alcohol	-	-	-	4,279,559	-	-	-	-	4,279,559
Employment and training	-	8,490,872	-	-	-	-	-	-	8,490,872
Office of aging	-	-	9,090,463	-	-	-	-	-	9,090,463
Judicial	6,046,573	-	-	-	-	-	-	-	6,046,573
Community development	-	-	-	-	-	-	-	5,604,729	5,604,729
Capital outlay	3,518	29,282	23,680	-	687,057	-	-	-	743,537
Total expenditures	6,050,091	8,520,154	9,114,143	4,279,559	1,075,065	-	-	5,604,729	34,643,741
(Deficiency) excess of revenues (under) over expenditures	(1,101,748)	-	(822,725)	(300,865)	152,283	-	-	-	(2,073,055)
<b>OTHER FINANCING SOURCES</b>									
Transfers in	2,126,266	-	752,923	300,865	-	-	-	-	3,180,054
Total other financing sources	2,126,266	-	752,923	300,865	-	-	-	-	3,180,054
Net change in fund balances	1,024,518	-	(69,802)	-	152,283	-	-	-	1,106,999
Fund balances, January 1	5,759,250	-	111,196	-	4,366,243	-	-	-	10,236,689
Fund balances, December 31	\$ 6,783,768	\$ -	\$ 41,394	\$ -	\$ 4,518,526	\$ -	\$ -	\$ -	\$ 11,343,688

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 3,981,509	\$ 3,981,509	4,668,437	\$ 686,928
Departmental	80,000	80,000	92,220	12,220
Interest	50,000	50,000	37,714	(12,286)
Total revenues	<u>4,111,509</u>	<u>4,111,509</u>	<u>4,798,371</u>	<u>686,862</u>
<b>EXPENDITURES</b>				
Current:				
Judicial	6,319,024	6,311,174	6,027,402	283,772
Capital outlay	4,000	11,850	3,518	8,332
Total expenditures	<u>6,323,024</u>	<u>6,323,024</u>	<u>6,030,920</u>	<u>292,104</u>
Deficiency of revenues under expenditures	(2,211,515)	(2,211,515)	(1,232,549)	978,966
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,190,062	2,190,062	2,126,266	(63,796)
Net change in fund balances	<u>\$ (21,453)</u>	<u>\$ (21,453)</u>	<u>893,717</u>	<u>\$ 915,170</u>
Fund balances, January 1, cash basis			<u>5,099,124</u>	
Fund balance, December 31, cash basis			<u>5,992,841</u>	
Differences from modified accrual basis:				
Due from other governments			940,366	
Other receivables			67	
Accounts payable			(10,933)	
Payroll related accruals			<u>(138,573)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 6,783,768</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 7,611,981	\$ 10,581,981	\$ 8,474,564	\$ (2,107,417)
Other revenues	-	-	4,541	4,541
Total revenues	<u>7,611,981</u>	<u>10,581,981</u>	<u>8,479,105</u>	<u>(2,102,876)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Employment and training	7,874,265	10,844,265	8,859,331	1,984,934
Capital outlay	46,182	46,182	29,282	16,900
Total expenditures	<u>7,920,447</u>	<u>10,890,447</u>	<u>8,888,613</u>	<u>2,001,834</u>
Net change in fund balances	<u>\$ (308,466)</u>	<u>\$ (308,466)</u>	<u>(409,508)</u>	<u>\$ (101,042)</u>
Net increase in due to other funds			409,508	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Other receivables			2,842	
Due from other governments			1,507,474	
Accounts payable			(223,551)	
Due to other funds			(1,227,598)	
Payroll related accruals			(59,167)	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 7,985,983	\$ 8,264,218	\$ 8,873,410	\$ 609,192
Departmental	75,000	75,000	29,557	(45,443)
Other	121,000	121,000	17,781	(103,219)
Total revenues	<u>8,181,983</u>	<u>8,460,218</u>	<u>8,920,748</u>	<u>460,530</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Office of Aging	8,896,548	9,150,783	9,129,697	21,086
Capital outlay	134	24,134	23,680	454
Total expenditures	<u>8,896,682</u>	<u>9,174,917</u>	<u>9,153,377</u>	<u>21,540</u>
Deficiency of revenues under expenditures	(714,699)	(714,699)	(232,629)	482,070
<b>OTHER FINANCING SOURCES</b>				
Transfers in	685,979	685,979	752,923	66,944
Net change in fund balances	<u>\$ (28,720)</u>	<u>\$ (28,720)</u>	<u>520,294</u>	<u>\$ 549,014</u>
Net decrease in due to other funds			(237,115)	
Fund balances, January 1, cash basis			<u>227,481</u>	
Fund balance, December 31, cash basis			<u>510,660</u>	
Differences from modified accrual basis:				
Due from other governments			392,213	
Advances to providers			10,283	
Accounts payable			(282,182)	
Unearned revenue			(454,600)	
Payroll related accruals			(134,980)	
Fund balances at December 31, modified accrual basis			<u>\$ 41,394</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 3,652,044	\$ 3,652,044	\$ 4,438,828	\$ 786,784
Departmental	240,370	240,370	110,428	(129,942)
Interest			1,520	1,520
Total revenues	<u>3,892,414</u>	<u>3,892,414</u>	<u>4,550,776</u>	<u>658,362</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,247,852	4,247,852	4,183,944	63,908
Capital outlay				-
Total expenditures	<u>4,247,852</u>	<u>4,247,852</u>	<u>4,183,944</u>	<u>63,908</u>
Deficiency of revenues under expenditures	(355,438)	(355,438)	366,832	722,270
<b>OTHER FINANCING SOURCES</b>				
Transfers in	347,677	347,677	300,865	(46,812)
Net change in fund balances	<u>\$ (7,761)</u>	<u>\$ (7,761)</u>	<u>667,697</u>	<u>\$ 675,458</u>
Net decrease in due to other funds			(178,525)	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			<u>489,172</u>	
Differences from modified accrual basis:				
Accounts payable			(457,695)	
Unearned revenue			(15,186)	
Payroll related accruals			(16,291)	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 915,000	\$ 915,000	\$ 1,409,569	\$ 494,569
Interest	75,000	75,000	25,821	(49,179)
Other			48,098	48,098
Total revenues	<u>990,000</u>	<u>990,000</u>	<u>1,483,488</u>	<u>493,488</u>
<b>EXPENDITURES</b>				
Current:				
Roads and bridges	584,062	584,062	409,869	174,193
Capital outlay	2,500,000	2,500,000	687,057	1,812,943
Total expenditures	<u>3,084,062</u>	<u>3,084,062</u>	<u>1,096,926</u>	<u>1,987,136</u>
Net change in fund balances	<u>\$ (2,094,062)</u>	<u>\$ (2,094,062)</u>	<u>386,562</u>	<u>\$ 2,480,624</u>
Fund balances, January 1, cash basis			<u>4,293,358</u>	
Fund balance, December 31, cash basis			<u>4,679,920</u>	
Differences from modified accrual basis:				
Notes receivable			4,813	
Accounts payable			(48,493)	
Unearned revenue			(117,714)	
Fund balances at December 31, modified accrual basis			<u>\$ 4,518,526</u>	

County of Lancaster, Pennsylvania

Combining Statement of Changes in Assets and Liabilities -  
Agency Funds

For the Year Ended December 31, 2010

	Balance, January 1, 2010	Additions	Deletions	Balance, December 31, 2010
<b>ASSETS</b>				
Cash and temporary investments - operating	\$ 10,759,136	\$ 146,554,934	\$ 145,261,539	\$ 12,052,531
<b>Total assets</b>	<b>\$ 10,759,136</b>	<b>\$ 146,554,934</b>	<b>\$ 145,261,539</b>	<b>\$ 12,052,531</b>
<b>LIABILITIES</b>				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	\$ 392,875	\$ 882,062	\$ 823,854	\$ 451,083
Civil debt held	-	1,123	1,123	-
Sheriff's office	2,097,967	13,616,534	13,481,434	2,233,067
All others	25,762	183,969	186,837	22,894
<b>Total deposits and advances</b>	<b>2,516,604</b>	<b>14,683,688</b>	<b>14,493,248</b>	<b>2,707,044</b>
Escrow liability:				
Bail escrow	332,390	211,321	279,882	263,829
Child support	30,083	1,437,166	1,441,956	25,293
County prison	1,486,504	3,934,808	3,463,204	1,958,108
Court restitution	1,179,594	8,227,503	8,083,416	1,323,681
All others	715,287	143,869	187,813	671,343
<b>Total escrow</b>	<b>3,743,858</b>	<b>13,954,667</b>	<b>13,456,271</b>	<b>4,242,254</b>
Other liabilities:				
Other liabilities	672,373	8,029,952	7,804,420	897,905
<b>Total other liabilities</b>	<b>672,373</b>	<b>8,029,952</b>	<b>7,804,420</b>	<b>897,905</b>
Due to other governments:				
Fines and costs	3,770,520	76,451,505	76,078,604	4,143,421
All others	55,781	33,435,122	33,428,996	61,907
<b>Total due to other governments</b>	<b>3,826,301</b>	<b>109,886,627</b>	<b>109,507,600</b>	<b>4,205,328</b>
<b>Total liabilities</b>	<b>\$ 10,759,136</b>	<b>\$ 146,554,934</b>	<b>\$ 145,261,539</b>	<b>\$ 12,052,531</b>

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## STATISTICAL SECTION

This section of the County of Lancaster's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	108
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	112
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	117
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	123
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<b>Operating Information</b>	125
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
<b>Miscellaneous Information</b>	130
These schedules contain principal officials, salaries, amounts of surety bonds and insurance information.	

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

County of Lancaster, Pennsylvania  
Net Assets by Component  
Last Nine Fiscal Years  
(accrual basis of accounting)

Table 1

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	\$ (26,195,664)	\$ (34,213,431)	\$ (20,256,861)	\$ (4,430,120)	\$ (5,172,999)	\$ (7,039,956)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967
Restricted	27,612,661	29,718,106	26,528,425	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089
Unrestricted	18,890,663	12,908,586	3,586,150	8,158,113	12,801,777	1,436,715	(2,998,672)	(9,044,534)	(47,305,928)
Total governmental activities net assets	<u>\$ 20,307,660</u>	<u>\$ 8,413,261</u>	<u>\$ 9,857,714</u>	<u>\$ 15,025,028</u>	<u>\$ 20,713,816</u>	<u>\$ 4,850,368</u>	<u>\$ 1,680,936</u>	<u>\$ (8,798,500)</u>	<u>\$ 679,128</u>
Business-type activities (1)									
Invested in capital assets, net of related debt	\$ 9,163,933	\$ 8,604,169	\$ 8,270,016	\$ 1,252,446	\$ 1,117,343	\$ 994,375	\$ -	\$ -	\$ -
Unrestricted	1,031,672	(429,695)	(47,598)	(378,075)	4,672,829	(588,879)	-	-	-
Total business-type activities net assets	<u>\$ 10,195,605</u>	<u>\$ 8,174,474</u>	<u>\$ 8,222,418</u>	<u>\$ 874,371</u>	<u>\$ 5,790,172</u>	<u>\$ 405,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government									
Invested in capital assets, net of related debt	\$ (17,031,731)	\$ (25,609,262)	\$ (11,986,845)	\$ (3,177,674)	\$ (4,055,656)	\$ (6,045,581)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967
Restricted	27,612,661	29,718,106	26,528,425	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089
Unrestricted	19,922,335	12,478,891	3,538,552	7,780,038	17,474,606	847,836	(2,998,672)	(9,044,534)	(47,305,928)
Total primary government net assets	<u>\$ 30,503,265</u>	<u>\$ 16,587,735</u>	<u>\$ 18,080,132</u>	<u>\$ 15,899,399</u>	<u>\$ 26,503,988</u>	<u>\$ 5,255,864</u>	<u>\$ 1,680,936</u>	<u>\$ (8,798,500)</u>	<u>\$ 679,128</u>

Note: The County adopted the provisions of GASB's Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" effective for calendar year 2002; data is not available for 2001.

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

County of Lancaster, Pennsylvania  
Changes in Net Assets  
Last Nine Fiscal Years  
(accrual basis of accounting)

Table 2

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

Note: The County adopted the provisions of GASB's Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" effective for calendar year 2002; data is not available for 2001.

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

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

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

Table 3

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> *	<u>2009</u>	<u>2010</u>
General fund										
Reserved	\$ 1,228,659	\$ 1,189,348	\$ 125,895	\$ 97,911	\$ 67,667	\$ 35,097	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>5,424,400</u>	<u>7,844,605</u>	<u>9,047,754</u>	<u>10,913,739</u>	<u>17,143,130</u>	<u>18,820,499</u>	<u>21,099,796</u>	<u>19,268,220</u>	<u>14,622,230</u>	<u>11,808,598</u>
Total general fund	<u>\$ 6,653,059</u>	<u>\$ 9,033,953</u>	<u>\$ 9,173,649</u>	<u>\$ 11,011,650</u>	<u>\$ 17,210,797</u>	<u>\$ 18,855,596</u>	<u>\$ 21,099,796</u>	<u>\$ 19,268,220</u>	<u>\$ 14,622,230</u>	<u>\$ 11,808,598</u>
All other governmental funds										
Reserved	\$ 8,846,710	\$ 2,089,178	\$ 1,721,796	\$ 3,426,433	\$ 4,676	\$ 7,334	\$ 5,041	\$ -	\$ -	\$ -
Unreserved:										
Special revenue funds	7,828,487	15,750,826	13,454,145	10,354,642	12,522,948	13,329,552	9,818,532	9,461,818	10,651,056	12,686,089
Capital projects funds	<u>23,768,693</u>	<u>8,968,283</u>	<u>5,113,875</u>	<u>23,906,508</u>	<u>24,706,125</u>	<u>57,830,187</u>	<u>24,629,850</u>	<u>12,905,607</u>	<u>12,029,288</u>	<u>28,603,276</u>
Total all other governmental funds	<u>\$ 40,443,890</u>	<u>\$ 26,808,287</u>	<u>\$ 20,289,816</u>	<u>\$ 37,687,583</u>	<u>\$ 37,233,749</u>	<u>\$ 71,167,073</u>	<u>\$ 34,453,423</u>	<u>\$ 22,367,425</u>	<u>\$ 22,680,344</u>	<u>\$ 41,289,365</u>
Total fund balances of all governmental funds	<u>\$ 47,096,949</u>	<u>\$ 35,842,240</u>	<u>\$ 29,463,465</u>	<u>\$ 48,699,233</u>	<u>\$ 54,444,546</u>	<u>\$ 90,022,669</u>	<u>\$ 55,553,219</u>	<u>\$ 41,635,645</u>	<u>\$ 37,302,574</u>	<u>\$ 53,097,963</u>

Note: The County adopted the provisions of GASB's Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" effective for calendar year 2002; 2001 information has been restated.

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

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

Table 4

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>										
Taxes	\$ 57,902,496	\$ 60,953,442	\$ 67,106,816	\$ 75,693,294	\$ 83,776,893	\$ 86,408,680	\$ 94,489,341	\$ 101,960,944	\$ 103,589,945	\$ 104,555,174
Intergovernmental	92,023,376	101,367,081	109,987,669	116,312,634	123,015,786	121,558,675	124,119,521	134,833,834	114,423,465	106,097,860
Departmental	13,865,686	15,494,862	14,186,879	13,767,339	14,367,287	18,495,875	20,103,239	21,956,938	21,226,755	21,536,881
Fines and costs	3,957,438	3,532,836	3,610,638	3,423,118	2,727,025	2,556,259	2,697,688	2,877,665	3,029,434	2,773,058
Interest	3,622,738	1,755,276	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613	808,284	619,667
Other	697,691	932,256	581,403	674,277	962,363	221,893	547,399	978,544	1,083,974	1,173,930
Health Choices revenues	—	72,421	168,922	734,008	793,991	868,381	1,047,296	991,961	1,040,023	1,614,230
Total revenues	<u>172,069,425</u>	<u>184,108,174</u>	<u>196,970,613</u>	<u>211,939,871</u>	<u>228,263,226</u>	<u>235,765,273</u>	<u>248,441,865</u>	<u>265,772,499</u>	<u>245,201,880</u>	<u>238,370,800</u>
<b>Expenditures</b>										
General government	41,587,893	39,542,400	38,000,997	33,486,730	45,348,382	34,278,385	31,244,732	31,288,375	37,092,850	41,312,324
Public safety (1)	6,241,998	254,174	647,582	769,267	1,100,204	1,234,268	1,366,272	10,606,865	10,625,757	10,558,753
Roads and bridges	433,594	205,939	520,417	486,841	—	498,963	409,115	285,188	317,157	388,008
Health, education and welfare	88,810,489	96,783,827	106,647,314	110,168,966	117,227,436	114,611,618	125,716,956	130,287,274	111,699,460	93,528,376
Judicial	26,919,414	28,803,044	29,933,955	32,874,042	34,996,763	37,036,579	42,402,361	45,236,178	43,939,778	44,800,940
Corrections	13,082,682	14,041,578	14,118,091	15,459,196	16,640,060	17,407,351	19,225,889	22,169,692	22,096,860	22,725,580
Cultural and recreation	2,263,339	2,117,355	2,112,098	2,702,712	2,486,594	2,850,927	2,845,631	3,076,031	2,801,692	2,484,440
Community development	4,561,550	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729
Capital outlay	16,934,114	9,955,828	17,264,521	4,361,693	12,958,119	20,910,986	35,371,682	19,793,861	22,922,212	14,459,028
Debt service (2):										
Principal	4,495,000	1,920,000	4,745,000	5,855,000	7,575,944	7,815,000	9,105,000	9,340,300	8,984,000	10,841,800
Interest and fiscal charges	4,114,619	2,700,128	4,505,001	5,154,688	6,663,917	8,657,602	9,313,790	9,488,089	8,469,097	9,755,340
Bond issuance costs	—	288,909	684,877	460,269	352,037	611,008	48,179	146,729	548,199	296,556
Total expenditures	<u>209,444,692</u>	<u>201,449,758</u>	<u>224,390,286</u>	<u>217,492,262</u>	<u>251,185,875</u>	<u>251,777,319</u>	<u>281,427,757</u>	<u>288,490,073</u>	<u>275,083,150</u>	<u>256,755,874</u>
Excess (deficiency) of revenues over (under) expenditures	(37,375,267)	(17,341,584)	(27,419,673)	(5,552,391)	(22,922,649)	(16,012,046)	(32,985,892)	(22,717,574)	(29,881,270)	(18,385,074)
<b>Other financing sources (uses)</b>										
Transfers in	10,185,986	9,553,080	11,640,302	10,995,250	19,538,119	13,013,439	16,017,815	12,974,525	14,251,429	12,403,303
Transfers out	(9,925,986)	(10,891,243)	(14,099,178)	(14,751,872)	(14,645,157)	(13,013,439)	(17,549,552)	(12,974,525)	(14,251,429)	(12,403,303)
Refunding bonds issued	5,734,900	28,260,000	37,660,000	5,005,000	—	—	10,000,000	—	40,042,574	—
Payment to refunded bond escrow agent	(5,734,900)	(28,245,174)	(37,581,596)	(5,160,255)	—	—	(9,951,821)	—	(43,467,406)	—
Premium on refunding bonds issued	—	181,626	318,760	1,400,036	—	—	—	—	3,973,031	—
Bonds issued (includes premiums)	24,036,622	7,345,000	23,305,000	27,300,000	23,775,000	51,590,169	—	8,800,000	25,000,000	34,180,463
Bond discount	—	(116,414)	(202,390)	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>24,296,622</u>	<u>6,086,875</u>	<u>21,040,898</u>	<u>24,788,159</u>	<u>28,667,962</u>	<u>51,590,169</u>	<u>(1,483,558)</u>	<u>8,800,000</u>	<u>25,548,199</u>	<u>34,180,463</u>
Net change in fund balances	<u>\$ (13,078,645)</u>	<u>\$ (11,254,709)</u>	<u>\$ (6,378,775)</u>	<u>\$ 19,235,768</u>	<u>\$ 5,745,313</u>	<u>\$ 35,578,123</u>	<u>\$ (34,469,450)</u>	<u>\$ (13,917,574)</u>	<u>\$ (4,333,071)</u>	<u>\$ 15,795,389</u>
Debt service as a percentage of noncapital expenditures	4.5%	2.4%	4.5%	5.2%	6.0%	7.1%	7.5%	7.0%	6.9%	8.5%

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

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

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

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

Table 5

Year	Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value As A Percentage of Actual Value
2001	\$25,773,667,700	\$ 2,486,052,200	\$ 23,287,615,500	2.613	\$ 23,287,615,500	100%
2002	25,908,504,500	2,534,790,200	23,373,714,300	2.613	23,373,714,300	100%
2003	26,407,814,800	2,544,307,300	23,863,507,500	2.847	23,863,507,500	100%
2004	31,214,117,500	2,964,915,500	28,249,202,000	3.205	28,249,202,000	100%
2005	32,157,858,100	3,051,498,400	29,106,359,700	2.962	29,106,359,700	100%
2006	32,751,399,500	3,087,810,600	29,663,588,900	2.962	29,663,588,900	100%
2007	33,344,251,500	3,190,080,200	30,154,171,300	3.189	30,154,171,300	100%
2008	33,808,345,300	3,334,971,300	30,473,374,000	3.416	30,473,374,000	100%
2009	34,415,552,600	3,558,307,700	30,857,244,900	3.416	30,857,244,900	100%
2010	34,739,109,300	3,623,673,500	31,115,435,800	3.416	31,115,435,800	100%

Source: County of Lancaster, Assesment Office

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

Note: Assessed value by major component not available.

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

Table 6

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City:										
Lancaster	26.5530	28.6730	29.5570	29.9150	30.0120	31.5720	32.4490	33.0360	36.3160	39.6690
Borough:										
Adamstown	19.1530	20.1530	20.3870	20.7450	21.3820	21.9620	23.1190	24.3260	25.2560	25.9660
Akron	18.3030	19.9530	20.1870	22.1450	19.9770	21.4920	22.3890	23.5060	23.9360	24.4360
Christiana	21.9830	25.4630	27.1470	27.6250	26.9010	29.8910	30.1180	35.2860	35.5960	35.5960
Columbia	23.7730	24.2730	27.9970	29.3550	27.4920	27.9920	30.1090	34.1660	35.7730	35.7730
Denver	18.7230	19.7230	20.1370	21.0650	21.5670	22.1470	23.5190	24.8460	25.7760	26.4860
East Petersburg	18.4050	19.2250	19.9590	20.9500	19.6530	20.1490	20.8989	20.2974	22.6978	23.2889
Elizabethtown	18.2130	18.7130	18.9470	20.1050	18.1760	20.8920	22.3584	23.4276	24.2021	24.8860
Ephrata	18.2400	19.8900	20.1240	22.0820	19.9960	20.9960	22.2690	23.3860	23.8160	24.3160
Lititz	16.8380	18.7130	20.4470	22.4050	19.5220	20.1220	20.5890	21.7160	22.4160	22.6760
Manheim	19.9830	20.7330	20.9670	22.0450	19.8720	20.8020	21.0290	21.5060	22.1660	22.6660
Marietta	19.5230	20.2230	20.8770	22.6050	20.5720	23.4120	23.6390	26.6460	27.3660	28.0850
Millersville	19.7330	20.2830	20.5170	22.3750	21.3620	22.2920	23.1490	24.1760	24.1760	24.7260
Mount Joy	18.5230	19.2230	19.9770	20.7050	19.1720	22.2620	22.4890	25.4460	26.2660	27.7850
Mountville	17.0030	18.0530	18.7870	19.5450	18.2510	19.5800	20.5299	22.7974	23.3038	23.9949
New Holland	15.6230	15.6230	16.9970	17.3550	15.9720	16.3620	17.1532	17.8802	18.4939	18.9837
Quarryville	12.4130	13.7630	13.9970	14.7050	13.9595	14.3471	14.9886	16.8038	17.3242	18.7102
Strasburg	18.1130	19.6530	20.4870	21.8450	19.7720	20.8520	21.8190	22.8760	23.6460	24.7080
Terre Hill	16.9230	16.9230	17.7970	19.5550	17.2220	17.3120	18.6032	19.3302	20.2139	20.7037
Townships:										
Bart	17.5130	17.8630	11.7970	12.5050	11.8095	12.1971	12.8386	13.6538	14.1742	14.5602
Brecknock	14.4230	14.4230	15.3303	15.6883	14.2910	14.3810	15.1722	15.8992	16.2829	16.7727
Caernarvon	14.3230	14.3230	15.1970	15.5550	14.1720	14.2120	15.0032	15.7052	16.0889	16.5187
Clay	17.2878	18.9378	19.1718	21.1298	19.0140	20.2489	21.1459	22.8060	23.2360	23.7360
Colerain	11.1130	11.4630	11.6970	12.4050	11.7665	12.2091	12.8506	13.6658	14.1862	14.5722
Conestoga	17.5400	18.0900	18.3240	18.6820	17.7250	18.3850	19.1920	20.0190	20.0190	20.5690
Conoy	15.1130	15.6130	15.8470	16.7050	15.0960	17.3120	18.5284	19.5976	20.0021	20.6860
Drumore	10.5130	11.0630	11.2970	12.0050	12.2095	12.5971	13.2386	14.0538	14.5742	14.9602

(Continued)

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

Table 6 (Cont.)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Earl	15.1230	15.1230	15.9970	16.3550	15.0220	15.1120	15.9032	16.6302	17.2639	17.7537
East Cocalico	18.2230	19.2230	19.4570	20.0650	20.7570	21.3370	22.7440	23.9510	24.8810	25.5910
East Donegal	17.5230	18.2230	19.1270	20.3550	18.7190	21.5590	21.7860	24.8460	25.8160	26.5350
East Drumore	10.9130	11.2630	11.4970	12.2050	11.5995	11.9871	12.6286	13.4438	13.9642	14.3502
East Earl	14.9230	14.9230	15.7970	16.3550	14.9020	15.1120	16.2032	17.0302	17.6139	18.1037
East Hempfield	17.2830	18.1030	18.8370	19.4950	18.1410	18.8900	19.6399	21.1174	21.7238	22.5149
East Lampeter	14.8530	15.2530	16.2570	17.0150	15.2940	15.8670	16.6960	17.4050	17.8220	18.1510
Eden	10.5830	10.9330	11.1670	11.8750	11.8095	12.1971	12.8386	13.6538	14.1742	14.6602
Elizabeth	15.7130	17.2130	18.9470	20.9050	18.1620	18.7620	18.9890	20.1160	20.8160	21.0760
Ephrata	18.1530	19.8030	20.0370	21.9950	19.7620	20.7620	21.6590	22.7760	23.2060	23.7060
Fulton	10.7330	11.0830	11.3170	12.0250	11.4195	11.8071	12.4486	13.2638	13.7842	14.1702
Lancaster	20.1130	21.4830	21.7170	22.3750	22.9420	24.0020	24.2290	24.4560	27.2760	28.2290
Leacock	15.9130	17.0130	17.8470	18.7050	16.5920	17.9920	18.7190	19.5890	19.5890	20.1793
Little Britian	10.9330	11.2830	11.5170	12.2250	11.5995	11.9871	12.6286	13.4438	13.9642	14.3502
Manheim	17.7530	18.7430	19.9270	21.0250	18.9620	19.5920	20.3190	21.2160	21.8660	22.3459
Manor	17.6330	18.1830	18.4170	18.7750	17.8120	18.4720	19.2790	20.1060	20.1060	20.6560
Martic	16.7330	17.2830	17.5170	17.8750	17.0320	17.6920	18.4990	19.3260	19.3260	19.8760
Mount Joy Part (2)	17.1480	18.1730	18.8270	19.5550	17.7920	20.2437	20.4720	23.2270	24.0774	24.9350
Mount Joy Part (3)	16.2380	17.0630	17.2970	18.1550	16.3160	18.3937	19.6114	20.6786	21.2135	22.0360
Paradise	16.9130	18.0130	18.8470	19.7050	17.4820	18.8820	19.6090	20.4790	20.4790	21.0693
Penn	18.2330	18.9830	19.2170	20.2950	18.3320	19.0140	19.2410	19.4680	20.0780	20.4780
Pequea	17.8566	18.8930	19.2170	19.5750	18.5820	19.2420	20.0490	20.8760	20.8760	21.4260
Providence	10.7330	11.0830	11.3170	12.0250	11.4025	11.7901	12.4316	13.2468	13.7322	14.1182
Rapho	17.4830	18.2330	18.4670	19.2950	17.5220	18.2020	18.4290	18.6560	19.2660	19.6660
Sadsbury	20.2330	22.2130	23.8970	24.4750	23.8820	26.8720	27.0990	31.5860	31.8960	31.8960
Salisbury	15.6430	16.7430	17.5770	18.4350	16.3420	17.7420	18.4690	19.3390	19.3390	19.9293
Strasburg	16.5130	18.1530	18.9870	20.2450	18.4820	19.3620	20.2290	21.1860	21.6560	22.3180
Upper Leacock	15.2230	15.7330	16.6170	17.5650	15.7720	16.2220	16.8560	17.5650	17.9820	17.9890
Warwick	16.0434	17.5434	19.2774	21.2354	18.4360	19.0360	19.2630	20.3900	21.0900	21.3500
West Cocalico	18.4730	19.4730	19.7070	20.1650	20.8150	21.3950	22.5520	23.8260	24.8560	25.8160
West Donegal	16.6130	17.1130	17.3470	18.2050	16.4463	18.6623	19.8787	20.9479	21.3524	22.2860
West Earl	15.0230	15.4230	16.3070	17.0650	15.8620	16.3120	16.9460	17.6550	18.0720	18.0790
West Hempfield	16.2830	17.1030	17.8370	18.4950	17.3010	18.5600	19.3099	20.4774	20.9838	21.5749
West Lampeter	16.5537	18.3530	19.1870	20.4450	18.6410	19.5210	20.3880	21.3450	21.8660	22.6280

Source: [www.state.pa.us](http://www.state.pa.us) website

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

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

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

County of Lancaster, Pennsylvania  
Principal Property Taxpayers  
December 31, 2010

Table 7

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Park City Center Business Trust	\$139,083,200	1	0.45%	\$ 142,152,600	4	0.61%
High Properties Et Al	110,570,700	2	0.36%	201,777,800	2	0.87%
Willow Valley Retirement	108,792,500	3	0.35%	172,741,100	3	0.74%
Lancaster General Foundation	104,001,900	4	0.33%	77,280,400	5	0.33%
High Properties	101,492,900	5	0.33%			
Willow Valley Manor	85,541,500	6	0.27%			
Dart Container Corp of PA	70,589,200	7	0.23%	46,988,200	8	0.20%
Granite Properties	63,035,600	8	0.20%			
Garden Spot Village Inc	58,374,000	9	0.19%			
Rockvale Group	58,186,700	10	0.19%	52,607,100	6	0.23%
PECO Energy Company				317,440,500	1	1.36%
Armstrong Cork Co				59,097,500	10	0.25%
American Stores				48,424,600	7	0.21%
Masonic Homes				43,149,200	9	0.19%
<b>Total</b>	<b><u>\$899,668,200</u></b>		<b><u>2.89%</u></b>	<b><u>\$1,161,659,000</u></b>		<b><u>4.99%</u></b>

Source: County of Lancaster, Assessment Office

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

Table 8

Fiscal Year Ended December-31	Tax Levy for Fiscal Year	Interim Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year (2)	Amount of Taxes Collected	Percent of Levy	Delinquent Tax Collections (1)	Total Tax Collections (3)	Ratio of Total Tax Collections to Total Tax Levy
2001	\$ 59,742,551	\$ 656,432	\$ 60,398,983	\$ 56,713,662	93.90%	\$ 1,195,523	\$ 57,909,185	95.88%
2002	60,580,539	701,889	61,282,428	59,551,180	97.17%	1,657,148	61,208,328	99.88%
2003	66,544,976	878,410	67,423,386	65,227,229	96.74%	1,472,215	66,699,444	98.93%
2004	76,404,957	342,171	76,747,128	74,129,754	96.59%	1,549,926	75,679,680	98.61%
2005	83,612,635	1,792,689	85,405,324	82,200,782	96.25%	1,509,305	83,710,087	98.02%
2006	86,161,049	1,159,369	87,320,418	84,398,755	96.65%	1,839,425	86,238,180	98.76%
2007	94,514,982	1,182,319	95,697,301	92,719,914	96.89%	1,822,994	94,542,908	98.79%
2008	103,006,648	948,516	103,955,164	100,146,553	96.34%	1,887,440	102,033,993	98.15%
2009	104,097,044	1,067,581	105,164,625	101,136,149	96.17%	2,270,227	103,406,376	98.33%
2010	105,408,347	811,724	106,220,071	102,409,086	96.41%	2,377,031	104,786,117	98.65%

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

Notes:

- (1) Delinquent tax collections include collections for multiple years; software currently in use does not make it possible to identify collections by the year in which it was levied.
- (2) Does not include discounts, penalties and exonerations
- (3) Includes penalties and other adjustments

County of Lancaster, Pennsylvania  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years

Table 9

Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds & Notes	Lease Rental Bond Debt	Capital Equipment Lease			
2001	\$122,326,369	\$ —	\$ 274,233	\$ 122,600,602	0.91%	\$ 258.47
2002	129,684,581	573,000	664,945	130,922,526	0.96%	273.94
2003	151,950,075	949,000	392,401	153,291,476	1.08%	318.30
2004	174,728,072	934,000	102,939	175,765,011	1.16%	362.10
2005	192,883,456	919,000	94,200	193,896,656	1.23%	396.61
2006	237,706,173	904,000	86,245	238,696,418	1.45%	483.86
2007	230,282,253	889,000	922,876	232,094,129	1.35%	466.09
2008	230,717,789	874,000	1,118,669	232,710,458	1.27%	463.23
2009	246,155,571	859,000	—	247,014,571	1.34%	486.47
2010	270,323,222	844,000	—	271,167,222	*	522.03

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

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

\* - Data not available.

County of Lancaster, Pennsylvania  
Ratios of General and Lease Rental Debt Outstanding  
Last Ten Fiscal Years

Table 10

Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Debt Per Capita (2)
2001	\$ 122,326,369	\$ 8,846,710	\$ 113,479,659	0.49%	\$ 239.24
2002	129,684,581	9,391,894	120,292,687	0.51%	251.70
2003	151,950,075	6,778,720	145,171,355	0.61%	301.44
2004	174,728,072	3,986,246	170,741,826	0.60%	351.75
2005	192,883,456	1,796,517	191,086,939	0.66%	390.86
2006	237,706,173	850,916	236,855,257	0.80%	480.12
2007	230,282,253	-	230,282,253	0.76%	462.46
2008	230,717,789	-	230,717,789	0.76%	459.26
2009	246,155,571	-	246,155,571	0.80%	484.78
2010	270,323,222	-	270,323,222	0.87%	520.41

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

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

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

County of Lancaster, Pennsylvania  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2010

Table 11

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Lancaster	\$ 271,167,222	100%	\$ 271,167,222
Overlapping:			
City of Lancaster	\$ 186,773,629	100%	\$ 186,773,629
School Districts:			
Cocalico	\$ 23,715,516	100%	\$ 23,715,516
Columbia Borough	21,504,978	100%	21,504,978
Conestoga Valley	38,061,380	100%	38,061,380
Donegal	28,950,000	100%	28,950,000
Eastern Lancaster County	26,126,540	100%	26,126,540
Elizabethtown Area	44,420,000	100%	44,420,000
Ephrata Area (as of 6/30/10)	61,926,898	100%	61,926,898
Hempfield	71,261,201	100%	71,261,201
Lampeter-Strasburg	52,612,092	100%	52,612,092
Lancaster	112,841,292	100%	112,841,292
Manheim Central	38,578,596	100%	38,578,596
Manheim Township	135,296,196	100%	135,296,196
Octorara	70,900,000	100%	70,900,000
Penn Manor	42,757,080	100%	42,757,080
Pequea Valley	34,838,401	100%	34,838,401
Solanco	12,122,491	100%	12,122,491
Warwick	104,950,000	100%	104,950,000
Total School Districts			\$ 920,862,661
Municipal Authorities:			
Adamstown Borough	\$ 691,680	100%	\$ 691,680
Akron Borough	426,357	100%	426,357
Bainbridge Water Authority	133,458	100%	133,458
Blue Ball Water Authority	81,804	100%	81,804
Christiana Borough Authority	172,438	100%	172,438
Columbia Borough	3,381,538	100%	3,381,538
Columbia Municipal Authority	969,046	100%	969,046
Denver Borough	-	100%	-
Earl Township Sewer Authority	2,062,836	100%	2,062,836
East Cocalico Township Water & Sewer Authority	1,549,966	100%	1,549,966
East Donegal Township Sewer Authority	-	100%	-
East Donegal Township Water Authority	569,439	100%	569,439
East Earl Sewer Authority	748,607	100%	748,607
East Hempfield Municipal Authority	-	100%	-
East Lampeter Sewer Authority	7,485,000	100%	7,485,000
East Lampeter Township	7,704,435	100%	7,704,435
Elizabethtown Area Regional Authority	-	100%	-
Ephrata Area Joint Authority	4,095,000	100%	4,095,000
Ephrata Borough Authority	10,128,002	100%	10,128,002
Ephrata Township Sewer Authority	1,389,192	100%	1,389,192
Georgetown Area Sewer Authority	185,385	100%	185,385
Lancaster Airport Authority	182,640	100%	182,640
Lancaster Area Sewer Authority	68,280,000	100%	68,280,000
Lancaster County Hospital Authority (as of 6/30/10)	656,718,957	100%	656,718,957
Lancaster County Solid Waste Management Authority	57,495,000	100%	57,495,000

(Continued)

County of Lancaster, Pennsylvania  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2010

Table 11 (Cont.)

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lancaster County Vo-Tech School Authority	\$ —	100%	\$ —
Lancaster Downtown Investment District Authority	—	100%	—
Lancaster-Lebanon Joint Authority	1,885,668	100%	1,885,668
Lancaster Parking Authority	*	100%	*
Leacock Township Sewer Authority	2,436,121	100%	2,436,121
Leola Sewer Authority	1,028,591	100%	1,028,591
Lititz Sewer Authority	—	100%	—
Manheim Borough Authority	20,840,771	100%	20,840,771
Manheim Township	15,145,000	100%	15,145,000
Manheim Township Authority	3,915,000	100%	3,915,000
Marietta Borough	—	100%	—
Marietta-Donegal Joint Authority	5,484,284	100%	5,484,284
Mount Joy Borough Authority	18,061,274	100%	18,061,274
Mount Joy Township Authority	9,279,000	100%	9,279,000
Mountville Borough Authority	275,000	100%	275,000
New Holland Borough Authority	722,777	100%	722,777
Northwestern Lancaster Co Water & Sewer Authority	—	100%	—
Paradise Township Sewer Authority	2,190,000	100%	2,190,000
Penn Township	9,265,000	100%	9,265,000
Quarryville Borough	—	100%	—
Quarryville Borough Authority	—	100%	—
Redevelopment Authority	33,422,082	100%	33,422,082
Red Rose Transit Authority	—	100%	—
Sadsbury Township Municipal Authority (as of 11/30/10)	1,364,889	100%	1,364,889
Suburban Lancaster Sewer Authority	32,255,000	100%	32,255,000
Warwick Township Municipal Authority	12,520,000	100%	12,520,000
West Cocalico Township Authority	1,231,303	100%	1,231,303
West Donegal Township Authority	5,121,000	100%	5,121,000
West Earl Sewer Authority	6,585,000	100%	6,585,000
West Earl Water Authority	1,600,453	100%	1,600,453
Western Heights Water Authority	—	100%	—
Total Municipalities			<u>\$ 1,009,078,993</u>
Total Overlapping Debt			<u>\$ 2,116,715,283</u>
Total direct and overlapping debt			<u>\$ 2,387,882,505</u>

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

\* - Data not available.

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

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

County of Lancaster, Pennsylvania  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Table 12

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Borrowing base revenues (1):				
Two years prior	\$ 97,623,975	\$ 100,212,634	\$ 105,046,643	\$ 114,988,835
Prior year	100,212,634	105,046,643	114,988,835	126,410,082
Current year	105,046,643	114,988,835	126,410,082	131,266,881
Total borrowing base revenues	<u>\$ 302,883,252</u>	<u>\$ 320,248,112</u>	<u>\$ 346,445,560</u>	<u>\$ 372,665,798</u>
Average borrowing base revenues	\$ 100,961,084	\$ 106,749,371	\$ 115,481,853	\$ 124,221,933
Net Nonelectoral Debt Limit:				
Average borrowing base revenues	\$ 100,961,084	\$ 106,749,371	\$ 115,481,853	\$ 124,221,933
Debt limit percentage	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>302,883,252</u>	<u>320,248,112</u>	<u>346,445,558</u>	<u>372,665,798</u>
Total amount of debt applicable to debt limit	<u>122,326,369</u>	<u>130,257,581</u>	<u>151,950,075</u>	<u>174,728,072</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 180,556,883</u>	<u>\$ 189,990,531</u>	<u>\$ 194,495,483</u>	<u>\$ 197,937,726</u>
Total net debt applicable to the limit as a percentage of debt limit	40.39%	40.67%	43.86%	46.89%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit				
Average borrowing base revenues			\$ 115,481,853	\$ 124,221,933
Debt limit percentage			400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit			<u>461,927,413</u>	<u>496,887,732</u>
Less: Non-electoral Debt and Lease Rental Debt			<u>152,899,075</u>	<u>175,662,072</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity			<u>\$ 309,028,338</u>	<u>\$ 321,225,660</u>
Total net debt applicable to the limit as a percentage of debt limit			33.10%	35.35%

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

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

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

County of Lancaster, Pennsylvania  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Table 12 (Cont.)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Borrowing base revenues (1):	\$ 126,410,082	\$ 131,266,881	\$ 129,499,678	\$ 123,748,612	\$ 122,530,609	\$ 129,828,387
	131,266,881	129,499,678	123,748,612	122,530,609	129,828,387	130,291,338
	129,499,678	123,748,612	122,530,609	129,828,387	130,291,338	132,014,815
Total borrowing base revenues	<u>\$ 387,176,641</u>	<u>\$ 384,515,171</u>	<u>\$ 375,778,899</u>	<u>\$ 376,107,608</u>	<u>\$ 382,650,334</u>	<u>\$ 392,134,540</u>
Average borrowing base revenues	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513
Net Nonelectoral Debt Limit:						
Average borrowing base revenues	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513
Debt limit percentage	300%	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>387,176,641</u>	<u>384,515,171</u>	<u>375,778,899</u>	<u>376,107,608</u>	<u>382,650,334</u>	<u>392,134,540</u>
Total amount of debt applicable to debt limit	<u>192,883,456</u>	<u>237,706,173</u>	<u>230,282,253</u>	<u>230,717,789</u>	<u>246,155,571</u>	<u>270,323,221</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 194,293,185</u>	<u>\$ 146,808,998</u>	<u>\$ 145,496,646</u>	<u>\$ 145,389,819</u>	<u>\$ 136,494,763</u>	<u>\$ 121,811,319</u>
Total net debt applicable to the limit as a percentage of debt limit	49.82%	61.82%	61.28%	61.34%	64.33%	68.94%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit						
Average borrowing base revenues	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513
Debt limit percentage	400%	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>516,235,520</u>	<u>512,686,895</u>	<u>501,038,532</u>	<u>501,476,811</u>	<u>510,200,445</u>	<u>522,846,053</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>193,802,456</u>	<u>238,610,173</u>	<u>231,171,253</u>	<u>231,591,789</u>	<u>247,014,571</u>	<u>271,167,221</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 322,433,064</u>	<u>\$ 274,076,722</u>	<u>\$ 269,867,279</u>	<u>\$ 269,885,022</u>	<u>\$ 263,185,874</u>	<u>\$ 251,678,832</u>
Total net debt applicable to the limit as a percentage of debt limit	37.54%	46.54%	46.14%	46.18%	48.42%	51.86%

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

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

County of Lancaster, Pennsylvania  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Table 13

Year	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Local Unemployment Rate (6)
2001	474,420	14,003,611	29,517	36.5	85,571	3.4%
2002	478,078	14,119,153	29,533	36.8	85,836	3.8%
2003	481,803	14,672,734	30,454	37.0	86,364	3.5%
2004	485,676	15,513,013	31,941	37.1	85,996	3.4%
2005	489,258	16,154,443	33,018	37.3	86,471	3.3%
2006	494,393	16,934,568	34,253	37.5	87,209	3.0%
2007	499,364	18,027,960	36,102	37.5	87,480	3.3%
2008	503,807	18,673,891	37,066	37.7	87,909	5.1%
2009	507,766	18,450,403	36,336	38.1	86,411	7.5%
2010	519,445	*	*	*	86,917	6.8%

Sources:

- (1) Population: 2000 - 2009 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce  
2010 Census - Provided by US Census Bureau
- (2) Personal Income: 2000 - 2009 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
- (3) Per Capita Personal Income: 2000 - 2009 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
- (4) Median Age: Population Estimates, US Census Bureau; based on Fiscal Year
- (5) School Enrollment: PA Department of Education
- (6) Local Unemployment Rate: U.S. Department of Labor, Bureau of Labor Statistics

Note: Prior year data has been updated to the most current information available by going to the above sources.

\* - Data not available.

County of Lancaster, Pennsylvania  
Principal Employers  
December 31, 2010

Table 14

Employer (1)	2010			2001		
	Employees (2)	Rank (1)	Percentage of Total County Employment	Employees (2)	Rank (1)	Percentage of Total County Employment
Lancaster General Hospital	7,066	1	3.24%	4,793	1	2.19%
R.R. Donnelley & Sons Company	2,740	2	1.26%	3,470	2	1.58%
Ephrata Community Hospital Inc	2,093	3	0.96%			
Manheim Auto Auction Inc	2,026	4	0.93%	1,891	6	0.86%
Lancaster County	2,008	5	0.92%	2,590	4	1.18%
School District of Lancaster	1,645	6	0.75%	1,409	7	0.64%
Armstrong World Industries Inc	1,549	7	0.71%	2,696	3	1.23%
Dart Container Corporation	1,510	8	0.69%			
Masonic Homes	1,476	9	0.68%			
Turkey Hill LP	1,440	10	0.66%			
High Industries Inc					5	*
Weis Markets Inc					8	*
CNH Global					9	*
Tyson Poultry Inc					10	*
Total	<u><u>23,553</u></u>			<u><u>*</u></u>		
Total Employees in County	<u><u>218,172</u></u>	(1)		<u><u>219,231</u></u>	(1)	

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

\* - Data not available.

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

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

Table 15

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Function/Program:</b>										
<b>Governmental Activities</b>										
General government	265	263	269	261	264	266	262	275	284	259
Public safety	5	6	6	6	7	8	9	104	101	98
Roads and bridges	–	–	3	3	4	4	–	–	–	–
Health, education, and welfare	332	347	363	379	378	387	392	403	396	376
Judicial	529	541	545	556	556	576	584	609	612	588
Corrections	257	306	300	306	295	303	292	304	297	291
Cultural and recreation	31	32	32	33	35	35	34	32	14	14
<b>Total governmental activities</b>	<b>1,419</b>	<b>1,495</b>	<b>1,518</b>	<b>1,544</b>	<b>1,539</b>	<b>1,579</b>	<b>1,573</b>	<b>1,727</b>	<b>1,704</b>	<b>1,626</b>
<b>Business-type activities</b>										
Conestoga View	460	466	475	472	–	–	–	–	–	–
911 Operations	91	91	92	93	93	93	93	–	–	–
<b>Total business type activities</b>	<b>551</b>	<b>557</b>	<b>567</b>	<b>565</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1,970</b>	<b>2,052</b>	<b>2,085</b>	<b>2,109</b>	<b>1,632</b>	<b>1,672</b>	<b>1,666</b>	<b>1,727</b>	<b>1,704</b>	<b>1,626</b>

Source: County of Lancaster, Controller's Office

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

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

Table 16

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Government</b>										
General Election Information:										
Registered voters	269,273	274,270	278,540	311,934	293,329	299,412	303,184	326,501	313,604	317,635
Votes cast	64,573	127,765	76,609	221,251	72,708	151,843	71,099	228,857	59,665	151,428
Percent of votes cast	23.98%	46.58%	27.50%	70.93%	24.79%	50.71%	23.45%	70.09%	19.03%	47.67%
Property transfers recorded	13,843	14,584	16,499	15,708	15,445	14,643	13,370	11,334	10,773	10,414
9-1-1 calls	****	****	****	****	****	****	****	214,723	211,932	222,253
County ordinances approved	76	96	83	76	99	92	115	124	71	26
Municipal ordinances reviewed	386	392	394	410	387	384	397	345	266	177
<b>Judicial</b>										
Estates and wills probated	1,712	1,747	1,654	1,685	1,764	1,716	1,650	1,784	1,672	1,708
Marriage licenses issued	3,280	3,313	3,155	3,131	3,098	3,235	3,254	3,215	3,057	3,218
Child adoptions	163	202	199	199	206	265	243	254	244	258
Child relinquishments	81	93	111	105	101	128	151	139	137	156
Criminal cases filed	5,500	5,999	5,972	5,999	5,975	6,027	6,105	6,004	6,038	5,867
Criminal cases disposed **	5,551	4,470	4,883	4,548	4,204	4,827	5,053	4,985	5,133	5,483
Civil suits filed	6,808	6,727	7,118	7,051	6,428	8,732	8,851	10,093	9,984	9,913
Civil judgments filed	3,122	3,418	3,405	3,861	3,776	3,999	4,216	4,661	9,235	6,266
Divorces filed	1,289	1,330	1,219	1,257	1,268	1,299	1,280	1,207	1,238	1,389
Protection from abuse cases filed	1,179	1,223	1,255	1,141	1,161	1,239	1,372	1,265	1,331	1,261
Naturalizations	201	217	201	205	279	290	255	288	157	197
Real estate executions (mortgage foreclosures) filed	755	730	702	796	764	779	685	702	1,104	1,082
District judge case filings	116,191	117,549	107,174	117,162	106,307	108,947	114,071	118,566	106,159	104,838
Domestic relations active cases	*	19,570	20,136	19,523	18,935	18,477	18,439	18,004	17,628	17,760
New juvenile probation cases	1,301	1,809	1,967	1,865	1,783	1,822	1,853	1,692	1,385	1,212
Juvenile probation placement days	*	77,194	71,951	75,142	70,574	64,278	61,395	56,796	49,170	48,276
New adult probation and parole cases	*	3,320	*	3,256	3,049	2,850	2,276	2,977	2,986	3,337
<b>Corrections</b>										
Average daily population	985	1,012	1,097	1,078	1,141	1,200	1,186	1,156	1,155	1,144
Annual admissions	5,333	5,336	5,641	5,793	5,888	6,169	6,137	6,040	6,152	5,739
<b>Culture and Recreation</b>										
Pool attendance	41,618	46,769	32,666	28,438	35,632	30,950	27,372	31,345	25,339	30,749

Note: \* Data not available.

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

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

(Continued)

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

Table 16 (Cont.)

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Health, education, and welfare</b>										
Employment and Training										
Customers served	415	772	907	1,874	2,078	2,341	5,573	5,549	8,452	7,551
Drug and Alcohol:										
Information and referral contacts	*	*	544	581	604	796	1,009	946	1,055	864
Inpatient non-hospital detox clients	698	732	584	607	482	341	340	366	386	357
Inpatient non-hospital rehab clients	412	334	396	418	435	385	373	406	275	222
Inpatient non-hospital halfway house clients	114	78	102	103	87	69	73	38	16	14
Inpatient hospital detox clients	7	1	3	3	6	2	3	2	2	1
Partial hospitalization clients	64	76	55	56	53	33	26	24	36	37
Outpatient drug free clients	1,713	1,679	1,521	1,388	1,645	1,869	1,902	2,009	2,055	1,998
Methadone maintenance clients	15	16	14	14	14	17	21	24	24	34
Intensive outpatient clients	32	38	87	105	134	169	163	223	245	217
Website visitors	*	*	*	*	45,168	46,428	114,065	198,017	254,655	111,751
Mental Health:										
Emergency/crisis intervention hours	*	*	*	1,728	2,832	3,276	7,974	8,771	9,658	3,633
Community residential days	*	*	24,347	24,614	28,385	26,933	27,135	29,487	30,543	30,942
Community employment hours	*	*	36,670	41,283	40,131	39,116	38,444	38,009	38,967	38,282
Service case management clients	*	*	*	1,552	1,888	2,114	4,185	3,026	1,825	3,580
Day treatment hours	*	*	5,547	4,144	4,774	5,235	5,083	4,804	5,066	4,942
Outpatient hours	*	*	2,299	2,691	2,919	3,384	3,730	3,708	3,486	3,572
Family based hours	*	*	1,056	879	996	747	795	825	1,081	1,035
Psychiatric rehab hours	*	*	42,759	37,928	33,578	37,611	35,569	34,413	35,047	29,424
Social rehab hours	*	*	21,462	28,311	29,000	30,008	28,338	29,183	29,393	25,622
Drop-in-Center hours	*	*	*	*	31,759	44,112	43,413	32,739	54,100	18,666
Host home days	*	*	*	338	397	282	359	184	123	-
Supported housing hours	*	*	10,915	7,682	7,907	6,705	6,789	6,635	6,857	8,122
Mental Retardation:										
Specialized support hours	*	*	3,933	7,719	6,550	13,300	14,907	17,034	14,284	10,314
Transportation trips	*	*	83,915	92,401	109,435	109,160	101,621	112,938	109,477	6,692
Employment hours	101,106	90,560	11,914	85,134	69,639	59,408	54,581	54,417	57,783	3,455
Residential services clients	*	*	355	317	364	367	372	382	394	237
Early intervention clients	*	*	949	767	1,083	1,068	1,092	1,137	1,127	2,314
Pre-Vocational hours	256,754	284,107	340,400	312,215	326,325	344,844	28,514	362,132	394,605	2,679
Respite clients	*	*	182	249	227	251	381	370	362	274
Home & community service hours	*	*	69,085	75,410	143,152	171,516	57,140	119,447	117,936	5,463
Family driven clients	348	305	268	120	63	86	96	122	110	162
Community habilitation hours	142,685	148,269	204,729	183,061	189,866	191,311	14,655	184,147	193,238	164,889
Community habilitation hours	*	*	*	176,647	175,202	176,457	13,323	166,455	178,586	156,817

Note: \* Data not available.

(Continued)

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

Table 16 (Cont.)

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Health Choices ***</b>										
Inpatient psychiatric:										
Members served	-	375	726	823	860	942	920	881	921	971
Days of service	-	3,655	8,928	10,318	9,044	9,693	10,914	13,013	12,372	12,433
Outpatient psychiatric:										
Members served	-	2,472	4,148	4,998	6,036	7,012	7,342	7,942	9,462	10,164
Units of service	-	22,456	56,394	74,581	98,508	94,869	99,492	168,441	183,870	218,594
Inpatient drug and alcohol:										
Members served	-	48	52	29	15	29	24	34	18	12
Days of service	-	427	388	310	121	256	154	230	180	103
Non-hospital drug and alcohol:										
Members served	-	99	275	322	402	552	545	683	880	664
Days of service	-	2,811	8,509	10,556	14,021	21,878	25,469	27,905	26,324	29,060
Outpatient drug and alcohol:										
Members served	-	377	695	888	1,033	1,171	1,180	1,283	1,747	1,760
Units of service	-	15,844	17,903	21,789	22,966	24,567	25,860	82,681	124,039	149,004
Behavioral health rehabilitation:										
Members served	-	580	856	905	1,186	1,171	1,530	1,863	2,136	2,276
Units of service	-	240,334	482,221	510,494	531,850	973,211	1,213,010	1,532,542	1,841,423	1,987,384
Residential treatment facility:										
JCAHO:										
Members served	-	88	161	168	139	131	117	121	156	137
Days of service	-	7,831	33,325	32,042	24,150	21,787	22,753	24,531	35,184	23,994
Non JCAHO:										
Members served	-	2	5	7	7	9	5	9	8	7
Days of service	-	122	713	1,226	721	953	1,046	1,014	690	1,744
Office of Aging:										
Case management clients	1,745	1,476	1,275	1,262	539	897	935	1,030	990	1,077
Protective services clients	539	642	745	784	470	506	617	735	888	898
Transportation clients	2,113	1,597	722	702	752	713	732	700	544	407
Meals provided	185,482	172,174	153,679	158,138	155,805	161,850	163,813	157,551	146,855	147,358
In-home services clients	843	623	530	569	498	547	561	612	540	581
Adult day care clients	175	105	111	122	102	137	130	76	61	69
PDA Waiver clients	49	62	75	118	152	165	162	161	184	235
Children and Youth:										
Children served	*	3,928	4,833	5,231	5,035	4,585	4,825	4,408	4,459	4,366
Placement days	*	193,563	199,417	190,920	201,963	180,047	173,186	164,437	175,903	185,369
Child abuse reports	*	680	650	682	632	649	797	845	809	1,001
Intake reports	*	819	845	1,124	1,103	910	996	1,206	1,291	1,221
<b>Business-type</b>										
911 Operations										
9-1-1 calls	182,376	192,877	204,603	204,604	210,518	217,333	217,895	****	****	****

Sources: various county departments.

Note: \* Data not available.

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

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

County of Lancaster, Pennsylvania  
Capital Asset by Function  
Last Ten Fiscal Years

Table 17

Function/Program:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>										
<b>General government</b>										
Motor vehicles	3	4	4	5	5	5	5	5	5	6
Office buildings	4	4	4	5	4	4	4	2	2	2
<b>Public safety</b>										
Motor vehicles	4	4	4	4	6	7	7	20	17	17
Office buildings	-	-	1	1	1	1	1	1	1	1
<b>Roads and bridges</b>										
County-owned bridges	64	64	64	64	64	64	64	64	64	64
Motor vehicles	6	7	7	9	9	9	9	9	8	8
<b>Health, education, and welfare</b>										
Motor vehicles	6	7	7	7	8	7	8	8	8	6
Office buildings	1	1	1	1	-	-	-	-	-	-
<b>Judicial</b>										
Motor vehicles	34	39	43	50	56	62	63	70	67	70
Office buildings	1	1	1	1	1	1	1	3	3	3
<b>Corrections</b>										
Motor vehicles	6	6	6	7	8	9	5	4	7	7
Office buildings	2	3	3	3	2	2	2	2	2	2
<b>Cultural and recreation</b>										
Number of parks	8	8	8	8	8	8	8	8	8	9
Park acreage	2,003	2,003	2,028	2,028	2,028	2,028	2,053	2,053	2,053	2,055
Pavilions	12	12	12	12	12	12	12	12	12	12
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Environmental/Educational Buildings	1	1	1	1	1	1	1	1	1	1
Motor vehicles	36	36	38	38	39	44	42	45	46	45
Office buildings	4	4	4	4	4	4	4	4	4	4
Storage buildings	6	6	6	6	7	7	7	8	8	8
Tenant Properties	4	4	4	4	4	4	4	5	5	5
<b>Business-type Activities</b>										
Conestoga View (1)										
Motor vehicles	20	21	22	21	-	-	-	-	-	-
Office buildings	1	1	1	1	-	-	-	-	-	-
911 Operations (2)										
Motor vehicles	3	4	3	7	6	6	7	-	-	-

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

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

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

County of Lancaster, Pennsylvania  
Salaries and Surety Bonds of Principal Officials  
For the year ended December 31, 2010

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Scott F. Martin, Commissioner	\$ 92,174	\$ 7,500
Dennis P. Stuckey, Commissioner	91,174	7,500
Craig E. Lehman, Commissioner	91,174	7,500
Vacant, Clerk of Courts		11,000
Keith J. Greiner, Controller	79,359	100,000
Stephen Diamantoni, Coroner	79,359	15,000
Andrea McCue, Chief Clerk	101,209	7,500
Craig W. Stedman, District Attorney	163,602	(1)
Debra A. Frantz, Jury Commissioner	7,860	(1)
Kathleen A. Harrison, Jury Commissioner	7,649	(1)
Randall O. Wenger, Prothonotary	79,359	200,000
Bonnie L. Bowman, Recorder of Deeds	79,359	385,000
MaryAnn Gerber, Register of Wills	81,359	25,000
Vacant, Sheriff		60,000
Craig A. Ebersole, Treasurer	79,359	627,000
33 bonded tax collectors	\$ .75 per parcel collected	54,150,819 (2)

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

(2) The dollar value is stated at 75% of total county and municipal tax levied in 2010.  
Bonds are valid for the tax collector's term, 2010-2013.

County of Lancaster, Pennsylvania  
Schedule of Insurance In-Force  
December 31, 2010

Table 19

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %		Liability Limit	
National Fire Insurance of Hartford (CNA)	MNP419707281	02/01/10-02/01/11	\$ 107,599	General Liability	\$ 2,000,000	General Total Limit	
				Included	Skateboard Park General Liability	\$ 2,000,000	Products And Completed Work Total Limit
						\$ 1,000,000	Personal Injury Each Person Limit
						\$ 1,000,000	Advertising Injury Each Person Limit
						\$ 1,000,000	Each Event Limit
						\$ 100,000	Premises Damage Limit
		\$ 1,000,000	Each Employee				
		\$ 1,000,000	Employee Benefit Plans Administration Liability Ded. - \$1,000	Aggregate			
		incl	Sexual Abuse Liability	Included	Sexual Abuse Total Limit		
Indian Harbor Insurance Co (XL Ins Co)	LEI9517167	02/01/10-02/01/11	\$ 251,358	Law Enforcement Liability	\$ 1,000,000	Total Limit	
				Law Enforcement Deductible - \$100,000	\$ 1,000,000	Each Wrongful Act Limit	
National Union Fire Ins Co (Chartis)	15468805	02/01/10-02/01/11	\$ 50,690	Public Entity Management Liability - Claims Made	\$ 1,000,000	Aggregate	
				Included	Public Entity Management Liability Deductible - \$100,000		
				Employment Practices Liability - Claims Made			
				Each Wrongful Employment Practice Offense Limit			
				Employment Practices Liability Deductible - \$100,000			
				(IS included under the Umbrella)			
National Fire Insurance of Hartford (CAN)	MNA419708737	02/01/10-02/01/11	\$ 36,330	Commercial Auto	\$ 1,000,000	Combined Single Limit	
					\$ 35,000	Uninsured/Underinsured Motorists	
Everest National Insurance Co	71P1000057-101	02/01/10-02/01/11	\$ 196,579	Umbrella Excess Liability	\$ 10,000,000	General Aggregate	
				Umbrella Excess Liability Deductible - \$10,000	\$ 10,000,000	Each Occurrence	
Great American Ins Co Building and Contents  Boiler & Machinery  Property Includes Covered Bridges with Buildings  Commercial Property Coverages  Computers	MAC5259991	02/01/10-02/01/11	\$ 154,566	Special Form: \$25,000 deductible, Locations with values in excess of \$500,000	\$ 195,553,286	Limit	
				Locations with values of \$500,000 or less	\$ 60,000		
				Boiler & Machinery	\$ 500,000	Limit	
					\$ 195,553,286		
				Bridge Property Damage, Deductible \$25,000	\$ 7,676,100	Total Limit, Schedule of Bridges On File With Carrier	
				Flood \$50,000 Deductible	\$ 2,500,000	Per Occurrence Limit	
				Flood \$50,000 Deductible	\$ 2,500,000	Annual Aggregate Limit	
				Earthquake \$50,000 deductible	\$ 15,000,000	Per Occurrence Limit	
				Earthquake \$50,000 deductible	\$ 15,000,000	Annual Aggregate	
				Hardware: \$1,000 deductible	\$ 18,418,903		
				Software: \$1,000 deductible	Included in Hardware		
				Fine Arts Floater; \$1,000 deductible	\$ 232,725		
				Radio & Television Broadcasters - Transmission Towers - Replacement Cost; deductible \$25,000	\$ 8,977,426		
				Voting Machines; deductible \$1,000	\$ 3,872,575		
Other Scheduled Equipment; deductible \$1,000	\$ 1,252,100						

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

(Continued)

County of Lancaster, Pennsylvania  
 Schedule of Insurance In-Force  
 December 31, 2010

Table 19 (Cont.)

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %		Liability Limit
<b>SAFETY NATIONAL</b> Excess Workers Comp. & Employers Liability	SP2T44PA	01/01/10-01/01/11	\$ 40,647	Excess Workers Compensation Employers Liability (\$500,000 Cap Loss Limit)	\$ Statutory 1,000,000	Each Accident/Limit Each Employee Per Disease Each Accident/Limit Each Employee Per Disease
<b>Travelers Casualty and Surety Co of America</b>	103269075	02/01/10-02/01/11	\$ 5,272	Public Employees Blanket Bond, Deductible \$2,500	\$ 1,000,000	Per Loss Limit
<b>BROTEMARKLE INS. (1):</b> Foster Parent Liability Ins.	FPL - 126	07/01/10-06/30/11	\$ 12,960	Personal Liability Insurance for foster parents	\$ 300,000	Per Person, Per Occurrence

(1) Contracted directly by Children and Youth Agency

**DISCLAIMER - GENERAL**

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