

*County
of Lancaster* PENNSYLVANIA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the year ended December 31, 2012

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended December 31, 2012

PREPARED BY THE CONTROLLER'S OFFICE

Kathryn B. Kunkel, Acting Controller
Andrew D. Sapovchak, CPA, Accounting/Auditing Supervisor
Rebecca M. Dittenhafer, Systems Administrator

INDEPENDENT AUDITORS
Mitchell & Titus, LLP
(a member firm of Ernst & Young Global Limited)

CONTROLLER'S SOLICITOR
George D. Alspach

COVER PHOTOGRAPH
Central Market
Photo by: Marie Quigg, Lancaster County Planning Department

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COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2012

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Acting Controller
Kathryn B. Kunkel

September 30, 2013

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, 2012, is hereby submitted.

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

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

In addition to meeting the requirements set forth in state statutes, this audit was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The single audit for 2012 will be completed during September 2013. 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, 2011, 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

Occupying a land area of 946 square miles, Lancaster County consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships. It is located in south central Pennsylvania approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. A third class county since 1962, it was formed on May 10, 1729 making it the fourth county in Pennsylvania. Trailing only Philadelphia, Allegheny, Montgomery, Bucks and Delaware counties, Lancaster County is the sixth most populous county in the state and is home to approximately 526,823 people.

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

The annual budget serves as the foundation for the County of Lancaster's financial planning and control. The County Commissioners must adopt an annual budget for the County by December 31 of each year for the subsequent year. The annual budget estimates revenues and expenditures for all governmental funds except the Community Development Block Grant, the Human Services Block Grant, LETA, 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 is the dominant segment of the local economy. The County has many firms that have existed here for at least 50, some for more than 100 years. Lancaster is home to many national and international businesses and new companies contribute vitality and additional opportunity. The County is the third largest industrial area in Pennsylvania trailing only the metropolitan areas of Philadelphia and Pittsburgh. Lancaster County's proximity to major metropolitan markets and the Ports of Baltimore, Philadelphia and Wilmington is essential to its ability to get products to market. Located within 500 miles of more than half the buying power of the nation, Lancaster County has access to growing markets which offer expanding possibilities. The County's unemployment rate of 6.6% remains consistently lower than both the state and national averages of 7.9% and 7.8%, respectively. Innovation and entrepreneurial spirit help Lancaster County's business and industrial communities prosper as they continue to adapt to ever-changing markets and move into the competitive world of the global economy.

Agriculture is a multi-billion dollar industry that contributes to the economic well-being of the County. From colonial days, Lancaster's fertile soil and hard working farmers have been hailed for outstanding agricultural productivity. For every dollar of agriculture-related products that leave Lancaster County's farms the economy is boosted by \$6.00; a value of \$6 billion per year. With the most productive non-irrigated farmland in the United States, Lancaster County is one of the nation's top food producers. The County is also home to many agribusinesses which provide the infrastructure required for a thriving agriculture. To help keep the rich and valuable farmland in production for generations to come, Lancaster County has a strong agricultural preservation effort in place. Thanks to the efforts of the Lancaster County Agricultural Preservation Board and the Lancaster Farmland Trust, Lancaster County is first in the nation in number of

acres of preserved farmland, with approximately 95,200 acres preserved on more than 1,200 individual farms.

Known worldwide as “Pennsylvania Dutch Country” Lancaster County attracts approximately 10 million visitors annually, generating a direct economic impact of \$1.8 billion. Located within a short drive of Philadelphia, Baltimore, New York and Washington D.C., the County is a popular destination for day trips, weekend escapes and extended vacations. In fact, 50% of the U.S. population lives within 500 miles of Lancaster County. The slower pace, peaceful scenery, unique attractions and family activities are just a few of the reasons why two thirds of the visitors to Lancaster County come back again.

Major Initiatives

For the Year

- ✓ The Lancaster County Campaign Against Sexual Exploitation (C.A.S.E.) of children was selected as a model for counties and organizations nationwide by the National Center for Missing and Exploited Children (NCMEC). NCMEC recently released a new “Toolkit” to help communities across the country implement CASE. In that “Toolkit”, Lancaster County C.A.S.E. is showcased as an example of “CASE in Action”. By highlighting the efforts of Lancaster County in their new “Toolkit”, NCMEC hopes it will inspire and encourage other entities across the United States to start CASE campaigns in their communities as well.
- ✓ The Lancaster County Board of Commissioners and the County Coroner dedicated the newly constructed forensic center on September 26, 2012. The 13,200 square foot building is located at 2080 Spring Valley Road, it replaces the circa 1960 facility in east Lancaster city. Body storage, coolers, x-ray equipment and lab equipment will provide for a complete array of services which were not available at the former site. This equipment will aid officials in accurately documenting causes of death and to preserve evidence for investigations. The building, designed by CDI, State College, PA and MWL from Ashland, Virginia, incorporates many state of the art elements that ensure an efficient delivery of services.
- ✓ In November, the Lancaster County Recorder of Deeds, Bonnie Bowman, announced the “Thank a Vet” Discount Program. This program provides a photo ID free of charge to Lancaster County veterans who have their DD-214 honorable discharge papers filed on record in the Recorder of Deeds Office. The “Thank a Vet” Discount Program is a way for the community to express its gratitude and recognize the service and sacrifice made by our veterans. Participating merchants agree to honor the card by providing special discounts on purchases or services when presented with the “Thank a Vet” photo ID card. Participating merchants and sponsors are identified by a poster or decal in their window and are also listed on the Recorder of Deeds website.

For the Future

- ✓ Lancaster County Court of Common Pleas judges have adopted a new “continuous court, individual calendar system” to improve the efficiency of criminal court procedures. The new system will begin in July 2013. Under the proposed system, a specific judge will be assigned to a case when it is certified as trial ready. Until then, from arraignment through pretrial conferences, multiple judges may preside over individual cases. Criminal court will be held for 42 full weeks as compared to the current 12 weeks of the year. Civil court and family court will run continuously with criminal court; the entire Court of Common Pleas schedule will be coordinated for the first time ever. The judges say they, and a more clearly defined schedule, will drive the system. Another benefit of the new system will be the need for fewer potential jurors being called each week. It also means fewer continuances will be granted which will result in most cases being completed in 6 months.
- ✓ The Lancaster County Sheriff’s and District Attorney’s Offices are teaming up to offer a Concealed Firearm Familiarization Course to the public. This is a four hour classroom only course which will be taught by certified firearms instructors from the Sheriff’s Office and an Assistant District Attorney will be present to answer legal questions. The course will cover legal issues, firearm safety, holster selection, safe firearm storage, safe carry considerations, handgun identification, how to safely load and unload handguns and Concealed Licensing in Pennsylvania. There will be a hands-on test as well as a short written test. Participants will receive a certificate upon successful completion of the course.
- ✓ The Lancaster County Agricultural Board and the Lancaster Farmland Trust hope to reach a much heralded milestone by preserving 100,000 acres of farmland in Lancaster County by the end of 2013, making them the first and only county in the nation to do so.

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, 2011. 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, Mitchell & Titus, LLP. We appreciate the contributions made in the preparation of this report.

A handwritten signature in black ink that reads "Kathryn B. Kunkel". The signature is written in a cursive style with a large initial 'K'.

Kathryn B. Kunkel
Acting 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, 2011

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.



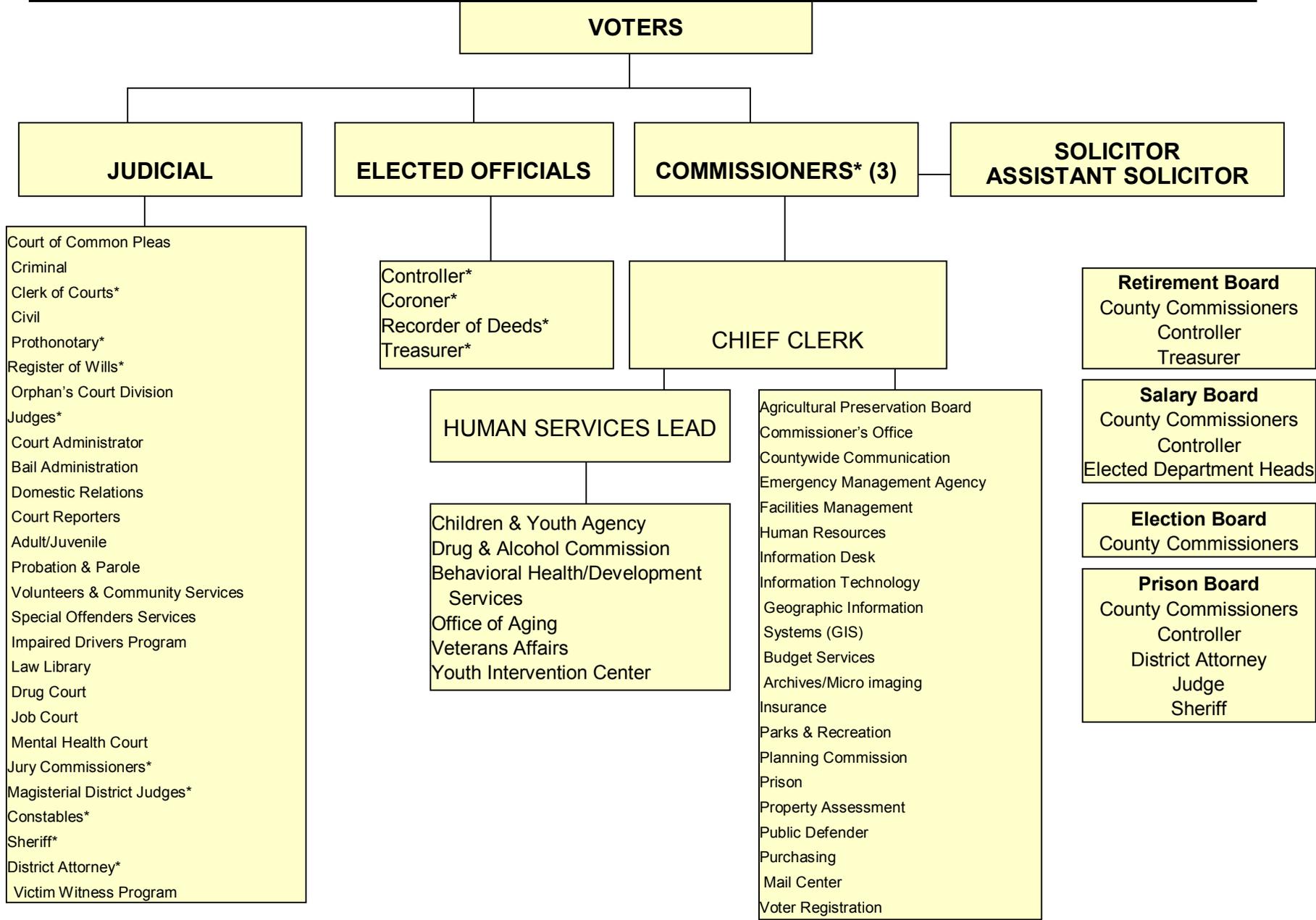
Christopher P. Morinell

President

Jeffrey R. Enner

Executive Director

LANCASTER COUNTY ORGANIZATIONAL CHART – 3rd CLASS COUNTY



* Denotes elected official(s)

**2012
County of Lancaster
Elected Officials**

COMMISSIONERS

Scott Martin, Chairman
Dennis Stuckey, Vice Chairman
Craig Lehman

CONTROLLER

Kathryn Kunkel, Acting Controller

PROTHONOTARY

Randall O. Wenger

TREASURER

Craig Ebersole

RECORDER OF DEEDS

Bonnie Bowman

REGISTER OF WILLS

Mary Ann Gerber

CLERK OF COURTS OF COMMON PLEAS

Joshua G. Parsons, Esq.

JURY COMMISSIONERS

Debbie Frantz
Kathleen Harrison

JUDGES OF COURT OF COMMON PLEAS

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

DISTRICT ATTORNEY

Craig W. Stedman

SHERIFF

Mark S. Reese

CORONER

Stephen G. Diamantoni, MD

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Report of Independent Auditors

County Commissioners
County of Lancaster

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lancaster County Convention Center Authority, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the required supplementary schedules of employer contributions and funding progress 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 15 - 29 and 103 - 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and

individual fund financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the Table of Contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining and individual fund financial statements and schedules listed in the Table of Contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2012 the County adopted Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." Our opinion is not modified with respect to this matter.

Mitchell & Titus, LLP

September 30, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the County of Lancaster's (County) comprehensive annual financial report presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2012. 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, 2012.

FINANCIAL HIGHLIGHTS

- ✓ The County's 2012 real estate property tax rate remained unchanged at 3.416 mills.
- ✓ The County's net position decreased \$2.0 million in 2012, or 111.1%.
- ✓ The County's unrestricted deficit was \$(109.3) million at December 31, 2012 compared to \$(64.2) million at December 31, 2011.
- ✓ The County's bond rating is A1 (stable outlook).
- ✓ At December 31, 2012, the County had \$271 million of general obligation debt outstanding. This represents an increase of \$10 million, or 3.8%, 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 diagram on the following page shows how the required components of the financial section of this comprehensive annual financial report are arranged and relate to one another.

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

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

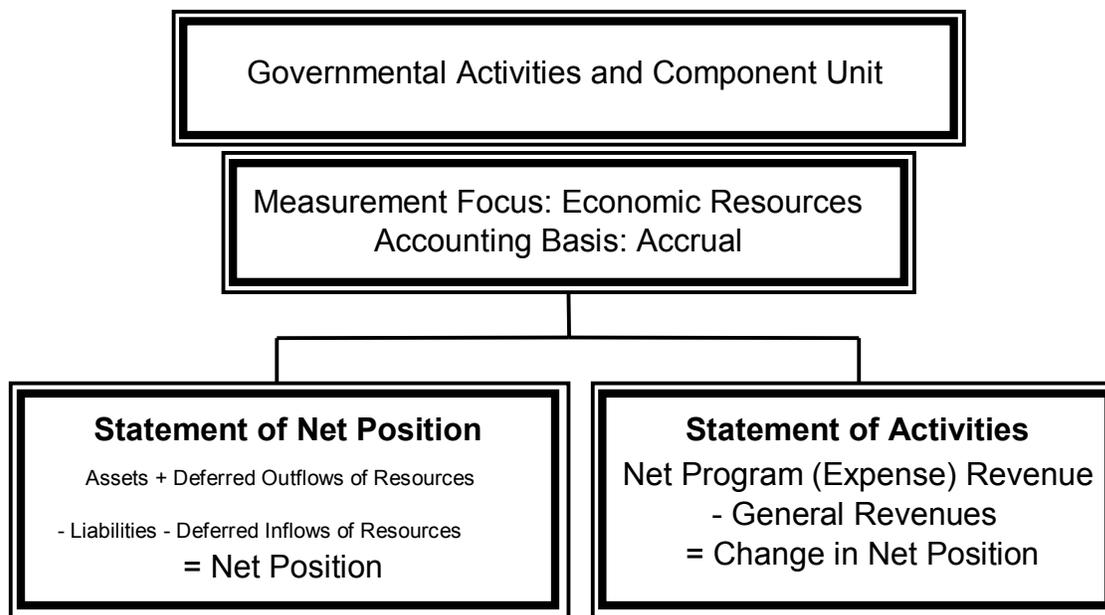
The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding employee pension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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Government-wide Financial Statements



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

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

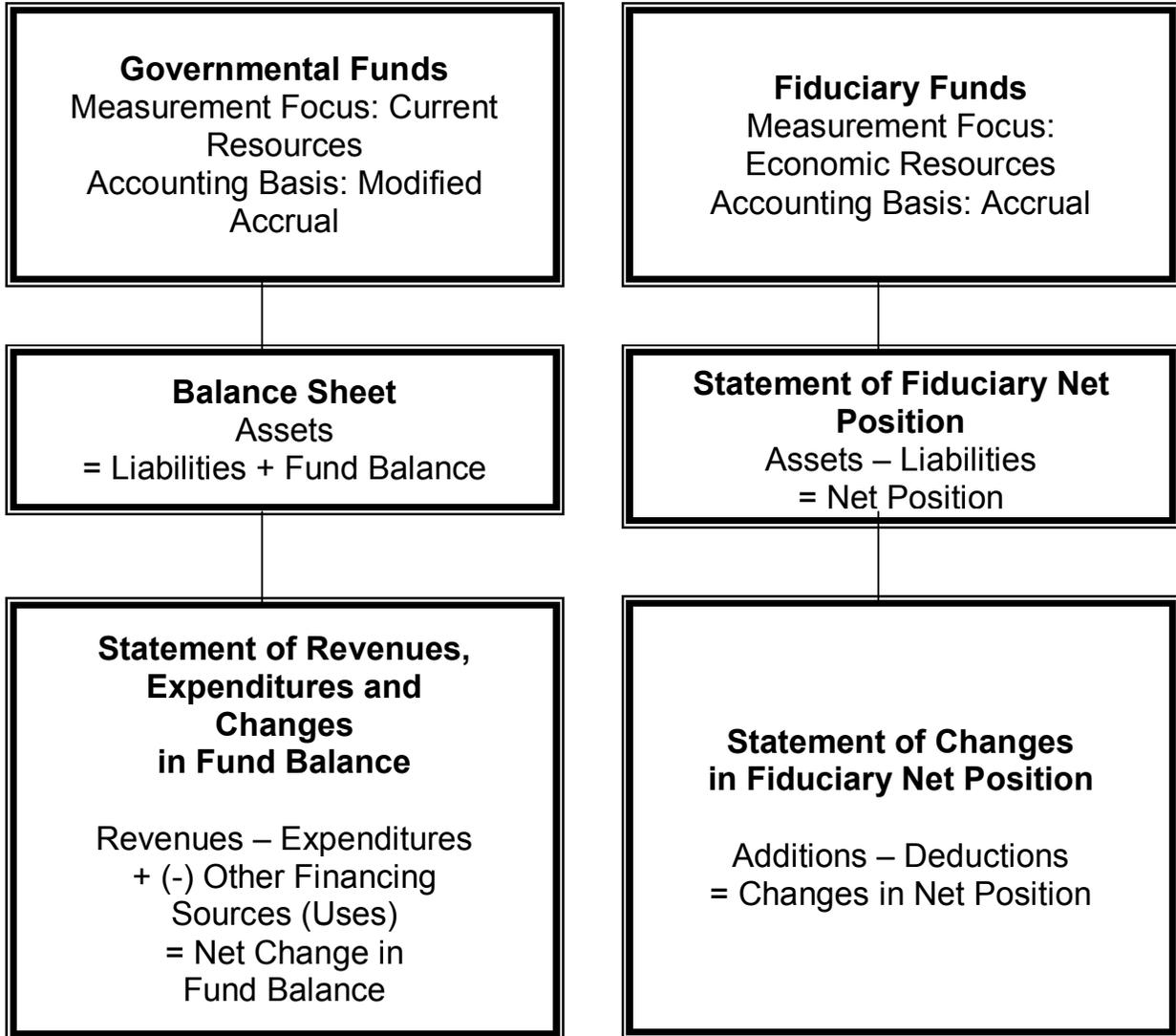
- ◆ *Governmental activities* – All of the County’s basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Component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

FUND FINANCIAL STATEMENTS

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

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

Fund Financial Statements



The County has two types of funds:

- *Governmental funds* – Most of the County’s basic services are included in governmental funds, which focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the County’s programs. The County maintains the following major governmental funds: the General Fund, Mental Health/Mental Retardation special revenue fund, Children and Youth Services special revenue fund and the Capital Projects Fund. The County also maintains eight 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 position. A statement of changes in fiduciary net position is also presented. All fiduciary activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

NET POSITION:

The County's net position as of December 31, 2012 and 2011 are presented below:

Table A-1 County Net Position for the year ended December 31, 2012 (amounts in millions)

	2012	(as restated) 2011
Capital assets, net	\$ 270.3	\$ 259.1
Other assets	90.5	64.2
Total assets	360.8	323.3
Deferred outflows of resources	7.5	7.8
Total deferred outflows of resources	7.5	7.8
Other liabilities	15.0	23.4
Long-term liabilities	353.5	305.9
Total liabilities	368.5	329.3
Net position (deficit):		
Net investment in capital assets	46.2	40.1
Restricted	62.9	25.9
Unrestricted (deficit)	(109.3)	(64.2)
Total net position	\$ (0.2)	\$ 1.8

Net position of the County's governmental activities decreased by 111.1% to \$(0.2) million. This decrease was due to the County's recognition of the 2010/2011 prison arbitration awards. Of this amount, \$46.2 million represents the balance of net investments in capital assets, while \$62.9 million is restricted for various purposes. The County has an unrestricted deficit balance of \$(109.3) million as of the end of the year.

Lancaster County's total assets stand at \$360.8 million and deferred outflows of resources stand at \$7.5 million as of December 31, 2012. Of the total assets, \$270.3 million is accounted for by capital assets, which includes some infrastructure.

The following table presents the County's changes in net position for the fiscal year ended December 31, 2012 and 2011:

<p>Table A-2 County's Changes in Net Position for the year ended December 31, 2012 (amounts in millions)</p>

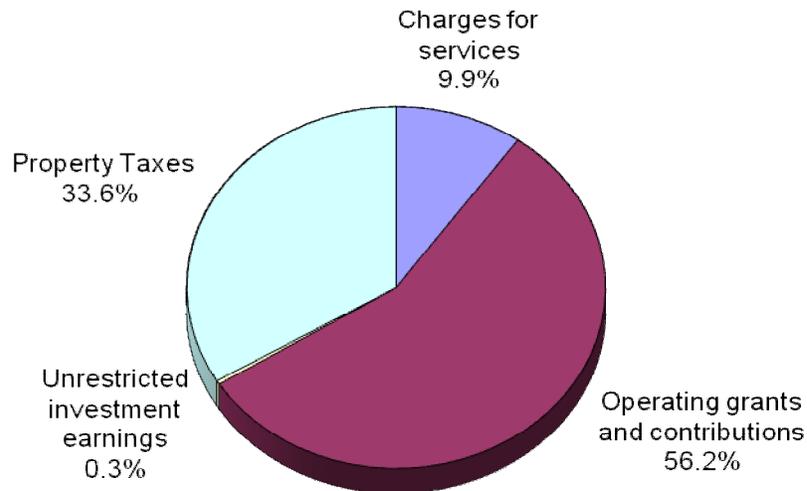
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 31.2	\$ 25.9
Operating grants and Contributions	177.3	186.7
General revenues:		
Property taxes	106.2	105.6
Unrestricted investment Earnings	1.1	1.1
Total revenues	315.8	319.3
Expenses:		
General government	53.1	57.3
Public safety	14.4	12.5
Roads and bridges	0.6	1.0
Health, education, and welfare	159.0	158.4
Judicial	45.3	43.1
Corrections	28.0	24.8
Cultural and recreation	2.7	2.5
Community development	4.4	7.8
Interest on long-term debt	10.3	10.8
Total expenses	317.8	318.2
Change in net position	(2.0)	1.1
Net position – beginning	1.8	0.7
Net position – ending	\$ (0.2)	\$ 1.8

The decrease of \$2 million in net position was the result of the County's recognition of the 2010/2011 prison arbitration awards.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the sources of revenues for the year ended December 31, 2012:

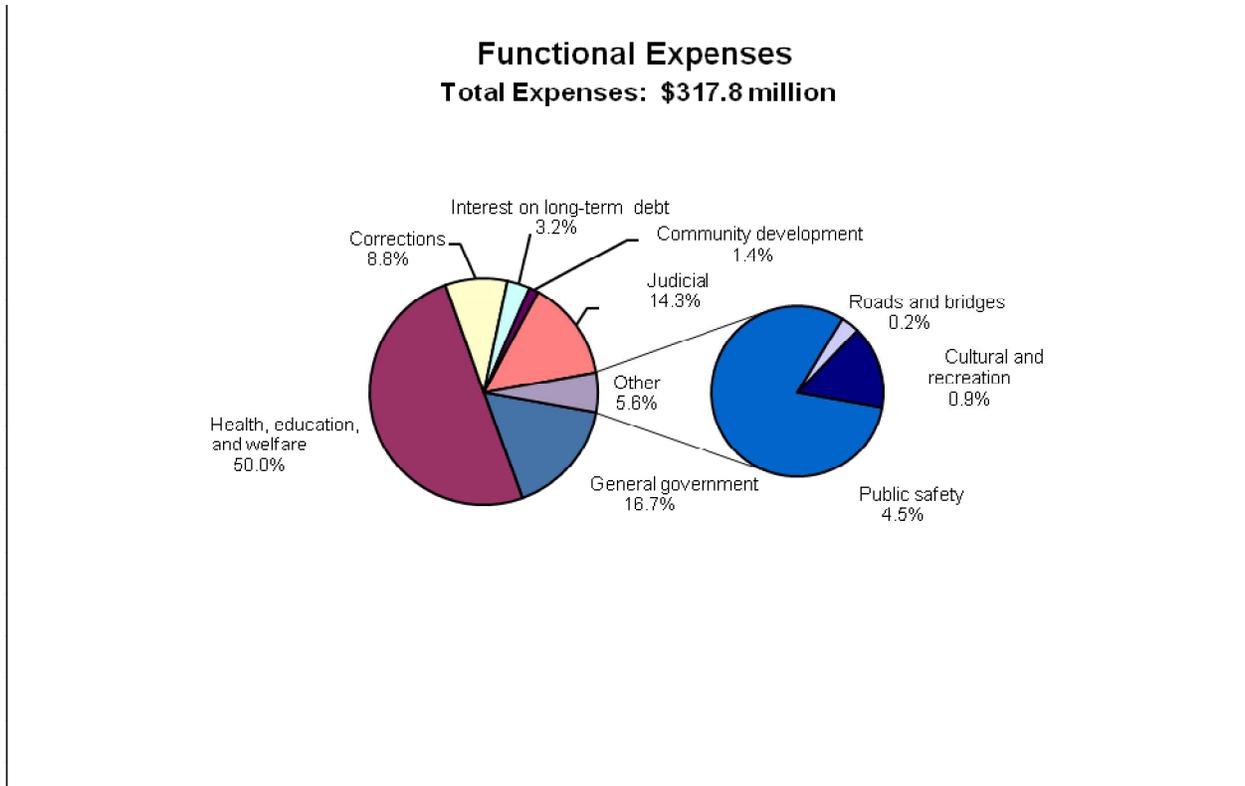
Sources of Revenues
Total revenues: \$315.8 million



Total government-wide revenues of \$315.8 million were derived primarily from operating grants and contributions, representing 56.2% of the total. Property taxes made up the second largest source of revenue at 33.6%, followed by charges for services at 9.9%, and unrestricted investment earnings at 0.3%.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the year ended December 31, 2012:



Total expenses for all programs in 2012 were \$317.8 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 50.0%. The second largest program area was general government at 16.7%, followed by judicial at 14.3%, corrections at 8.8%, other (cultural and recreation, public safety and roads and bridges) at 5.6%, interest on long term debt at 3.2%, and community development at 1.4%.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

GOVERNMENTAL FUNDS:

The General Fund, the Children and Youth Services special revenue fund, the 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, spendable (both restricted and unrestricted) fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

At December 31, 2012, the General Fund reported a fund balance of \$33.2 million, which was a \$22.0 million or 196.4% increase over the previous year's balance of \$11.2 million. This increase resulted from the county entering into a capital lease agreement for the P25 radio project. Revenues remained consistent from year to year at \$141.8 million. Expenditures increased from \$130.3 million to \$133.8 million, which was a \$3.5 million or 2.7% increase. This increase is the result of monies being spent on the P25 radio project as well as bond issuance costs.

The fund balance in the Children and Youth Services special revenue fund decreased to \$0.2 million at December 31, 2012, from \$1.6 million, a \$1.4 million or 87.5% decrease. Revenues decreased from \$32.2 million to \$30.7 million, a \$1.5 million or 4.7% decrease. This decrease is due to the fact that intergovernmental revenues fell due to a decrease in state funding. Expenditures increased from \$40.2 million to \$40.6 million, an increase of \$0.4 million or 1.0%. The increase was the result of higher costs for payroll and fringe benefits.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund increased to \$111.2 million from \$107.0 million, an increase of \$4.2 million or 3.9%. Expenditures increased from \$107.9 million to \$111.9 million, a \$4.0 million or 3.7% increase. The increases were the result of more units being billed for the TSM (Targeted Service Management) Program which is funded through medical assistance.

The fund balance in the Capital Projects Fund at December 31, 2012, was \$19.2 million, up from \$9.5 million the previous year due to the completion of construction projects in 2012. This represents an increase of \$9.7 million or 102.1%. Revenues decreased to \$0.03 million from \$0.4 million the previous year, a decrease of \$0.4 million or 100.0%. Expenditures decreased to \$15.6 million, a decrease of \$4.0 million or 20.4% from the amount spent in the previous year of \$19.6 million. The increase in the fund balance is the result of new bonds being issued in 2012.

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 \$141.0 million to \$145.3 million, an increase of \$4.3 million or 3.0%. Actual revenues received totaled \$143.8 million or 99.0% of the final budget. Intergovernmental revenues fell \$1.5 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 \$141.2 million to \$146.7 million, an increase of \$5.5 million or 3.9%. Actual expenditures were \$134.3 million or 91.5% of the final budget due to cost saving measures implemented in 2012.

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, 2012, net of accumulated depreciation, amounted to \$270.3 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, 2012 and 2011:

Summary of Capital Assets		
	2012	2011
Land	\$ 5,275,585	\$ 5,275,585
Buildings and improvements	197,034,607	183,323,810
Improvements other than buildings	1,777,936	1,777,936
Furniture and equipment	37,004,792	36,236,978
Construction in Progress	-	921,833
Infrastructure	14,755,760	12,253,302
Easements	96,047,393	92,154,159
Less accumulated depreciation/amortization	<u>(81,601,579)</u>	<u>(74,876,725)</u>
Total	<u>\$ 270,294,494</u>	<u>\$ 259,066,878</u>

Total capital assets increased from \$259.1 million to \$270.3 million, an overall increase of \$11.2 million or 4.3%. Significant elements of this increase include a \$4 million dollar increase in easements as well as the completion of the forensic center and the Adult Probation building at 40 East King Street.

As of December 31, 2012, the County had \$718,989 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

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

LONG-TERM DEBT:

At December 31, 2012, the County had \$271 million of general obligation bonds and notes outstanding. This was an increase of \$10 million, or 3.8%, from the previous year. The following details activity related to general obligation bonds and notes during 2012:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2012	\$ 260,550,873
Debt issued	76,135,000
Less principal refunded	(52,597,673)
Less principal payments	<u>(13,102,700)</u>
Ending balance at 12/31/2012	<u>\$ 270,985,500</u>

BOND RATING:

The County's Series E of 2012 refunding bonds has been assigned an A1 rating with a stable outlook by Moody's Investors Service.

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

CAPITAL LEASE FINANCING:

The County entered into a \$26 million capital lease agreement for the P25 radio system project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key economic factors affecting the County include the following:

- The County's population has grown consistently over the past decade and the vast majority of the County's residents succeed in finding employment.
- The County's unemployment rate stands at 6.6%, which is a 6% increase over the previous year's rate of 6.2%. This rate compares favorably with the State's rate of 7.9% and the national rate of 7.8%.

These factors were considered in preparing the County's 2013 budget. Amounts available for appropriation in the General Fund budget are \$161.7 million, an increase of 14.7% over the final 2012 budget of \$141.0. Real estate taxes were budgeted to increase by \$10.2 million as a result of the increase in the millage rate. Also, \$12.5 million was budgeted for the radio project which is new in 2013.

Budgeted operating expenditures, excluding transfers, have increased 6.9% to \$152.5 million. The increase is due to the radio project expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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

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BASIC FINANCIAL STATEMENTS

County of Lancaster, Pennsylvania

Statement of Net Position

December 31, 2012

	Primary Government	Component Unit Lancaster County Convention Center Authority
ASSETS		
Cash and temporary investments:		
Operating	\$ 62,226,447	\$ 1,580,768
Other	1,036,344	-
Investments	1,041,903	-
Receivables:		
Room rental tax	-	529,375
Taxes, net of allowance for uncollectibles of \$90,532	2,927,190	-
Fines and costs, net of allowance for uncollectibles of \$32,426,805	4,680,258	-
Accounts	6,904,413	-
Due from other governments	8,645,870	-
Advances to providers and other governments	5,142	-
Other	18,595	42,875
Unamortized charges:		
Issuance costs, net of accumulated amortization of \$2,256,046 and \$164,340	3,000,880	1,333,991
Prepaid items	-	51,992
Restricted cash and investments	-	5,624,248
Capital assets not being depreciated/amortized:		
Land	5,275,585	1,579,621
Easements	96,047,393	-
Capital assets being depreciated/amortized:		
Buildings and improvements	197,034,607	75,078,380
Improvements other than buildings	1,777,936	-
Furniture and equipment	37,004,792	4,492,828
Infrastructure	14,755,760	-
Less accumulated depreciation/amortization	(81,601,579)	(8,705,505)
Total assets	<u>360,781,536</u>	<u>81,608,573</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in the fair value of hedging derivatives	7,457,615	-
Total deferred outflows of resources	<u>7,457,615</u>	<u>-</u>
LIABILITIES		
Accounts payable	7,208,990	321,972
Contracts payable	655,708	-
Retainage payable	254,705	-
Accrued interest payable	1,634,146	290,270
Unearned revenue	1,144,508	39,651
Payroll related accruals	4,137,074	4,307
Arbitrage rebate payable	-	73,061
Long-term liabilities:		
Due within one year	18,609,706	350,000
Due in more than one year	324,056,999	64,730,045
Derivative instruments - interest rate swap/swaption liability	5,448,568	2,667,740
Borrowing payable	5,337,704	20,975,990
Total liabilities	<u>368,488,108</u>	<u>89,453,036</u>
NET POSITION		
Net investment in capital assets	46,196,645	13,811,344
Restricted for:		
Federal and state grant programs	15,743,623	-
Capital projects	19,226,280	-
Public Safety	26,000,000	-
Community Development	1,884,223	-
Other	-	956,361
Unrestricted (deficit)	(109,299,728)	(22,612,168)
Total net position	<u>\$ (248,957)</u>	<u>\$ (7,844,463)</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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Lancaster County Convention Center Authority
Primary Government:					
Governmental activities:					
General government	\$ 53,090,406	\$ 9,711,321	\$ 6,061,463	\$ (37,317,622)	\$ -
Public safety	14,403,729	6,551,111	184,980	(7,667,638)	-
Roads and bridges	629,269	9,819	1,612,936	993,486	-
Health, education, and welfare:					
Drug and alcohol	3,518,826	85,259	3,583,158	149,591	-
Employment and training	5,279,958	-	5,262,516	(17,442)	-
Mental health/mental retardation	110,890,416	1,462,702	109,735,943	308,229	-
Office of aging	7,449,828	14,463	7,877,137	441,772	-
Children and Youth	31,457,283	1,806,789	29,654,372	3,878	-
Other	310,019	-	396,928	86,909	-
Judicial	45,303,625	9,154,345	8,198,497	(27,950,783)	-
Corrections	28,052,063	214,594	174,656	(27,662,813)	-
Cultural and recreation	2,749,572	279,979	197,605	(2,271,988)	-
Community development	4,398,384	1,884,223	4,398,384	1,884,223	-
Interest on long-term debt	10,298,347	-	-	(10,298,347)	-
Total governmental activities	<u>317,831,725</u>	<u>31,174,605</u>	<u>177,338,575</u>	<u>(109,318,545)</u>	<u>-</u>
Component unit:					
Convention Center	\$ 8,069,474	\$ 1,648,710	-	-	(6,420,764)
Total component unit	<u>\$ 8,069,474</u>	<u>\$ 1,648,710</u>	<u>\$ -</u>	<u>-</u>	<u>(6,420,764)</u>
General Revenues:					
Property taxes				106,177,196	-
Unrestricted investment earnings (loss)				1,097,557	665,130
Room rental tax					4,795,310
Total general revenues				<u>107,274,753</u>	<u>5,460,440</u>
Change in net position				(2,043,792)	(960,324)
Net position – beginning				1,794,835	(6,884,139)
Net position – ending				<u>\$ (248,957)</u>	<u>\$ (7,844,463)</u>

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

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2012

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and temporary investments:						
Operating	\$ 26,964,856	\$ -	\$ 1,113,859	\$ 20,085,545	\$ 14,062,187	\$ 62,226,447
Other	-	336,761	573,118	-	126,465	1,036,344
Investments	330,771	-	-	-	711,132	1,041,903
Receivables:						
Taxes	3,017,722	-	-	-	-	3,017,722
Less allowance for uncollectible taxes	(90,532)	-	-	-	-	(90,532)
Fines and costs	37,107,063	-	-	-	-	37,107,063
Less allowance for uncollectible fines and costs	(32,426,805)	-	-	-	-	(32,426,805)
Accounts	6,904,413	-	-	-	-	6,904,413
Due from other funds	595,275	-	-	-	-	595,275
Due from other governments	2,535,963	4,239,845	135,146	-	1,734,916	8,645,870
Advances to providers	-	-	-	-	5,142	5,142
Other	-	-	-	2,298	16,297	18,595
Total assets	\$ 44,938,726	\$ 4,576,606	\$ 1,822,123	\$ 20,087,843	\$ 16,656,139	\$ 88,081,437
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,074,605	\$ 2,204,907	\$ 1,486,095	\$ -	\$ 1,443,383	\$ 7,208,990
Contracts payable	-	-	-	655,708	-	655,708
Retainage payable	-	-	-	205,855	48,850	254,705
Due to other funds	-	595,275	-	-	-	595,275
Unearned revenue - taxes, fines & costs	6,181,688	-	-	-	-	6,181,688
Unearned revenue - intergovernmental	376,848	1,176,475	-	-	386,899	1,940,222
Payroll related accruals	3,114,183	410,911	336,028	-	328,725	4,189,847
Total liabilities	11,747,324	4,387,568	1,822,123	861,563	2,207,857	21,026,435
Fund balances:						
Restricted -						
Health, education, and welfare	-	189,038	-	-	625,786	814,824
Capital projects	-	-	-	19,226,280	-	19,226,280
Roads and bridges	-	-	-	-	2,897,306	2,897,306
General government	1,522,986	-	-	-	-	1,522,986
Public safety	26,540,769	-	-	-	-	26,540,769
Judicial	1,592,649	-	-	-	8,388,628	9,981,277
Community development	-	-	-	-	2,536,562	2,536,562
Assigned -						
Healthcare benefits	1,259,264	-	-	-	-	1,259,264
Postemployment benefits	2,275,734	-	-	-	-	2,275,734
Total fund balances	33,191,402	189,038	-	19,226,280	14,448,282	67,055,002
Total liabilities and fund balances	\$ 44,938,726	\$ 4,576,606	\$ 1,822,123	\$ 20,087,843	\$ 16,656,139	

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

Capital assets used in governmental activities are not current financial resources and, therefore are not reported as assets in the governmental funds. (Note 7)	270,294,494
Certain receivables are not available to pay for current-period expenditures and, therefore, are not recognized or unearned in the funds.	6,977,402
Long-term liabilities, including general obligation bonds, notes payable, capital leases, etc. are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (Note 3)	(344,575,855)
Total net position of governmental activities	\$ (248,957)

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, 2012

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Total Nonmajor Governmental	Total Governmental Funds
REVENUES						
Real estate taxes	\$ 106,170,287	\$ -	\$ -	\$ -	\$ -	\$ 106,170,287
Intergovernmental	8,292,460	28,858,658	109,735,943	-	27,651,251	174,538,312
Departmental	22,662,122	1,806,789	178,936	-	88,309	24,736,156
Fines and costs	3,131,476	-	-	-	-	3,131,476
Investment earnings	80,768	79	2,077	34,876	14,990	132,790
Other	1,418,768	-	4,056	-	2,710,161	4,132,985
Health Choices revenues	-	-	1,279,710	-	-	1,279,710
Total revenues	141,755,881	30,665,526	111,200,722	34,876	30,464,711	314,121,716
EXPENDITURES						
Current:						
General government	27,491,442	-	-	771,554	-	28,262,996
Public safety	12,548,142	-	-	-	-	12,548,142
Roads and bridges	-	-	-	-	274,373	274,373
Health, education, and welfare:						
Drug and alcohol	-	-	-	-	3,850,167	3,850,167
Employment and training	-	-	-	-	5,326,574	5,326,574
Mental health/mental retardation	-	-	111,332,163	-	-	111,332,163
Office of aging	-	-	-	-	8,636,289	8,636,289
Children and youth	-	40,606,706	-	-	-	40,606,706
Other	211,594	-	-	-	-	211,594
Judicial	41,031,517	-	-	-	6,285,990	47,317,507
Corrections	24,234,937	-	-	-	-	24,234,937
Cultural and recreation	2,475,240	-	-	-	-	2,475,240
Community development	-	-	-	-	4,398,384	4,398,384
Capital outlay	1,990,651	13,005	560,058	14,505,715	3,018,521	20,087,950
Debt Service:						
Principal retirement	13,102,700	-	-	-	-	13,102,700
Interest and fiscal charges	10,053,952	-	-	-	-	10,053,952
Bond issuance costs	650,298	-	-	347,228	-	997,526
Total expenditures	133,790,473	40,619,711	111,892,221	15,624,497	31,790,298	333,717,200
Excess (deficiency) of revenues over expenditures	7,965,408	(9,954,185)	(691,499)	(15,589,621)	(1,325,587)	(19,595,484)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	8,526,343	691,499	-	3,756,163	12,974,005
Transfers out	(12,974,005)	-	-	-	-	(12,974,005)
Discount on refunding bonds issued	(166,353)	-	-	-	-	(166,353)
Premium on refunding bonds issued	2,842,564	-	-	-	-	2,842,564
Face amount of refunding bonds issued	52,830,000	-	-	-	-	52,830,000
Payment to refunded bond escrow agent	(54,855,913)	-	-	-	-	(54,855,913)
Premium on bonds issued	-	-	-	2,042,228	-	2,042,228
Face amount of bonds issued	-	-	-	23,305,000	-	23,305,000
Capital leases	26,378,556	-	-	-	-	26,378,556
Total other financing sources (uses)	14,054,849	8,526,343	691,499	25,347,228	3,756,163	52,376,082
Net change in fund balances	22,020,257	(1,427,842)	-	9,757,607	2,430,576	32,780,598
Fund balances, January 1	11,171,145	1,616,880	-	9,468,673	12,017,706	34,274,404
Fund balances, December 31	\$ 33,191,402	\$ 189,038	\$ -	\$ 19,226,280	\$14,448,282	\$ 67,055,002

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, 2012

Net change in fund balances – total governmental funds	\$ 32,780,598
The change in net position reported for <i>governmental activities</i> in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over its estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period. (Note 3)	11,227,616
Unearned revenues that do not provide current financial resources and activities which are not recognized as available in the governmental funds, but are earned in the statement of activities.	1,353,789
The issuance of long-term debt (e.g., bonds, notes, capital leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (Note 3)	(33,740,512)
Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. (Note 3)	(5,744,559)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note 3)	<u>(7,920,724)</u>
Change in net position of governmental activities	<u><u>\$ (2,043,792)</u></u>

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

County of Lancaster, Pennsylvania

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2012

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments-operating	\$ 3,462,760	\$ 11,038,851
Investments, at fair value:		
U.S. Government securities	15,666,029	–
U.S. Government agency-mortgage backed securities	11,545,139	–
Domestic corporate bonds	19,328,523	–
Equity Mutual funds	44,831,022	–
Collateralized mortgage obligations	1,037,669	–
Domestic common stock	73,495,648	–
Real estate investment trust equity	9,154,646	–
International equity mutual funds	13,769,231	–
Brokered CDs	6,142,196	–
Total investments	194,970,103	–
Accrued employee contribution receivable	679,024	–
 Total assets	 <u>199,111,887</u>	 <u>11,038,851</u>
LIABILITIES		
Deposits and advances	–	3,249,406
Escrow liability	–	2,535,386
Other liabilities	–	785,197
Due to other governments	–	4,468,862
Total liabilities	<u>–</u>	<u>11,038,851</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 199,111,887</u>	<u>\$ –</u>

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

County of Lancaster, Pennsylvania

Statement of Changes in Fiduciary Net Position – Pension Trust Fund

For the Year Ended December 31, 2012

ADDITIONS

Contributions:		
Employer	\$	7,145,840
Plan members		4,699,968
Total contributions		<u>11,845,808</u>
Investment income:		
Net appreciation in fair value of investments		16,022,918
Interest and dividends		4,879,397
Less investment expenses		<u>(620,607)</u>
Net investment income		<u>20,281,708</u>
Total additions		<u>32,127,516</u>

DEDUCTIONS

Benefits paid to plan members and beneficiaries		11,840,410
Refunds of contributions paid to plan members and beneficiaries		684,001
Administrative expenses		<u>58,333</u>
Total deductions		<u>12,582,744</u>
Change in net position		19,544,772
Net position held in trust for pension benefits, January 1		<u>179,567,115</u>
Net position held in trust for pension benefits, December 31	\$	<u><u>199,111,887</u></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, 2012

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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

Component Unit

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Related Organizations

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Other Organization

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

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

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

Government-wide Financial Statements

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Government-wide Financial Statements (continued)

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

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

Fund Financial Statements

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements (continued)

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

Property taxes, fines, and costs due but not collected within 60 days after year-end are reflected as unearned 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 they are paid from current expendable financial resources. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized as fund liabilities when due and payable. As the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements (continued)

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

The following major funds are used by the County:

Governmental Funds:

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

- General Fund – The General Fund accounts for numerous County primary services (Public Safety, Judicial, Corrections, General Government, Cultural and Recreation, Debt Service, etc.) and is the primary operating unit of the County. It accounts for all financial resources of the general government, except those required to be accounted for by another fund.
- Children and Youth Services Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. These funds are restricted to provide support services to underprivileged juveniles.
- Mental Health and Mental Retardation Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. These funds are restricted to provide assistance and medical care to those individuals with mental health and developmental disability problems.

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)

- Capital Projects Fund – The Capital Projects Fund is used to account for the resources and expenditures related to construction within the County.

Other Funds:

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

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

C. Summary of Significant Accounting Policies – Component Unit

Basis of Accounting

The Convention Center Authority utilizes the accrual basis of accounting.

Cash and Cash Equivalents

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Hotel Room Rental Tax

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

During the year ended December 31, 2012, the Authority failed to meet certain financial covenants of the Bonds. As a result, the 20% of hotel room rental tax allocated to the PDCVB was diverted to the Trustee Bank of the Authority's Bonds and recognized as additional revenue for the months of April 2012 through December 2012.

D. New Accounting Pronouncements

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. GASB Statement No. 57 is effective for year ended December 31, 2012, but does not have an impact 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 year ended December 31, 2012. The County is not engaged in any service concession arrangements; therefore, this pronouncement does not have an impact on the County's financial statements.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. New Accounting Pronouncements (continued)

In November 2010, the GASB issued Statement No. 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, the adoption of GASB Statement No. 61 will have on the County's financial statements.

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB Statement No. 62 is effective for periods beginning after December 15, 2011. The County adopted this standard effective January 1, 2012; however, it did not have a significant impact on the County's financial statements.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." GASB Statement No. 63 provides accounting and financial reporting requirements for deferred outflows of resources and deferred inflows of resources as introduced and defined in GASB's Concepts Statement No. 4, "Elements of Financial Statements". This Statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". GASB Statement No. 63 is effective for periods beginning after December 15, 2011. The County adopted this standard effective January 1, 2012, which resulted in a change in the reporting of the County's deferred outflows of resources and net position.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. New Accounting Pronouncements (continued)

In June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53". GASB Statement No. 64 clarified whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. GASB Statement No. 64 is effective for periods beginning after June 15, 2011. The County adopted this standard effective January 1, 2012; however, it did not have a significant impact on the County's financial statements.

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

In March 2012, the GASB issued Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". Statement No. 66 removes the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type, amending Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues". This requires governments to base their decisions about governmental fund type usage for risk financing activities on the guidance in Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement also amends Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB Statement No. 66 is effective for periods beginning after December 15, 2012. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 66 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 June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25." Statement No. 67 improves financial reporting by state and local governmental pension plans. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB Statement No. 67 is effective for periods beginning after June 15, 2013. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 67 will have on the County's financial statements.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." Statement No. 68 improves information provided by state and local governmental employers and financial support for pension that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflow of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 68 is effective for periods beginning after June 15, 2014. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 68 will have on the County's financial statements.

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. GASB Statement No. 69 is effective for periods beginning after December 15, 2013 and should be applied on a prospective basis. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 69 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 April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB Statement No. 70 is effective for periods beginning after June 15, 2013. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 70 will have on the County's financial statements.

2. Assets, Liabilities and Net Position

Pooled Cash and Temporary Investments

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

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

Investments

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Position (continued)

Investments (continued)

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

Short-Term Interfund Receivables/Payables

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

Restricted Assets

Discretely Presented Component Unit

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and investments, in the amount of \$5,624,248 on the statement of net position because their use is limited by applicable trust indentures or other agreements.

Capital Assets

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

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

Maintenance, repairs, 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Position (continued)

Capital Assets (continued)

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

Capital assets of the County are depreciated using the straight-line method over the estimated useful lives of purchased 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.

Unearned Revenue

The County reports unearned revenue in its governmental funds. Unearned 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.

Unearned revenue also 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Position (continued)

Accrued Vacation and Sick Pay

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

Risk Management

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

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

The County manages the financial risk of unemployment benefits through retention of all liability exposure. The liability for claims is estimated using the actual claims incurred, and due during the year, but paid subsequent to year-end.

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

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

Fund Balance

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Position (continued)

Fund Balance (continued)

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

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

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

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

Nonspendable Fund Balance

Nonspendable fund balance is the component of fund balance that is not available for expenditure and typically represents prepaid items.

Restricted Fund Balance

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

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

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

Roads and bridges – Amounts used for the restricted purpose of maintaining and replacing County owned bridges and roads.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Position (continued)

Fund Balance (continued)

Restricted Fund Balance (continued)

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

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

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

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

Unrestricted Fund Balance

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

Fund Balance Assignments

Assigned fund balance represents the County's plans for future use of the County's net financial resources which are not otherwise restricted or committed.

Assignments have been established in the general fund as follows:

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

2. Assets, Liabilities and Net Position (continued)

Leases

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

Intergovernmental Revenues

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

Departmental Revenues

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

Investment Earnings

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

Derivatives – Interest Rate Swap/Swaptions

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

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

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

The governmental fund balance sheet includes reconciliation between *total fund balance – total governmental funds* and *total net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.” The detail of this \$344,575,855 difference is as follows:

General obligation bonds and notes payable	\$ 270,985,500
Less: Unamortized charge on refundings (amortized as expense)	(3,019,146)
Less: Unamortized charge for issuance costs (amortized as expense)	(3,000,880)
Plus: Issuance premium (amortized as income)	8,792,414
Accrued vacation and sick pay	5,672,780
Net pension obligation	1,238,974
Net OPEB obligation	28,537,809
Accrued interest payable	1,634,146
Deferred outflow from interest rate swap	(7,457,615)
Derivative instrument – interest rate swap/swaption liability	5,448,568
Borrowing payable	5,337,704
Capital leases	26,378,556
Contracts payable	652,339
Claims and judgments	2,454,391
Workers’ compensation	920,315
Net adjustment to <i>total fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$ 344,575,855

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over its estimated useful lives and reported as depreciation/ amortization expense.” The detail of this \$11,227,616 difference is as follows:

Capital outlay	\$ 17,952,470
Depreciation/amortization expense	<u>(6,724,854)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 11,227,616</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, notes, capital leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The detail of this \$(33,740,512) difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (76,135,000)
Capital leases	(26,378,556)
Swaptions net change in fair value	814,431
Principal repayments:	
General obligation debt	13,087,700
Repayment on installment purchase agreement	15,000
Payment to escrow agent for refunding	<u>54,855,913</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ (33,740,512)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

Another element of that reconciliation states that, “governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are amortized in the statement of activities.” The detail of this \$(5,744,559) difference is as follows:

Bond issuance costs	\$ 1,376,082
Bond discounts	166,353
Bond premiums	(4,884,792)
Net unamortized amounts on refunding and prepayments	<u>(2,402,202)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ (5,744,559)</u>

Another element of that reconciliation states that, “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The detail of this \$(7,920,724) difference is as follows:

Accrued vacation and sick pay	\$ (657,918)
Contracts payable	(652,339)
Claims and judgments	(2,454,391)
Net pension obligation	57,085
Net OPEB obligation	(3,828,338)
Accrued interest payable	(94,059)
Amortization of loss on refunding	(920,282)
Amortization of issuance costs	(702,945)
Workers' compensation and unemployment compensation	856,248
Amortization of net bond premiums	<u>476,215</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ (7,920,724)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

4. Budgets and Budgetary Accounting

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

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

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

5. Deposits and Investments

Deposits

At December 31, 2012, the County's bank balances, which include cash and temporary investments, totaled \$78,448,637. Of the bank balances, \$14,000,667 was covered by Federal depository insurance, \$25,005,230 was invested in money market funds which do not expose the County to custodial credit risk, and the remainder was categorized as uninsured and collateralized with securities held by the pledging financial institution's agent but not in the County's name under Act 72 of the Commonwealth of Pennsylvania. Although the County follows the Pennsylvania County Code, the County does not have a formal policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

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, 2012, the County's non-pension investments included \$26,035,558 invested in U.S. Treasury Strips, Mutual Funds, Money Market Funds and Certificates of Deposit. Of the investment balance, \$199,142 was covered by federal depository insurance. The U.S. Treasury Strips are not insured, are not registered in the name of the County, and are held by the counterparty in the counterparty's name. The \$25,005,230 invested in Money Market Funds does not expose the County to custodial credit risk, as noted above. The County limits its exposure to custodial credit risk by maintaining only those non-pension investments required by sinking fund or other similar contractual requirements. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

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, 2012, the County's non-pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Non-pension Investments					
U.S. Treasury Strips	\$ 711,132	\$ -	\$ 355,486	\$ 174,758	\$ 180,888
Money Market Funds	<u>25,005,230</u>	<u>25,005,230</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-pension Investments - Debt Securities	25,716,362	<u>\$ 25,005,230</u>	<u>\$ 355,486</u>	<u>\$ 174,758</u>	<u>\$ 180,888</u>
Mutual Funds	120,054				
Certificates of Deposit	<u>199,142</u>				
Total Investments	<u>\$ 26,035,558</u>				

Of the \$26,035,558, \$1,041,903 is classified as investments and the remainder is classified as cash and temporary investments in the Statement of Net Position.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Non-Pension Investments (continued)

Credit Risk

The following schedule details the County's exposure to credit risk with respect to non-pension investments at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Investments		
Money Market Funds	\$ 11,575	AAA
Money Market Funds	24,993,655	Not rated
U.S. Treasury Strips	711,132	N/A
Mutual Funds	120,054	N/A
Certificates of Deposit	199,142	N/A
Total Investments	<u>\$ 26,035,558</u>	

*expressed as Standard & Poor's quality ratings

Pension Investments

Pension investments by type were as follows at December 31, 2012:

	<u>Fair Value</u>
Investments	
U.S. Government Securities	\$ 15,666,029
U.S. Government Agency – Mortgage Backed Securities (MBS)	11,545,139
Domestic Corporate Bonds	19,328,523
Collateralized Mortgage Obligations	1,037,669
Domestic Common Stock	73,495,648
Equity Mutual Funds	44,831,022
International Equity Mutual Funds	13,769,231
Real Estate Investment Trust Equity	9,154,646
Brokered CDs	6,142,196
Total Investments	<u>\$ 194,970,103</u>

Additionally, the County maintains money market funds with a fair value of \$3,462,760, which are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Credit Risk (continued)

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Investments		
Domestic Corporate Bonds	810,352	AA+
Domestic Corporate Bonds	771,174	AA
Domestic Corporate Bonds	1,494,855	AA-
Domestic Corporate Bonds	3,014,767	A+
Domestic Corporate Bonds	4,481,078	A
Domestic Corporate Bonds	4,490,527	A-
Domestic Corporate Bonds	1,967,147	BBB+
Domestic Corporate Bonds	2,032,693	BBB
Domestic Corporate Bonds	198,113	BBB-
Domestic Corporate Bonds	<u>67,817</u>	N/A
Total Domestic Corporate Bonds	\$ 19,328,523	
Collateralized Mortgage Obligations	\$ 742,046	AAA
Collateralized Mortgage Obligations	<u>295,623</u>	A+
Total Collateralized Mortgage Obligations	\$ 1,037,669	
U.S. Government Agency - MBS	\$ 2,122,198	AA+
Total U.S. Government Agency – MBS	\$ 2,122,198	
U.S. Government Securities	15,666,029	N/A
U.S. Government Agency – MBS	9,422,942	N/A
Domestic Common Stock	73,495,647	N/A
Equity Mutual Funds	44,831,022	N/A
International Equity Mutual Funds	13,769,231	N/A
Brokered CDs	6,142,196	N/A
Real Estate Investment Trust Equity	<u>9,154,646</u>	N/A
Total Investments	<u>\$ 194,970,103</u>	

*expressed as Standard & Poor's quality ratings

Additionally, the County maintains money market funds with a fair value of \$3,462,760, which are rated AAA and reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Credit Risk (continued)

Per County policy, the County manages its exposure to credit risk relative to pension investments by restricting the average quality of fixed income securities to meet or exceed a rating of "A₂" (S&P equivalent of an "A" rating), as determined by Moody's, and by the insistence of the minimum quality of any single fixed income security to meet or exceed "Baa" (S&P equivalent of a "BBB-"rating), as determined by Moody's.

Custodial Credit Risk

At December 31, 2012, the County's pension investments were subject to custodial credit risk except for \$3,462,760 invested in Money Market Funds, which do not expose the County to custodial credit risk. All pension investments are held by the counterparty in the counterparty's name and not the name of the County and are recorded by the counterparty in book entry form only in the name of the County. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Interest Rate Risk

At December 31, 2012, the County's pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Pension Investments					
U.S. Government Securities	\$ 15,666,029	\$ 1,564,377	\$ 7,458,171	\$ 6,111,536	\$ 531,945
U.S. Government Agency - MBS	11,545,139	1,260,764	3,900,145	1,544,121	4,840,109
Domestic Corporate Bonds	19,328,523	1,969,275	9,926,665	6,326,937	1,105,646
Collateralized Mortgage Obligations	<u>1,037,669</u>	<u>-</u>	<u>295,623</u>	<u>439,473</u>	<u>302,573</u>
Total Pension Investments – Debt Securities	47,577,360	<u>\$ 4,794,416</u>	<u>\$ 21,580,604</u>	<u>\$ 14,422,067</u>	<u>\$ 6,780,273</u>
Domestic Common Stock	73,495,648				
Equity Mutual Funds	44,831,022				
International Equity Mutual Funds	13,769,231				
Brokered CDs	6,142,196				
Real Estate Investment Trust Equity	<u>9,154,646</u>				
Total Investments	<u>\$194,970,103</u>				

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Interest Rate Risk (continued)

Additionally, the County maintains money market funds with a fair value of \$3,462,760, which have maturities of less than one year and are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

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

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

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2012, \$13,769,231 of the County's pension investments was held in an international equity mutual fund. The holdings within this fund are those of companies located outside of the United States, denominated in other than U.S. dollars. The County's pension investment policy limits the County's exposure to foreign currency risk by ensuring that no more than 22% of total pension investments are invested in international equity securities.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Discretely Presented Component Unit

Deposits

Custodial Credit Risk

At December 31, 2012, the Convention Center Authority's bank balance, which included cash, temporary investments and restricted cash, equaled \$1,583,592. Of the bank balance, \$500,000 was covered by Federal depository insurance at December 31, 2012. The remainder was exposed to custodial credit risk and categorized as collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The Convention Center Authority does not have a policy relative to managing custodial credit risk.

Investments

Investments of the Convention Center Authority are subject to the same Pennsylvania statutes and limits as the County's (non-pension) investments. At December 31, 2012, the Convention Center Authority's investments included \$1,310,989 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/Contract 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	\$ 1,310,989	\$ 1,310,989	\$ –	\$ –	\$ –
Guaranteed Investment Contracts	4,111,129	–	–	4,111,129	–
Total Investments	\$ 5,422,118	\$ 1,310,989	\$ –	\$ 4,111,129	\$ –

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Discretely Presented Component Unit

Investments (continued)

Credit Risk

At December 31, 2012, the Convention Center Authority’s investment in money market funds were rated AAAM 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.

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, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Guaranteed investment contracts:		
Citigroup Financial Product	\$ 4,111,129	75.82%

6. Property Taxes

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

6. Property Taxes (continued)

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2012 was 3.416 mills.

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,275,585	\$ —	\$ —	\$ 5,275,585
Easements	92,154,159	3,893,234	—	96,047,393
Construction in progress	921,833	—	921,833	—
Total capital assets, not being depreciated	98,351,577	3,893,234	921,833	101,322,978
Capital assets, being depreciated:				
Buildings and improvements	185,323,810	11,710,797	—	197,034,607
Improvements other than buildings	1,777,936	—	—	1,777,936
Furniture and equipment	36,236,978	1,638,679	870,865	37,004,792
Infrastructure	12,253,302	2,502,458	—	14,755,760
Total capital assets being depreciated	235,592,026	15,851,934	870,865	250,573,095
Less accumulated depreciation for:				
Buildings and improvements	54,880,295	4,843,044	—	59,723,339
Improvements other than buildings	527,632	60,141	—	587,773
Furniture and equipment	17,205,865	1,992,648	540,596	18,657,917
Infrastructure	2,262,933	369,617	—	2,632,550
Total accumulated depreciation	74,876,725	7,265,450	540,596	81,601,579
Total capital assets, being depreciated, net	160,715,301	8,586,484	330,269	168,971,516
Governmental activities capital assets, net	<u>\$ 259,066,878</u>	<u>\$ 12,479,718</u>	<u>\$ 1,252,102</u>	<u>\$ 270,294,494</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 3,103,239
Public safety	1,611,335
Roads and bridges	369,617
Health, education, and welfare	98,425
Judicial	537,173
Corrections	1,308,314
Cultural and recreation	237,347
Total depreciation expense – governmental activities	<u>\$ 7,265,450</u>

As of December 31, 2012, the County had \$718,989 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

Discretely Presented Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated::				
Land and improvements	\$ 1,579,621	\$ –	\$ –	\$ 1,579,621
Total capital assets, not being depreciated	1,579,621	–	–	1,579,621
Capital assets, being depreciated:				
Building	75,059,135	19,922	677	75,078,380
Furniture and equipment	4,484,511	8,317	–	4,492,828
Total capital assets being depreciated	79,543,646	28,239	677	79,571,208
Less accumulated depreciation for:				
Building	5,055,891	1,963,568	–	7,019,459
Furniture and equipment	1,225,085	460,961	–	1,686,046
Total accumulated depreciation	6,280,976	2,424,529	–	8,705,505
Total capital assets being depreciated, net	73,262,670	(2,396,290)	677	70,865,703
Capital assets, net	\$ 74,842,291	\$ (2,396,290)	\$ 677	\$ 72,445,324

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

8. Lease Obligations

Capital Leases

In 2012, the County entered into a lease agreement as lessee for financing the acquisition of a new communications system. Although the financing was in place, no capital purchases were made from the proceeds as of December 31, 2012. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, were as follows:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 2,226,973
2014	2,226,973
2015	2,226,973
2016	2,226,973
2017	2,226,973
2018-2022	11,134,868
2023-2027	11,134,868
Total minimum lease payments	<u>33,404,601</u>
Less: amount representing interest	<u>(7,026,045)</u>
Present value of minimum lease payments	<u><u>\$ 26,378,556</u></u>

Operating Leases

The County is committed under various leases for building and office space and data processing and other equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended December 31, 2012 amounted to \$3,230,725. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 3,283,711
2014	2,400,511
2015	2,149,508
2016	2,138,826
2017	2,154,834
2018-2022	4,567,026
2023-2027	81,250
2028-2032	30,000
Total	<u><u>\$ 16,805,666</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities

General Obligation Bonds and Notes

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

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

As determined under the Commonwealth of Pennsylvania Local Government Unit Debt Act of 1972, the legal debt margin of the County at December 31, 2012 was \$134,780,541.

General obligation bonds and notes consisted of the following at December 31, 2012:

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 \$126,000 to \$2,439,000 from October 25, 2013 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%.	25,000,000
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
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 \$4,610,000 to \$4,930,000 from May 1, 2013 to May 1, 2015.	14,285,000
5.85% Interest bearing installment purchase agreement in the amount of \$226,000, dated September 3, 2003, to finance the purchase of an agricultural easement, principal payable in full on November 15, 2023.	226,000
4.40% Interest bearing installment purchase agreement in the amount of \$150,000, dated April 30, 2003, to finance the purchase of an agricultural easement, principal payable annually in the amount of \$15,000 to January 20, 2013.	15,000
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 \$1,300,000 to \$2,110,000 from November 1, 2013 to November 1, 2023.	9,370,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

<p>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 \$750,000 to \$1,465,000 from March 1, 2013 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%.</p>	\$ 19,280,000
<p>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 \$735,000 to \$1,635,000 from March 1, 2013 to March 1, 2031.</p>	20,845,000
<p>3.625% – 5.00% General Obligation Bonds, Series A of 2006 in the principal amount of \$25,000,000 to provide funding for both farmland and natural land preservation and projects in the city, boroughs, and urban growth areas of townships of the County dated May 1, 2006, principal payable annually, varying in amounts from \$1,035,000 to \$1,865,000 from May 1, 2013 to May 1, 2026.</p>	19,540,000
<p>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 \$85,800 to \$1,932,600 from November 1, 2013 to November 1, 2021.</p>	9,686,500
<p>2.00% – 5.00% General Obligation Bonds Series A of 2009 in the principal amount of \$41,220,000 to refund the outstanding General Obligation Variable Rate Demand Bonds, Series B of 2003 and the outstanding General Obligation Bonds, Series of 2008 of the County and to finance certain capital projects dated August 14, 2009, principal payable annually, varying in amounts from \$2,185,000 to \$630,000 from November 1, 2013 to November 1, 2033.</p>	34,770,000
<p>0.80% – 3.125% General Obligation Bonds, Series A of 2010 in the principal amount of \$17,355,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,425,000 to \$1,805,000 from November 1, 2013 to November 1, 2022.</p>	15,940,000
<p>5.473% General Obligation Bonds, Series B of 2010 in the principal amount of \$9,425,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$635,000 to \$2,295,000 from November 1, 2026 to November 1, 2030.</p>	9,425,000
<p>4.744% General Obligation Bonds, Series C of 2010 in the principal amount of \$7,165,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,860,000 to \$1,405,000 from November 1, 2023 to November 1, 2026.</p>	7,165,000
<p>0.90% – 3.625% General Obligation Bonds, Series of 2011 in the principal amount of \$10,000,000 to partially refund Series A of 2001, dated December 16, 2011, principal payable annually, varying in amounts from \$50,000 to \$1,695,000 from November 1, 2013 to November 1, 2027.</p>	9,910,000
<p>2.00% - 5.00% General Obligation Bonds, Series A of 2012 in the principal amount of \$23,305,000 to finance certain capital projects dated April 13, 2012, principal payable annually, varying in amounts from \$825,000 to \$1,720,000 from November 1, 2013 to November 1, 2032.</p>	23,305,000
<p>0.65% - 3.00% General Obligation Bonds, Series B of 2012 in the principal amount of \$7,065,000 to refund the outstanding General Obligation Notes, Series A of 2001 of the County dated April 13, 2012, principal payable annually, varying in amounts from \$5,000 to \$1,325,000 from November 1, 2013 to November 1, 2021.</p>	7,065,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

1.00% - 5.00% General Obligation Bonds, Series C of 2012 in the principal amount of \$17,620,000 to refund the outstanding General Obligation Notes, Series B of 2001 of the County dated April 13, 2012, principal payable annually, varying in amounts from \$165,000 to \$1,480,000 from November 1, 2013 to November 1, 2019.	\$ 16,940,000
0.65% - 2.25% General Obligation Bonds, Series D of 2012 in the principal amount of \$7,910,000 to refund the outstanding General Obligation Bonds, Series A of 2002 of the County dated April 13, 2012, principal payable annually, varying in amounts from \$5,000 to \$3,790,000 from November 1, 2013 to November 1, 2020.	7,910,000
1.00% - 4.00% General Obligation Bonds, Series E of 2012 in the principal amount of \$20,235,000 to advance refund the outstanding General Obligation Bonds, Series of 2003 of the County dated August 29, 2012, principal payable annually, varying in amounts from \$435,000 to \$1,410,000 from November 1, 2013 to November 1, 2032.	<u>19,735,000</u>
Total general obligation bonds and notes payable	<u><u>\$ 270,985,500</u></u>

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

	Principal	Interest	Total
2013	\$ 13,751,800	\$ 9,152,396	\$ 22,904,196
2014	14,201,000	8,720,725	22,921,725
2015	14,694,300	8,251,325	22,945,625
2016	15,496,900	7,851,311	23,348,211
2017	16,993,400	7,263,269	24,256,669
2018-2022	80,572,100	27,926,360	108,498,460
2023-2027	69,968,000	15,302,763	85,270,763
2028-2032	44,678,000	4,148,850	48,826,850
2033-2037	630,000	31,500	661,500
	<u>\$ 270,985,500</u>	<u>\$ 88,648,499</u>	<u>\$ 359,633,999</u>

On April 13, 2012, the County issued General Obligation Bonds, Series A of 2012, in the amount of \$23,305,000 to finance certain capital projects. Principal is payable annually, ranging in amounts from \$825,000 to \$1,720,000 from November 1, 2013 to November 1, 2032.

On April 13, 2012, the County issued General Obligation Bonds, Series B of 2012, in the amount of \$7,065,000, to refund General Obligation Notes, Series A of 2001. Principal is payable annually ranging in amounts from \$5,000 to \$1,325,000 from November 1, 2013 to November 1, 2021. The refunding of the 2001A General Obligation Note resulted in a \$1,329,348 reduction to payments and an economic gain of \$1,251,971.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General Obligation Bonds and Notes (continued)

On April 13, 2012, the County issued General Obligation Bonds, Series C of 2012, in the amount of \$17,620,000, to refund General Obligation Notes, Series B of 2001. Principal is payable annually ranging in amounts from \$165,000 to \$1,480,000 from November 1, 2013 to November 1, 2019. The refunding of the 2001B General Obligation Note resulted in a \$2,709,510 reduction to payments and an economic gain of \$2,684,539.

On April 13, 2012, the County issued General Obligation Bonds, Series D of 2012, in the amount of \$7,910,000, to refund General Obligation Bonds, Series A of 2002. Principal is payable annually ranging in amounts from \$5,000 to \$3,790,000 from November 1, 2013 to November 1, 2020. The refunding of the 2002A General Obligation Bond resulted in a \$946,621 reduction to payments and an economic gain of \$902,344.

On August 29, 2012, the County issued General Obligation Bonds, Series E of 2012, in the amount of \$20,235,000, to advance refund General Obligation Bonds, Series 2003. Principal is payable annually ranging in amounts from \$435,000 to \$1,410,000 from November 1, 2013 to November 1, 2032. The refunding of the 2003 General Obligation Bond resulted in a \$2,080,037 reduction to payments and an economic gain of \$1,960,651. As of December 31, 2012, \$19,290,000 of these bonds outstanding is classified as defeased.

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, 2012, \$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, 2012, the following changes occurred in long-term liabilities:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 260,550,873	\$ 76,135,000	\$ 65,700,373	\$ 270,985,500	\$ 13,751,800
Deferred amounts on refundings	(3,939,428)	(1,483,781)	(2,404,063)	(3,019,146)	(356,145)
Net premium (discount) on bonds payable	4,550,190	4,718,439	476,215	8,792,414	476,215
Claims and judgments	-	2,454,391	-	2,454,391	2,454,391
Accrued vacation and sick pay	5,014,862	940,013	282,095	5,672,780	282,095
Net pension obligation	1,296,059	7,085,749	7,142,834	1,238,974	-
Net OPEB obligation	24,709,471	6,024,243	2,195,905	28,537,809	-
Capital leases	-	26,378,556	-	26,378,556	1,338,846
Contracts payable	-	652,339	-	652,339	404,849
Unemployment compensation	461,735	434,395	852,022	44,108	44,108
Workers' compensation	1,314,828	131,807	517,655	928,980	213,547
Governmental activities long-term liabilities	<u>\$ 293,958,590</u>	<u>\$122,471,151</u>	<u>\$ 74,763,036</u>	<u>\$ 342,666,705</u>	<u>\$ 18,609,706</u>

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

Discretely Presented Component Unit

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

Hotel Room Rental Tax and all monies and investments held by the Trustee Bank under the related indenture and are initially secured by an irrevocable, direct pay letter of credit issued by Wachovia Bank, National Association.

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

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

The bank extended the mandatory purchase date related to the bonds to January 2, 2014. All other provisions of the agreement remain in effect through the mandatory purchase date.

Under the agreement, the interest rate was converted from the weekly rate to the index interest rate. The bonds will bear interest at a per annum rate of interest equal to the sum of (i) the index, defined as 67% of LIBOR, and (ii) the applicable spread, commencing October 3, 2011. The applicable spread effective from October 3, 2011 through February 28, 2012 was defined as 95 basis points on the Series of 2003 bonds and 125 basis points on the Series of 2007 bonds. Effective March 1, 2012, the applicable spread increased to 175 basis points on the Series of 2003 bonds and 190 basis points on the Series of 2007 bonds. The applicable spread can be reduced if the

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

Convention Center Authority is able to accomplish certain milestones as set forth in the agreement. At December 31, 2012, the index interest rate on the Series of 2003 bonds and the Series of 2007 bonds was 1.891 percent and 2.041 percent, respectively.

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

Debt service requirements are as follows:

	Principal	Interest	Total
2013	\$ -	\$ 3,458,538	\$ 3,458,538
2014	63,590,000	288,212	63,878,212
	<u>\$ 63,590,000</u>	<u>\$ 3,746,750</u>	<u>\$ 67,336,750</u>

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012	Due Within One Year
Revenue bonds payable	\$ 63,590,000	\$ -	\$ -	\$ 63,590,000	\$ -

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

Future principal and interest payments under the note are as follows:

	Principal	Interest	Total
2013	\$ 350,000	\$ 25,229	\$ 375,229
2014	400,000	12,833	412,833
	<u>\$ 750,000</u>	<u>\$ 38,062</u>	<u>\$ 788,062</u>

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 County's actuary. The Bureau of Workers' Compensation issued an exemption permit renewing the County's self-insurance status on February 1, 2012.

The County is also self-insured for unemployment compensation. The liability represents claims incurred and due during the year, but paid subsequent to year-end.

Changes in the County's self-insurance claims reserves for the years ended December 31, 2012 and 2011 were as follows:

	Reserve Balance as of January 1, 2012	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2012
Unemployment Compensation	\$ 461,735	\$ 434,395	\$ 852,022	\$ 44,108
Workers' Compensation	1,314,828	131,807	517,655	928,980
Total Unemployment Compensation and Workers' Compensation	\$ 1,776,563	\$ 566,202	\$ 1,369,677	\$ 973,088
	Reserve Balance as of January 1, 2011	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2011
Unemployment Compensation	\$ 599,632	\$ 380,742	\$ 518,639	\$ 461,735
Workers' Compensation	1,395,844	455,216	536,232	1,314,828
Total Unemployment Compensation and Workers' Compensation	\$ 1,995,476	\$ 835,958	\$ 1,054,871	\$ 1,776,563

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

11. Interfund Balances

Individual fund receivable and payable balances at December 31, 2012 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 595,275	\$ -
Children and Youth Services Fund	-	595,275
Total	\$ 595,275	\$ 595,275

The balance due to the General Fund resulted from a cash deficit position in the Children and Youth Services Fund.

12. Interfund Transfers

Interfund transfers for the year ended December 31, 2012 consisted of the following:

	Interfund Transfers-In	Interfund Transfers-Out
General Fund	\$ -	\$ 12,974,005
Children and Youth Services Fund	8,526,343	-
Mental Health/Mental Retardation Fund	691,499	-
Nonmajor Governmental Funds	3,756,163	-
Total	\$ 12,974,005	\$ 12,974,005

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, 2012, \$2,365,952 in fines and costs receivable are expected to be collected in more than one year.

14. Commitments and Contingent Liabilities

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

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

The County Commissioners rejected the age provisions of an interest arbitration award for the Prison correctional officers bargaining unit as advisory within the meaning of the Public Employees Relations Act for years 2010 and 2011. The union filed two unfair labor practice charges with the Pennsylvania Labor Relations Board (PLRB) which found the interest arbitration awards to be binding for both years 2010 and 2011. The County appealed both cases to both the Pennsylvania Commonwealth Court and the Pennsylvania Supreme Court. On September 11, 2013, the Pennsylvania Supreme Court denied the County's Petition for Allowance of Appeal in the 2010 case, thereby obligating the County to implement the interest arbitration award for 2010. Following that decision, the County voluntarily elected to withdraw the pending Petition for Allowance of Appeal to the Pennsylvania Supreme Court on the 2011 case, thereby implementing the interest arbitration award for 2011. Accordingly, the County has recorded a claims and judgments liability in the amount of \$2,454,391 for the interest arbitration awards for both 2010 and 2011, and this amount also includes amounts relating to 2012 wages. This amount is expected to be fully satisfied in the subsequent year.

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 \$1,509,960 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, 2012.

As of December 31, 2012, 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, 2012, \$9,895,000 of the bonds remained outstanding.

On May 12, 2005, the County guaranteed lease rental debt of the Redevelopment Authority to be incurred during the undertaking of the stadium project. At December 31, 2011, the County's guarantee equaled a maximum annual principal amount of \$1,098,951.

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

Discretely Presented Component Unit

Under the continuing covenant agreement, the Convention Center Authority is required to maintain certain minimum balances in the funds held at the Trustee Bank. Failure to meet this liquidity covenant for any quarterly period represents an event of default. During the year ended December 31, 2012, the Convention Center Authority failed to meet this liquidity covenant for the quarters ending March 31, June 30, and September 30, 2012. As a result of the event of default, the Bank directed the County to divert the 20% of hotel room rental tax allocated to the PDCVB to the Trustee Bank of the Convention Center Authority's bonds for the months of February 2012 through October 2012, which was received in April 2012 through December 2012. As of December 31, 2012, the Convention Center Authority has met all financial covenants required under the continuing covenant agreement, including the liquidity covenant, which requires a minimum balance of \$5,250,000 in funds held at the Trustee Bank. As a result, the Bank directed the County to remit the 20% of hotel room revenue tax to the PDCVB for the months of November 2012 and December 2012, which was received in January 2013 and February 2013, respectively.

Subsequent to the year ended December 31, 2012, the Convention Center Authority failed to meet this liquidity covenant for the quarters ending March 31 and June 30, 2013. As a result of the event of default, the Bank directed the County to divert the 20% of hotel room rental tax allocated to the PDCVB to the Trustee Bank of the Convention Center Authority's bonds for the months of February 2013 through current, which was received in April through current.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. 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 \$28,537,809 and \$3,828,338, respectively, in governmental activities.

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

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 2012, contribution rates for Plan members under 65 equaled \$35 per participant per month. Contribution rates for Plan members 65 and over equaled \$70 per participant per month. For the year ended December 31, 2012, Plan members receiving benefits paid \$413,510, which was used to offset the County's total outlays to insurance carriers equaling \$2,609,415 for current year premiums due. The net outlay from the County, which equaled \$2,195,905, 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)

15. 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	\$ 6,464,983
Interest on net OPEB obligation	988,379
Adjustment to annual required contribution	<u>(1,429,119)</u>
Annual OPEB cost	6,024,243
Contributions made	<u>(2,195,905)</u>
Increase in net OPEB obligation	3,828,338
Net OPEB obligation – beginning of year	<u>24,709,471</u>
Net OPEB obligation – end of year	<u><u>\$ 28,537,809</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
12/31/10	\$ 5,650,079	26.88%	\$ 20,178,960
12/31/11	\$ 6,105,052	25.79%	\$ 24,709,471
12/31/12	\$ 6,024,243	36.45%	\$ 28,537,809

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Postretirement Healthcare Benefits (continued)

Funding Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$71,586,159, resulting in an unfunded actuarial accrued liability (UAAL) of \$71,586,159. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$76,433,494, and the ratio of the UAAL to the covered payroll equaled 93.7%.

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

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

Actuarial Methods and Assumptions

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Postretirement Healthcare Benefits (continued)

Actuarial Methods and Assumptions (continued)

In the actuarial valuation dated January 1, 2012, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4.0% discount rate, which approximates the expected rate of return on non-pension investments held by the County. The general inflation rate assumption is 3%. Actuarial assumptions also included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

16. 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, 2012, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,116
Terminated Plan members enrolled but not yet receiving benefits	175
Active Plan members	<u>1,770</u>
Total members	<u><u>3,061</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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Description of Plan (continued)

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

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

Covered employees are required by the Act to contribute to the Plan at a rate of 5% of their gross pay. Employees may contribute up to an additional 10% of gross pay, at their option. The contributions are recorded in an individually identified account which is also credited with interest, calculated to yield between 4.0% - 5.5% (as determined by the Retirement Board) compounded annually. Accumulated employee contributions and credited interest, which amounted to \$60,383,003 as of December 31, 2012, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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

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

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

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

Administrative costs of the Plan, in accordance with a 1991 amendment to the Act, may be paid from Plan assets unless it is determined by the actuary that such payment will impair the actuarial soundness of the Plan. During 2012, all administrative costs totaling \$58,333 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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.

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

The net pension obligation and the annual required contribution were determined as part of an actuarial valuation at December 31, 2012. The entry age normal cost method was used. 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 7,142,834
Interest on net pension obligation	97,204
Adjustment to annual required contribution	(154,289)
Annual pension cost	7,085,749
Contributions made	7,142,834
Decrease in net pension obligation	(57,085)
Net pension obligation beginning of year	1,296,059
Net pension obligation, end of year	\$ 1,238,974

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 7,096,969	113%	\$ 1,623,254
2011	\$ 7,227,678	105%	\$ 1,296,059
2012	\$ 7,085,749	101%	\$ 1,238,974

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Plan was 80.6% funded. The actuarial accrued liability for benefits was \$241,101,765, and the actuarial value of assets was \$194,240,337, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,861,428. The covered payroll (annual payroll of active employees covered by the Plan) was \$76,305,642, and the ratio of the UAAL to the covered payroll was 61.4%.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Legally Required Reserves

At December 31, 2012, the County has a balance of \$60,383,003 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, 2012. Since those accumulations represent the present value of future benefits as of December 31, 2012, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$27,230,624 in the County Annuity Reserve Account as of December 31, 2012. 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, 2012 amounted to \$92,509,173.

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

17. 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

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.

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, 2012, are as follows. The swap and swaption agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated original debt series.

Hedged Derivative Instruments – Floating to Fixed Swap

Associated Debt Series	Effective Date	Termination Date	Type	County Pays	County Receives	Swap Notional Amount	Cash Received at Initiation	Classification	Change in Fair Value	Classification	Fair Value 12/31/2012	Counterparty Credit Rating*
GON 2002A	1/1/2002	10/25/2030	Pay-fixed/ receive- variable swap	5.195%	60% LIBOR +30.3bp	<u>\$25,000,000</u>	<u>\$3,000,000</u>	Deferred Outflows of Resources	<u>\$357,297</u>	Debt	<u>\$(9,795,193)</u>	A / A+

*Standard & Poor's and Fitch credit ratings

The unamortized portion of the up-front premium received by the County related to the swap or hedged derivative instrument is considered a borrowing for financial reporting purposes and is recorded as a liability in the government-wide financial statements in the amount of \$1,860,870.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Credit Risk

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

Basis Risk

Basis risk exists to the extent the County's variable rate debt coupon payments do not exactly equal the index on the associated swap. The swap exposes the County to basis risk, should the relationship between the 1-Month LIBOR rate, the basis of the swap interest payments, and SIFMA, the basis of the associated debt's interest payments, converge, thus changing the synthetic rate on the associated debt. The effect of this difference in basis is indicated by the differences between the intended synthetic rates and the actual synthetic rates as of December 31, 2012. At December 31, 2012, the 1-Month LIBOR rate equaled 0.20870% and SIFMA equaled 0.13%.

Interest Rate Risk

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

Termination Risk

The termination exposure of the County's swap and swaption agreements at December 31, 2012 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 refunded GOB 2003 Debt Series without cause with certain limitations.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Termination Risk (continued)

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 12/31/2012	Counterparty Credit Rating*
GOB 2001A	**	11/1/2027	Pay-variable/ receive-fixed swaption	SIFMA	3.90%	\$16,415,000	\$ 870,000	Investment Earnings	\$ 316,546	Investment	\$ (342,099)	A / A+
GOB 2002A	**	11/1/2020	Pay-variable/ receive-fixed swaption	SIFMA	3.80%	7,340,000	395,000	Investment Earnings	102,025	Investment	(54,586)	A / A+
GOB 2003	**	11/1/2032	Pay-variable/ receive-fixed swaption	SIFMA	3.95%	18,710,000	1,150,000	Investment Earnings	395,860	Investment	(594,404)	AA- / AA
						<u>\$42,465,000</u>	<u>\$2,415,000</u>		<u>\$814,431</u>		<u>\$(991,089)</u>	

* Standard & Poor's and Fitch credit ratings

**Effective date not applicable since none of the swaptions has been exercised as of December 31, 2012.

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 \$3,476,835.

Credit Risk

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

Interest Rate Risk

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

There were no derivative instruments reclassified from hedging derivative instruments to investment derivative instruments during the year ended December 31, 2012.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Swap Payments and Associated Debt

Using rates as of December 31, 2012, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. As rates vary, variable rate debt interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable Rate Debt		Interest Rate	Total
	Principal	Interest	Swap, Net	
2013	\$ 126,000	\$ 32,469	\$ 1,190,631	\$ 1,349,100
2014	177,000	32,293	1,184,172	1,393,465
2015	187,000	32,061	1,175,645	1,394,706
2016	288,000	31,793	1,165,834	1,485,627
2017	1,178,000	31,203	1,144,201	2,353,404
2018-2022	6,949,000	131,014	4,804,154	11,884,168
2023-2027	9,182,000	79,875	2,928,863	12,190,738
2028-2032	6,913,000	16,650	610,466	7,540,116
Total	<u>\$ 25,000,000</u>	<u>\$ 387,358</u>	<u>\$ 14,203,966</u>	<u>\$ 39,591,324</u>

Discretely Presented Component Unit

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

Objective of the Interest Rate Swap

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Pursuant to the swap contracts, the Convention Center Authority pays or receives to/from the counterparty a monthly net swap payment. For the year ended December 31, 2012, the Authority paid \$1,390,884 and \$814,748 fixed and received \$56,028 and \$33,784 variable with respect to the swap on the Series of 2003 and Series of 2007, respectively.

Interest Rate Risk

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

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

Fair Value

Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value is based upon mid-market quotations for the transactions. Mid-market quotations are based on bid/ask quotations shown on reliable electronic information screens as of close of business on the date specified. Such amounts represent the present value difference between the floating rate receipt and fixed rate payment as of December 31, 2012 and the termination value fluctuates as the interest rates fluctuate.

Because the 2011 amendment and restatement changed the critical terms of the swap agreements, the original swap was effectively terminated upon amendment. At the date of amendment, the swap had negative fair values of \$12,496,248 and \$9,306,775 for the Series of 2003 Bonds and Series of 2007 Bonds, respectively. As such, the deferred outflows were charged to investment loss on swap termination and the swap liability was reclassified to a swap borrowing on the statement of net position. Governmental accounting standards require that the borrowing be amortized to offset interest expense over the life of the bonds.

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

Associated Debt Series	Notional Amount	January 1, 2012 – Fair Value	Amortization of Swap Borrowing	Change in Fair Value Subsequent to Termination	December 31, 2012 – Fair Value
Series of 2003 Bonds	\$39,670,000	\$(14,035,249)	\$403,105	\$50,533	\$(13,581,611)
Series of 2007 Bonds	23,920,000	(10,789,047)	258,522	468,406	(10,062,119)
		<u>\$(24,824,296)</u>	<u>\$661,627</u>	<u>\$518,939</u>	<u>\$(23,643,730)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

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

Accounting and Risk Disclosures

As noted in the fair value table above, the effect of the termination of the original swap resulted in a swap borrowing. At December 31, 2012, current period changes in fair value from the swap are accounted for as an investment and are recorded on the statement of activities as change in fair value of interest rate swap. The fair value of the outstanding swap as of December 31, 2012 is reported on the statement of net position as a combination of interest rate swap liability and swap borrowing.

Credit Risk

As of December 31, 2012, the Convention Center Authority's swap agreements were not exposed to credit risk, because they had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Convention Center Authority would be exposed to credit risk in the amount of the swap agreement's fair value. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds. At December 31, 2012, the counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's, and AA- by Fitch.

Swap Payments and Associated Debt

The pending mandatory purchase date of March 1, 2013 has been extended to January 2, 2014. If, on the mandatory tender date associated with the bonds, the Bank is no longer the owner of the bonds, a settlement amount will be payable to the Bank equal to the market value on the date of termination, calculated in accordance with the ISDA Master Agreement and Schedule.

Using rates as of December 31, 2012, debt service payments of the Series of 2003 Bonds and Series of 2007 Bonds and net swap payments, assuming current interest rates and floating rates under the swap agreement remain the same for their term, were as follows. As these rates vary, interest payments on the Series of 2003 Bonds and Series of 2007 Bonds and net payments under the swap agreements will vary:

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Derivative Instruments (continued)

Discretely Presented Component Unit (continued)

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

Series of 2003, Hotel Room Rental Tax Revenue Bonds

Fiscal Year Ending December 31	Principal	Interest	Swap Agreement Payments, Net	Total
2013	\$ -	\$ 750,253	\$ 1,399,861	\$ 2,150,114
2014	39,670,000	62,521	116,655	39,849,176
Total	<u>\$ 39,670,000</u>	<u>\$ 812,774</u>	<u>\$ 1,516,516</u>	<u>\$ 41,999,290</u>

Series of 2007, Hotel Room Rental Tax Revenue Bonds

Fiscal Year Ending December 31	Principal	Interest	Swap Agreement Payments, Net	Total
2013	\$ -	\$ 488,264	\$ 820,160	\$ 1,308,424
2014	23,920,000	40,689	68,347	24,029,036
Total	<u>\$ 23,920,000</u>	<u>\$ 528,953</u>	<u>\$ 888,507</u>	<u>\$ 25,337,460</u>

18. Negative Net Position

Discretely Presented Component Unit

The Convention Center Authority's negative net position, as shown on the December 31, 2012 statement of net position, is due to a GASB requirement for governmental entities to terminate hedge accounting when a termination event has occurred on a derivative instrument (interest rate swap). A termination event occurs when a significant change in a critical term of an interest rate swap is made.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Subsequent Event

On January 15, 2013, the County guaranteed revenue bonds issued by the Redevelopment Authority in the amount of \$10,950,000 to refund the Redevelopment Authority's outstanding revenue bonds Series of 2004. The bonds are to be repaid by the Redevelopment Authority from receipts and revenues derived from the use of the multi-purpose stadium facilities.

During July 2013, the County authorized and issued \$6,795,000 of General Obligation Bonds Series A and B of 2013, for the purpose of providing funds to pay for the costs of certain energy efficiency projects of the County. These bonds are obligations of the County that bear interest at fixed rates payable on each May 1 and November 1, with a final maturity date of November 1, 2033.

On August 7, 2013, the County issued its General Obligation Bonds, Series C of 2013 in the aggregate principal amount of \$18,630,000 to currently refund its General Obligation Bonds, Series of 2005. The 2013C Bonds were directly purchased by Wells Fargo Bank, N.A.

During July 2013, the County authorized but has not yet issued, General Obligation Bonds Series D of 2013 in the amount of \$11,000,000 and Series E of 2013 in the amount of \$11,000,000. The proceeds from the bond issuance will be used to refund certain bonds on the County issued previously.

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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
1/1/2010	\$ -	\$ 61,707,741	\$ 61,707,741	-	\$ 79,444,845	77.7%
1/1/2011	-	67,857,280	67,857,280	-	78,838,153	86.1%
1/1/2012	-	71,586,159	71,586,159	-	76,433,494	93.7%

County of Lancaster, Pennsylvania

Employee Retirement Plan

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	\$ 4,859,915	100%
2008	3,333,575	120%
2009	7,171,189	104%
2010	7,216,063	111%
2011	7,304,873	103%
2012	7,142,834	100%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$ 175,412,278	\$ 185,818,519	\$ 10,406,241	94.4%	\$ 73,915,189	14.1%
12/31/2008	159,134,908	199,653,516	40,518,608	79.7%	78,717,769	51.5%
12/31/2009	158,074,015	213,374,965	55,300,950	74.1%	79,444,845	69.6%
12/31/2010	169,788,390	221,658,694	51,870,304	76.6%	78,838,153	65.8%
12/31/2011	189,541,657	239,432,154	49,890,497	79.2%	76,433,494	65.3%
12/31/2012	194,240,337	241,101,765	46,861,428	80.6%	76,305,642	61.4%

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Real estate taxes	\$ 106,084,758	\$ 106,084,758	\$ 106,278,888	\$ 194,130
Intergovernmental	7,830,045	9,356,202	7,891,796	(1,464,406)
Departmental	19,548,936	22,381,329	20,970,568	(1,410,761)
Fines and costs	2,910,444	2,910,444	3,119,385	208,941
Investment earnings	76,300	76,300	80,768	4,468
Other	4,512,751	4,512,751	4,059,175	(453,576)
Total revenues	<u>140,963,234</u>	<u>145,321,784</u>	<u>142,400,580</u>	<u>(2,921,204)</u>
EXPENDITURES				
Current:				
General government	34,694,238	34,996,019	28,940,528	6,055,491
Public safety	11,365,417	13,060,830	12,319,775	741,055
Health, education, and welfare:				
Other	232,178	367,540	339,035	28,505
Judicial	42,606,778	42,550,770	40,836,422	1,714,348
Corrections	23,383,875	24,408,972	24,153,632	255,340
Cultural and recreation	2,710,823	2,705,823	2,488,535	217,288
Capital outlay	2,176,541	4,536,017	2,066,411	2,469,606
Debt service:				
Principal retirement	13,997,700	13,997,700	13,102,700	895,000
Interest and fiscal charges	10,053,000	10,053,000	10,053,952	(952)
Total expenditures	<u>141,220,550</u>	<u>146,676,671</u>	<u>134,300,990</u>	<u>12,375,681</u>
Excess (deficiency) of revenues over (under) expenditures	(257,316)	(1,354,887)	8,099,590	9,454,477
OTHER FINANCING SOURCES (USES)				
Transfers out	(13,556,483)	(13,556,483)	(12,974,005)	582,478
Capital leases	–	–	26,378,556	26,378,556
Total other financing sources (uses)	<u>(13,556,483)</u>	<u>(13,556,483)</u>	<u>13,404,551</u>	<u>26,961,034</u>
Net change in fund balances	<u>\$ (13,813,799)</u>	<u>\$ (14,911,370)</u>	<u>21,504,141</u>	<u>\$ 36,415,511</u>
Net decrease in due from other funds			5,132,346	
Fund balances, January 1, cash basis			659,140	
Fund balance, December 31, cash basis			<u>27,295,627</u>	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			2,927,190	
Fines and costs, net			4,680,258	
Accounts			6,904,413	
Due from other funds			595,275	
Due from other governments			2,535,963	
Accounts payable			(2,074,605)	
Unearned revenue – taxes, fines and costs			(6,181,688)	
Unearned revenue – intergovernmental			(376,848)	
Payroll related accruals			(3,114,183)	
Fund balances at December 31, modified accrual basis			<u>\$ 33,191,402</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 31,769,035	\$ 31,769,035	\$ 34,662,244	\$ 2,893,209
Departmental	2,022,478	2,022,478	1,806,789	(215,689)
Interest	79	79	79	–
Total revenues	<u>33,791,592</u>	<u>33,791,592</u>	<u>36,469,112</u>	<u>2,677,520</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth				
	43,112,732	43,122,732	40,520,733	2,601,999
Capital outlay	116,321	106,321	13,005	93,316
Total expenditures	<u>43,229,053</u>	<u>43,229,053</u>	<u>40,533,738</u>	<u>2,695,315</u>
Excess (deficiency) of revenues over (under) expenditures	(9,437,461)	(9,437,461)	(4,064,626)	5,372,835
OTHER FINANCING SOURCES (USES)				
Transfers in	9,394,348	9,394,348	8,526,343	(868,005)
Net change in fund balances	<u>\$ (43,113)</u>	<u>\$ (43,113)</u>	<u>4,461,717</u>	<u>\$ 4,504,830</u>
Net decrease in due to other funds			(4,138,413)	
Fund balances, January 1, cash basis			13,457	
Fund balance, December 31, cash basis			<u>336,761</u>	
Differences from modified accrual basis:				
Due from other governments			4,239,845	
Due to other funds			(595,275)	
Accounts payable			(2,204,907)	
Unearned revenue - intergovernmental			(1,176,475)	
Payroll related accruals			<u>(410,911)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ 189,038</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget –
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 22,771,902	\$ 23,991,902	\$ 18,483,907	\$ (5,507,995)
Departmental	1,430,278	1,430,278	1,917,460	487,182
Interest	5,000	5,000	2,292	(2,708)
Other	177	177	1,046	869
Total revenues	<u>24,207,357</u>	<u>25,427,357</u>	<u>20,404,705</u>	<u>(5,022,652)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	25,258,851	25,995,182	25,905,547	89,635
Capital outlay	78,735	562,404	560,058	2,346
Total expenditures	<u>25,337,586</u>	<u>26,557,586</u>	<u>26,465,605</u>	<u>91,981</u>
Excess (deficiency) of revenues over (under) expenditures	(1,130,229)	(1,130,229)	(6,060,900)	(4,930,671)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,109,468	1,109,468	691,499	(417,969)
Net change in fund balances	<u>\$ (20,761)</u>	<u>\$ (20,761)</u>	<u>(5,369,401)</u>	<u>\$ (5,348,640)</u>
Fund balances, January 1, cash basis			7,056,378	
Fund balance, December 31, cash basis			<u>1,686,977</u>	
Differences from modified accrual basis:				
Due from other governments			135,146	
Accounts payable			(1,486,095)	
Payroll related accruals			<u>(336,028)</u>	
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 Basis Differences

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

General Fund revenues per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 142,400,580
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	<u>(644,699)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances – General Fund	<u>\$ 141,755,881</u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 134,300,990
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	<u>(510,517)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances – General Fund	<u>\$ 133,790,473</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 accounted for from various federal and state sources. These funds are restricted to operate programs wherein job training and employment opportunities are provided for the economically disadvantaged, unemployed, or under employed citizens of Lancaster County. These funds are passed through to the Lancaster County Workforce Investment Board.

Office of Aging Fund

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

Drug and Alcohol Fund

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

Liquid Fuels Fund

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

Agricultural Land Preservation Fund

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

Human Services Block Grant Fund

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

Community Development Block Grant Fund

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

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

December 31, 2012

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Human Services Block Grant	Community Developmen t Block Grant	Total Nonmajor Governmental Funds
ASSETS									
Cash and temporary investments:									
Operating	\$ 7,522,949	\$ -	\$ 470,126	\$ 630,132	\$ 3,110,127	\$ 1,810,646	\$ 518,207	\$ -	\$ 14,062,187
Other	-	-	126,465	-	-	-	-	-	126,465
Investments	-	-	-	-	-	711,132	-	-	711,132
Due from other governments	1,043,530	-	199,797	-	491,589	-	-	-	1,734,916
Advances to providers	-	-	5,142	-	-	-	-	-	5,142
Other receivables	-	-	-	-	1,513	14,784	-	-	16,297
Total assets	\$ 8,566,479	\$ -	\$ 801,530	\$ 630,132	\$ 3,603,229	\$ 2,536,562	\$ 518,207	\$ -	\$ 16,656,139
LIABILITIES									
Liabilities:									
Accounts payable	\$ 14,008	\$ -	\$ 318,682	\$ 570,304	\$ 540,389	\$ -	\$ -	\$ -	\$ 1,443,383
Retainage payable	-	-	-	-	48,850	-	-	-	48,850
Unearned revenue	-	-	225,797	44,418	116,684	-	-	-	386,899
Payroll related accruals	163,843	-	149,472	15,410	-	-	-	-	328,725
Total liabilities	177,851	-	693,951	630,132	705,923	-	-	-	2,207,857
FUND BALANCES									
Restricted									
Health, education, and welfare	-	-	107,579	-	-	-	518,207	-	625,786
Judicial	8,388,628	-	-	-	-	-	-	-	8,388,628
Roads and bridges	-	-	-	-	2,897,306	-	-	-	2,897,306
Community development	-	-	-	-	-	2,536,562	-	-	2,536,562
Total fund balances	8,388,628	-	107,579	-	2,897,306	2,536,562	518,207	-	14,448,282
Total liabilities and fund balances	\$ 8,566,479	\$ -	\$ 801,530	\$ 630,132	\$ 3,603,229	\$ 2,536,562	\$ 518,207	\$ -	\$ 16,656,139

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2012

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Human Services Block Grant	Community Development Block Grant	Total Nonmajor Governmental Funds
REVENUES									
Intergovernmental	\$ 4,847,499	\$ 5,262,516	\$ 7,877,137	\$ 3,583,158	\$ 1,612,936	\$ -	\$ 69,621	\$ 4,398,384	\$ 27,651,251
Departmental	88,309	-	-	-	-	-	-	-	88,309
Investment earnings	8,613	-	-	467	5,899	-	11	-	14,990
Other	-	64,058	14,463	85,259	9,819	2,536,562	-	-	2,710,161
Total revenues	4,944,421	5,326,574	7,891,600	3,668,884	1,628,654	2,536,562	69,632	4,398,384	30,464,711
EXPENDITURES									
Current:									
Roads and bridges	-	-	-	-	274,373	-	-	-	274,373
Health, education, and welfare:	-	-	-	-	-	-	-	-	-
Drug and alcohol	-	-	-	3,850,167	-	-	-	-	3,850,167
Employment and training	-	5,326,574	-	-	-	-	-	-	5,326,574
Office of aging	-	-	8,636,289	-	-	-	-	-	8,636,289
Judicial	6,285,990	-	-	-	-	-	-	-	6,285,990
Community development	-	-	-	-	-	-	-	4,398,384	4,398,384
Capital outlay	-	-	25,443	-	2,993,078	-	-	-	3,018,521
Total expenditures	6,285,990	5,326,574	8,661,732	3,850,167	3,267,451	-	-	4,398,384	31,790,298
(Deficiency) excess of revenues (under) over expenditures	(1,341,569)	-	(770,132)	(181,283)	(1,638,797)	2,536,562	69,632	-	(1,325,587)
OTHER FINANCING SOURCES (USES)									
Transfers in	2,393,930	-	732,375	181,283	-	-	448,575	-	3,756,163
Total other financing sources (uses)	2,393,930	-	732,375	181,283	-	-	448,575	-	3,756,163
Net change in fund balances	1,052,361	-	(37,757)	-	(1,638,797)	2,536,562	518,207	-	2,430,576
Fund balances, January 1	7,336,267	-	145,336	-	4,536,103	-	-	-	12,017,706
Fund balances, December 31	\$ 8,388,628	\$ -	\$ 107,579	\$ -	\$ 2,897,306	\$ 2,536,562	\$ 518,207	\$ -	\$ 14,448,282

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,224,735	\$ 4,224,735	\$ 4,729,335	\$ 504,600
Departmental	80,000	80,000	88,309	8,309
Investment earnings	11,000	11,000	8,613	(2,387)
Total revenues	<u>4,315,735</u>	<u>4,315,735</u>	<u>4,826,257</u>	<u>510,522</u>
EXPENDITURES				
Current:				
Judicial	6,660,394	6,666,394	6,257,945	408,449
Capital outlay	21,252	15,252	–	15,252
Total expenditures	<u>6,681,646</u>	<u>6,681,646</u>	<u>6,257,945</u>	<u>423,701</u>
Excess (deficiency) of revenues over (under) expenditures	(2,365,911)	(2,365,911)	(1,431,688)	934,223
OTHER FINANCING SOURCES (USES)				
Transfers in	2,342,414	2,342,414	2,393,930	51,516
Net change in fund balances	<u>\$ (23,497)</u>	<u>\$ (23,497)</u>	<u>962,242</u>	<u>\$ 985,739</u>
Fund balance, January 1, cash basis			<u>6,560,707</u>	
Fund balance, December 31, cash basis			<u>7,522,949</u>	
Differences from modified accrual basis:				
Due from other governments			1,043,530	
Accounts payable			(14,008)	
Payroll related accruals			(163,843)	
Fund balance at December 31, modified accrual basis			<u>\$ 8,388,628</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Intergovernmental	\$ 7,871,111	\$ 8,073,206	\$ 7,903,108	\$ (170,098)
Departmental	31,305	31,305	–	(31,305)
Other	13,121	13,121	14,464	1,343
Total revenues	<u>7,915,537</u>	<u>8,117,632</u>	<u>7,917,572</u>	<u>(200,060)</u>
EXPENDITURES				
Health, education, and welfare:				
Office of Aging	8,760,911	8,935,942	8,498,436	437,506
Capital outlay	–	27,064	25,443	1,621
Total expenditures	<u>8,760,911</u>	<u>8,963,006</u>	<u>8,523,879</u>	<u>439,127</u>
Excess (deficiency) of revenues over (under) expenditures	(845,374)	(845,374)	(606,307)	239,067
OTHER FINANCING SOURCES (USES)				
Transfers in	828,202	828,202	732,374	(95,828)
Net change in fund balances	<u>\$ (17,172)</u>	<u>\$ (17,172)</u>	<u>126,067</u>	<u>\$ 143,239</u>
Fund balance, January 1, cash basis			470,524	
Fund balance, December 31, cash basis			<u>596,591</u>	
Differences from modified accrual basis:				
Due from other governments			199,797	
Advances to providers			5,142	
Accounts payable			(318,682)	
Unearned revenue - intergovernmental			(225,797)	
Payroll related accruals			(149,472)	
Fund balance at December 31, modified accrual basis			<u>\$ 107,579</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget –
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 3,894,899	\$ 3,894,899	\$ 4,693,135	\$ 798,236
Departmental	294,943	294,943	85,259	(209,684)
Investment earnings	–	–	467	467
Total revenues	<u>4,189,842</u>	<u>4,189,842</u>	<u>4,778,861</u>	<u>589,019</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,435,580	4,435,580	3,712,142	723,438
Capital outlay	–	–	–	–
Total expenditures	<u>4,435,580</u>	<u>4,435,580</u>	<u>3,712,142</u>	<u>723,438</u>
Excess (deficiency) of revenues over (under) expenditures	(245,738)	(245,738)	1,066,719	1,312,457
OTHER FINANCING SOURCES (USES)				
Transfers in	244,464	244,464	181,283	(63,181)
Net change in fund balances	<u>\$ (1,274)</u>	<u>\$ (1,274)</u>	<u>1,248,002</u>	<u>\$ 1,249,276</u>
Net decrease in due to other funds			(617,870)	
Fund balance, January 1, cash basis			–	
Fund balance, December 31, cash basis			<u>630,132</u>	
Differences from modified accrual basis:				
Accounts payable			(570,304)	
Unearned revenue			(44,418)	
Payroll related accruals			<u>(15,410)</u>	
Fund balance at December 31, modified accrual basis			<u>\$ –</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive
	Original	Final		
REVENUES				
Intergovernmental	\$ 915,000	\$ 915,000	\$ 1,660,468	\$ 745,468
Investment earnings	30,000	30,000	5,899	(24,101)
Other	–	–	9,956	9,956
Total revenues	<u>945,000</u>	<u>945,000</u>	<u>1,676,323</u>	<u>731,323</u>
EXPENDITURES				
Current:				
Roads and bridges	558,834	558,834	118,423	440,411
Capital outlay	5,952,219	5,952,219	3,017,614	2,934,605
Total expenditures	<u>6,511,053</u>	<u>6,511,053</u>	<u>3,136,037</u>	<u>3,375,016</u>
Net change in fund balances	<u>\$ (5,566,053)</u>	<u>\$ (5,566,053)</u>	<u>(1,459,714)</u>	<u>\$ 4,106,339</u>
Fund balance, January 1, cash basis			<u>4,569,841</u>	
Fund balance, December 31, cash basis			3,110,127	
Differences from modified accrual basis:				
Other receivables			1,513	
Due from other governments			491,589	
Accounts payable			(540,389)	
Retainage payable			(48,850)	
Unearned revenue - intergovernmental			(116,684)	
Fund balance at December 31, modified accrual basis			<u>\$ 2,897,306</u>	

County of Lancaster, Pennsylvania

Combining Statement of Changes in Assets and Liabilities –
Agency Funds

For the Year Ended December 31, 2012

	Balance, January 1, 2012	Additions	Deletions	Balance, December 31, 2012
ASSETS				
Cash and temporary investments – operating	\$ 12,813,866	\$ 148,936,424	\$ 150,711,439	\$ 11,038,851
Total assets	<u>\$ 12,813,866</u>	<u>\$ 148,936,424</u>	<u>\$ 150,711,439</u>	<u>\$ 11,038,851</u>
LIABILITIES				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	\$ 1,210,649	\$ 1,251,002	\$ 1,199,702	\$ 1,261,949
Civil debt held				
Sheriff's office	1,520,196	649,577	203,157	1,966,616
All others	22,392	5,636	7,187	20,841
Total deposits and advances	<u>2,753,237</u>	<u>1,906,215</u>	<u>1,410,046</u>	<u>3,249,406</u>
Escrow liability:				
Bail escrow	385,187	125,786	308,058	202,915
Child support	39,638	1,916,186	1,916,212	39,612
County prison	2,359,508	2,374,581	4,650,608	83,481
Court restitution	1,303,839	8,612,236	8,497,770	1,418,305
All others	530,964	707,628	447,519	791,073
Total escrow liability	<u>4,619,136</u>	<u>13,736,417</u>	<u>15,820,167</u>	<u>2,535,386</u>
Other liabilities:				
Other liabilities	836,646	8,733,065	8,784,514	785,197
Total other liabilities	<u>836,646</u>	<u>8,733,065</u>	<u>8,784,514</u>	<u>785,197</u>
Due to other governments:				
Fines and costs	4,550,176	89,761,138	89,921,606	4,389,708
All others	54,671	34,799,589	34,775,106	79,154
Total due to other governments	<u>4,604,847</u>	<u>124,560,727</u>	<u>124,696,712</u>	<u>4,468,862</u>
Total liabilities	<u>\$ 12,813,866</u>	<u>\$ 148,936,424</u>	<u>\$ 150,711,439</u>	<u>\$ 11,038,851</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	118
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	122
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	127
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	133
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	135
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
Miscellaneous Information	140
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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
Net investment in capital assets	\$ (34,213,431)	\$ (20,256,861)	\$ (4,430,120)	\$ (5,172,999)	\$ (7,039,956)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693	\$ 46,196,645
Restricted	29,718,106	26,528,425	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062	62,854,126
Unrestricted (deficit)	12,908,586	3,586,150	8,158,113	12,801,777	1,436,715	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)	(109,299,728)
Total governmental activities net position	<u>\$ 8,413,261</u>	<u>\$ 9,857,714</u>	<u>\$ 15,025,028</u>	<u>\$ 20,713,816</u>	<u>\$ 4,850,368</u>	<u>\$ 1,680,936</u>	<u>\$ (8,798,500)</u>	<u>\$ 679,128</u>	<u>\$ 1,794,835</u>	<u>\$ (248,957)</u>
Business-type activities (1)										
Net investment in capital assets	\$ 8,604,169	\$ 8,270,016	\$ 1,252,446	\$ 1,117,343	\$ 994,375	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	(429,695)	(47,598)	(378,075)	4,672,829	(588,879)	-	-	-	-	-
Total business-type activities net position	<u>\$ 8,174,474</u>	<u>\$ 8,222,418</u>	<u>\$ 874,371</u>	<u>\$ 5,790,172</u>	<u>\$ 405,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Net investment in capital assets	\$ (25,609,262)	\$ (11,986,845)	\$ (3,177,674)	\$ (4,055,656)	\$ (6,045,581)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693	\$ 46,196,645
Restricted	29,718,106	26,528,425	11,297,035	13,085,038	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062	62,854,126
Unrestricted (deficit)	12,478,891	3,538,552	7,780,038	17,474,606	847,836	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)	(109,299,728)
Total primary government net position	<u>\$ 16,587,735</u>	<u>\$ 18,080,132</u>	<u>\$ 15,899,399</u>	<u>\$ 26,503,988</u>	<u>\$ 5,255,864</u>	<u>\$ 1,680,936</u>	<u>\$ (8,798,500)</u>	<u>\$ 679,128</u>	<u>\$ 1,794,835</u>	<u>\$ (248,957)</u>

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

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

Table 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 51,126,152	\$ 41,754,884	\$ 51,954,353	\$ 52,426,879	\$ 68,609,628	\$ 56,939,439	\$ 57,904,194	\$ 63,863,797	\$ 57,284,051	\$ 53,090,406
Public Safety	1,469,344	1,795,340	2,201,133	2,360,548	2,536,633	10,277,194	12,180,651	12,145,608	12,543,485	14,403,729
Roads and bridges	-	513,691	167,029	623,252	493,225	446,693	528,189	632,719	939,766	629,269
Health, education, and welfare	97,528,144	100,939,636	107,626,232	104,177,809	113,385,735	117,363,995	97,621,458	81,796,132	158,356,532	158,906,330
Judicial	28,218,966	31,308,099	33,702,922	35,604,068	41,188,766	43,561,664	41,496,484	42,298,718	43,118,281	45,303,625
Corrections	15,493,466	16,780,827	17,648,560	18,730,110	20,515,725	23,554,777	23,427,298	23,975,680	24,834,919	28,052,063
Cultural and recreation	2,227,827	2,824,566	2,735,472	3,073,281	3,063,646	3,298,512	3,009,056	2,953,256	2,492,561	2,749,572
Community development	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	5,621,351	4,398,384
Interest on long-term debt	4,805,819	5,609,294	6,751,272	8,916,410	9,163,174	9,444,280	9,240,379	9,506,172	10,774,790	10,298,347
Total governmental activities expenses	<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>	<u>318,165,736</u>	<u>317,831,725</u>
Business-type activities:										
Conestoga View (1)	32,127,025	32,802,281	21,980,881	-	-	-	-	-	-	-
911 Operations (2)	7,094,938	7,269,133	7,676,205	8,210,597	8,663,494	-	-	-	-	-
Total business-type activities expenses	<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>	<u>-</u>	<u>-</u>
Total primary government expenses	<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>	<u>\$ 318,165,736</u>	<u>\$ 317,831,725</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,522,798	\$ 4,119,087	\$ 5,697,547	\$ 6,340,408	\$ 3,228,878	\$ 9,423,946	\$ 10,398,692	\$ 6,905,007	\$ 6,238,767	\$ 9,711,321
Public Safety	52,102	114,912	498,421	244,403	191,522	3,307,766	3,844,511	6,817,862	7,494,876	6,551,111
Roads and bridges	-	-	-	-	-	15,630	30,834	-	11,650	9,819
Health, education, and welfare	-	-	-	-	-	3,340,383	3,051,371	3,688,636	3,939,160	3,369,213
Judicial	7,439,657	5,652,376	7,054,409	8,094,287	6,463,143	8,902,090	2,134,151	6,992,023	7,701,804	9,154,345
Corrections	133,682	93,158	79,513	78,224	95,800	162,781	91,985	132,581	145,236	214,594
Cultural and recreation	254,042	449,495	272,849	261,701	245,924	292,330	257,520	281,093	323,385	279,979
Community development	-	-	-	-	-	-	-	-	-	1,884,223
Operating grants and contributions:										
General government	236,193	1,756,407	3,101,614	4,552,280	2,817,224	4,054,521	2,656,338	9,897,518	10,873,602	6,061,463
Public Safety	296,731	221,398	206,750	100,646	175,821	182,036	189,997	149,797	252,359	184,980
Roads and bridges	837,765	840,401	856,540	770,553	917,389	1,220,200	903,191	1,153,429	2,606,826	1,612,936
Health, education, and welfare	96,322,725	100,036,433	105,469,003	102,399,525	109,220,515	115,332,557	97,393,712	80,837,880	156,460,780	156,510,054
Judicial	7,049,416	7,686,720	7,510,499	7,867,386	6,399,328	10,076,920	9,471,170	10,355,686	8,672,125	8,198,497
Corrections	30,406	31,580	33,611	1,093	88,113	37,905	38,200	29,904	33,715	174,656
Cultural and recreation	4,000	26,837	1,440	2,560	122,981	299,427	69,777	7,814	-	197,605
Community development	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<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>	<u>212,575,436</u>	<u>208,513,180</u>
Business-type activities:										
Charges for services:										
Conestoga View (1)	30,592,095	32,297,938	21,845,148	-	-	-	-	-	-	-
911 Operations (2)	4,143,411	4,057,163	3,838,005	13,031,358	1,492,312	-	-	-	-	-
Total business-type activities program revenues	<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>	<u>-</u>	<u>-</u>
Total primary government program revenues	<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>	<u>\$ 212,575,436</u>	<u>\$ 208,513,180</u>
Net (expense) revenue										
Governmental activities	\$ (83,490,001)	\$ (80,497,533)	\$ (92,004,867)	\$ (95,199,291)	\$ (128,989,894)	\$ (108,238,062)	\$ (114,876,260)	\$ (109,874,954)	\$ (105,590,300)	\$ (109,318,545)
Business-type activities	(4,486,457)	(3,716,313)	(3,973,933)	4,820,761	(7,171,162)	-	-	-	-	-
Total primary government net expense	<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>	<u>\$ (105,590,300)</u>	<u>\$ (109,318,545)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 66,630,867	\$ 76,856,854	\$ 84,055,960	\$ 86,237,553	\$ 94,673,936	\$ 102,490,521	\$ 103,588,540	\$ 104,918,937	\$ 105,576,248	\$ 106,177,196
Departmental revenues	6,095,325	7,506,553	5,603,378	8,995,014	14,546,868	-	-	-	-	-
Unrestricted investment earnings	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613	808,284	596,083	1,129,759	1,097,557
Transfers	(2,458,876)	(3,756,622)	4,892,962	-	(1,531,737)	-	-	-	-	-
Total governmental activities	<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>	<u>106,706,007</u>	<u>107,274,753</u>
Business-type activities:										
Unrestricted investment earnings	6,450	7,635	14,302	95,040	254,769	-	-	-	-	-
Transfers	2,458,876	3,756,622	(4,892,962)	-	1,531,737	-	-	-	-	-
Gain on sale of capital assets	-	-	1,604,346	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>-</u>	<u>-</u>
Total primary government	<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>	<u>\$ 106,706,007</u>	<u>\$ 107,274,753</u>
Change in Net Position										
Governmental activities	\$ (11,894,399)	\$ 1,444,453	\$ 5,167,314	\$ 5,688,786	\$ (15,863,446)	\$ (3,574,928)	\$ (10,479,436)	\$ (4,359,934)	\$ 1,115,707	\$ (2,043,792)
Business-type activities	(2,021,131)	47,944	(7,348,047)	4,915,801	(5,384,676)	-	-	-	-	-
Total primary government	<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>	<u>\$ 1,115,707</u>	<u>\$ (2,043,792)</u>

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

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

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

Table 3

	2003	2004	2005	2006	2007	2008 *	2009	2010	2011	2012
General fund										
Reserved	\$ 125,895	\$ 97,911	\$ 67,667	\$ 35,097	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,047,754	10,913,739	17,143,130	18,820,499	21,099,796	19,268,220	14,622,230	11,808,598	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,791,374	-
Restricted:										
General government	-	-	-	-	-	-	-	-	563,895	1,522,986
Public safety	-	-	-	-	-	-	-	-	532,145	26,540,769
Judicial	-	-	-	-	-	-	-	-	1,764,763	1,592,649
Assigned:										
Healthcare benefits	-	-	-	-	-	-	-	-	-	1,259,264
Postemployment benefits	-	-	-	-	-	-	-	-	6,518,968	2,275,734
Unassigned	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 9,173,649</u>	<u>\$ 11,011,650</u>	<u>\$ 17,210,797</u>	<u>\$ 18,855,596</u>	<u>\$ 21,099,796</u>	<u>\$ 19,268,220</u>	<u>\$ 14,622,230</u>	<u>\$ 11,808,598</u>	<u>\$ 11,171,145</u>	<u>\$ 33,191,402</u>
All other governmental funds										
Reserved	\$ 1,721,796	\$ 3,426,433	\$ 4,676	\$ 7,334	\$ 5,041	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special revenue funds	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	5,113,875	23,906,508	24,706,125	57,830,187	24,629,850	12,905,607	12,029,288	28,603,276	-	-
Restricted:										
Health, education, and welfare	-	-	-	-	-	-	-	-	1,762,216	814,824
Capital projects	-	-	-	-	-	-	-	-	9,468,673	19,226,280
Roads and bridges	-	-	-	-	-	-	-	-	4,536,103	2,897,306
Judicial	-	-	-	-	-	-	-	-	7,336,267	8,388,628
Community development	-	-	-	-	-	-	-	-	-	2,536,562
Total all other governmental funds	<u>\$ 20,289,816</u>	<u>\$ 37,687,583</u>	<u>\$ 37,233,749</u>	<u>\$ 71,167,073</u>	<u>\$ 34,453,423</u>	<u>\$ 22,367,425</u>	<u>\$ 22,680,344</u>	<u>\$ 41,289,365</u>	<u>\$ 23,103,259</u>	<u>\$ 33,863,600</u>
Total fund balances of all governmental funds	<u>\$ 29,463,465</u>	<u>\$ 48,699,233</u>	<u>\$ 54,444,546</u>	<u>\$ 90,022,669</u>	<u>\$ 55,553,219</u>	<u>\$ 41,635,645</u>	<u>\$ 37,302,574</u>	<u>\$ 53,097,963</u>	<u>\$ 34,274,404</u>	<u>\$ 67,055,002</u>

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

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

Table 4

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Taxes	\$ 67,106,816	\$ 75,693,294	\$ 83,776,893	\$ 86,408,680	\$ 94,489,341	\$ 101,960,944	\$ 103,589,945	\$ 104,555,174	\$ 105,717,718	\$ 106,170,287
Intergovernmental	109,987,669	116,312,634	123,015,786	121,558,675	124,119,521	134,833,834	114,423,465	106,097,860	184,524,990	174,538,312
Departmental	14,186,879	13,767,339	14,367,287	18,495,875	20,103,239	21,956,938	21,226,755	21,536,881	20,567,399	24,736,156
Fines and costs	3,610,638	3,423,118	2,727,025	2,556,259	2,697,688	2,877,665	3,029,434	2,773,058	3,318,987	3,131,476
Interest	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613	808,284	619,667	228,783	132,790
Other	581,403	674,277	962,363	221,893	547,399	978,544	1,083,974	1,173,930	2,100,366	4,132,985
Health Choices revenues	168,922	734,008	793,991	868,381	1,047,296	991,961	1,040,023	1,614,230	1,575,092	1,279,710
Total revenues	<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>	<u>318,033,335</u>	<u>314,121,716</u>
Expenditures										
General government	38,000,997	33,486,730	45,348,382	34,278,385	31,244,732	31,288,375	37,092,850	41,312,324	32,689,512	28,262,996
Public safety (1)	647,582	769,267	1,100,204	1,234,268	1,366,272	10,606,865	10,625,757	10,558,753	11,006,988	12,548,142
Roads and bridges	520,417	486,841	-	498,963	409,115	285,188	317,157	388,008	670,175	274,373
Health, education and welfare	106,647,314	110,168,966	117,227,436	114,611,618	125,716,956	130,287,274	111,699,460	93,528,376	170,064,660	169,963,493
Judicial	29,933,955	32,874,042	34,996,763	37,036,579	42,402,361	45,236,178	43,939,778	44,800,940	45,399,663	47,317,507
Corrections	14,118,091	15,459,196	16,640,060	17,407,351	19,225,889	22,169,692	22,096,860	22,725,580	23,107,431	24,234,937
Cultural and recreation	2,112,098	2,702,712	2,486,594	2,850,927	2,845,631	3,076,031	2,801,692	2,484,440	2,212,981	2,475,240
Community development	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384
Capital outlay	17,264,521	4,361,693	12,958,119	20,910,986	35,371,682	19,793,861	22,922,212	14,459,028	21,106,757	20,087,950
Debt service (2):										
Principal	4,745,000	5,855,000	7,575,944	7,815,000	9,105,000	9,340,300	8,984,000	10,841,800	12,219,700	13,102,700
Interest and fiscal charges	4,505,001	5,154,688	6,663,917	8,657,602	9,313,790	9,488,089	8,469,097	9,755,340	10,557,676	10,053,952
Bond issuance costs	684,877	460,269	352,037	611,008	48,179	146,729	548,199	296,556	200,721	997,526
Total expenditures	<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>	<u>337,057,615</u>	<u>333,717,200</u>
Excess (deficiency) of revenues over (under) expenditures	(27,419,673)	(5,552,391)	(22,922,649)	(16,012,046)	(32,985,892)	(22,717,574)	(29,881,270)	(18,385,074)	(19,024,280)	(19,595,484)
Other financing sources (uses)										
Transfers in	11,640,302	10,995,250	19,538,119	13,013,439	16,017,815	12,974,525	14,251,429	12,403,303	12,335,157	12,974,005
Transfers out	(14,099,178)	(14,751,872)	(14,645,157)	(13,013,439)	(17,549,552)	(12,974,525)	(14,251,429)	(12,403,303)	(12,335,157)	(12,974,005)
Discount on refunding bonds issued	(202,390)	-	-	-	-	-	-	-	(128,404)	(166,353)
Premium on refunding bonds issued	318,760	238,793	-	-	-	-	3,973,031	-	-	2,842,564
Face amount of refunding bonds issued	37,660,000	5,005,000	-	-	10,000,000	-	40,042,574	-	10,000,000	52,830,000
Payment to refunded bond escrow agent	(37,581,596)	(5,160,255)	-	-	(9,951,821)	-	(43,467,406)	-	(9,670,875)	(54,855,913)
Premium on bonds issued	-	1,161,243	-	305,169	-	-	-	235,463	-	2,042,228
Face amount of bonds issued	23,305,000	27,300,000	23,775,000	51,285,000	-	8,800,000	25,000,000	33,945,000	-	23,305,000
Capital leases	-	-	-	-	-	-	-	-	-	26,378,556
Total other financing sources (uses)	<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>	<u>200,721</u>	<u>52,376,082</u>
Net change in fund balances	<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>	<u>\$ (18,823,559)</u>	<u>\$ 32,780,598</u>
Debt service as a percentage of noncapital expenditures	4.5%	5.2%	6.0%	7.1%	7.5%	7.0%	6.9%	8.5%	7.2%	7.4%

(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
2003	\$ 26,407,814,800	\$ 2,544,307,300	\$ 23,863,507,500	2.847	\$ 23,863,507,500	100%
2004	31,214,117,500	2,964,915,500	28,249,202,000	3.205	28,249,202,000	100%
2005	32,157,858,100	3,051,498,400	29,106,359,700	2.962	29,106,359,700	100%
2006	32,751,399,500	3,087,810,600	29,663,588,900	2.962	29,663,588,900	100%
2007	33,344,251,500	3,190,080,200	30,154,171,300	3.189	30,154,171,300	100%
2008	33,808,345,300	3,334,971,300	30,473,374,000	3.416	30,473,374,000	100%
2009	34,415,552,600	3,558,307,700	30,857,244,900	3.416	30,857,244,900	100%
2010	34,739,109,300	3,623,673,500	31,115,435,800	3.416	31,115,435,800	100%
2011	34,967,657,000	3,692,444,500	31,275,212,500	3.416	31,275,212,500	100%
2012	35,179,488,300	3,762,996,600	31,416,491,700	3.416	31,416,491,700	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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Direct Rate:	2.8470	3.2050	2.9620	2.9620	3.1890	3.4160	3.4160	3.4160	3.4160	3.4160
City rate:										
Lancaster	8.2400	8.2400	7.6700	8.1700	8.8200	9.1800	9.6400	12.0400	12.0400	12.0400
Borough rates:										
Adamstown	2.1800	2.1800	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.5000	2.5000
Akron	1.6500	1.6500	1.4850	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.5000
Christiana	4.0000	4.0000	3.8190	3.8190	3.8190	4.5000	4.5000	4.5000	4.5000	5.0000
Columbia	6.1500	6.1500	5.7600	6.2600	6.2600	7.7500	8.0000	8.0000	8.0000	8.0000
Denver	1.9300	2.5000	2.1850	2.1850	2.4000	2.5200	2.5200	2.5200	2.7500	3.0000
East Petersburg	2.3220	2.6550	2.5320	1.7690	1.7690	2.6570	1.8940	1.8940	1.8940	2.3940
Elizabethtown	3.1000	3.4000	3.0800	3.5800	3.8300	3.8300	4.2000	4.2000	5.0000	5.0000
Ephrata	1.5870	1.5870	1.5040	1.5040	1.8800	1.8800	1.8800	1.8800	1.8800	2.0700
Lititz	1.5000	1.5000	1.3600	1.3600	1.6000	1.6000	1.6000	1.6000	2.1000	2.1000
Manheim	2.5000	2.7500	2.3500	2.6000	2.6000	2.8500	2.9000	3.0000	3.5000	4.0000
Marietta	3.5000	4.5000	4.0000	4.2500	4.2500	4.5000	4.5000	4.5000	5.5000	5.5000
Millersville	3.0000	4.5000	4.3300	4.6000	4.6500	4.8500	4.8500	4.8500	5.2400	5.4500
Mount Joy	2.6000	2.6000	2.6000	3.1000	3.1000	3.3000	3.4000	4.2000	4.2000	4.4600
Mountville	1.1500	1.2500	1.1300	1.2000	1.4000	2.5000	2.5000	2.6000	2.6000	2.6000
New Holland	2.0000	2.0000	1.9500	2.2500	2.2500	2.2500	2.4800	2.4800	2.4800	3.4000
Quarryville	2.9000	2.9000	2.7500	2.7500	2.7500	3.7500	3.7500	4.7500	4.7500	4.7500
Strasburg	2.0000	2.1000	1.7300	1.9300	2.0300	2.1300	2.4300	2.8300	2.8300	3.0800
Terre Hill	2.8000	4.2000	3.2000	3.2000	3.7000	3.7000	4.2000	4.2000	4.2000	4.7000
Township rates:										
Bart	0.7000	0.7000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Brecknock	0.3333	0.3333	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690
Caernarvon	0.2000	0.2000	0.1500	0.1000	0.1000	0.0750	0.0750	0.0150	0.0150	0.0150
Clay	0.6348	0.6348	0.5220	0.7569	0.7569	1.3000	1.3000	1.3000	1.3000	1.3000
Colerain	0.6000	0.6000	0.5570	0.6120	0.6120	0.6120	0.6120	0.6120	0.6120	0.6120
Conestoga	0.8070	0.8070	0.6930	0.6930	0.6930	0.6930	0.6930	0.6930	0.6930	1.1000
Drumore	0.2000	0.2000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Earl	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.2500	1.2500	1.2500	1.2500
East Cocalico	1.2500	1.5000	1.3750	1.3750	1.6250	1.6250	1.6250	1.6250	1.6250	1.7000
East Donegal	1.7500	2.2500	2.1470	2.3970	2.3970	2.7000	2.9500	2.9500	2.9500	3.7500
East Drumore	0.4000	0.4000	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900
East Earl	0.8000	1.0000	0.8800	1.0000	1.3000	1.4000	1.6000	1.6000	1.6000	1.8000
East Hempfield	1.2000	1.2000	1.0200	0.5100	0.5100	0.8200	0.9200	1.1200	1.1200	1.1200
East Lampeter	0.9500	0.9500	0.8220	0.9450	1.1400	1.1400	1.1400	1.4620	1.4620	1.4620
Eden	0.0700	0.0700	0.6000	0.6000	0.6000	0.6000	0.6000	0.7000	0.7000	0.7000
Ephrata	1.5000	1.5000	1.2700	1.2700	1.2700	1.2700	1.2700	1.2700	1.3700	1.3700
Fulton	0.2200	0.2200	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100
Lancaster	0.7000	0.7000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Leacock	1.5000	0.5000	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300
Little Britian	0.4200	0.4200	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900

(Continued)

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

Table 6 (Cont.)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Manheim	2.2000	2.2000	1.9000	1.9000	1.9000	1.9000	1.9000	1.9000	2.2300	2.2300
Manor	0.9000	0.9000	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800
Mount Joy Part (2)	1.4500	1.4500	1.2200	1.0817	1.0830	1.0810	1.2114	1.3500	1.3500	1.6000
Mount Joy Part (3)	1.4500	1.4500	1.2200	1.0817	1.0830	1.0810	1.2114	1.3500	1.3500	1.6000
Paradise	1.5000	1.5000	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200
Penn	0.7500	1.0000	0.8100	0.8120	0.8120	0.8120	0.8120	0.8120	0.8120	1.6000
Pequea	1.7000	1.7000	1.5500	1.5500	1.5500	1.5500	1.5500	1.5500	1.7000	1.7000
Providence	0.2200	0.2200	0.1930	0.1930	0.1930	0.1930	0.1580	0.1580	0.1580	0.1580
Rapho	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.7500
Sadsbury	0.7500	0.8500	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000
Salisbury	0.2300	0.2300	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800
Strasburg	0.5000	0.5000	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400
Upper Leacock	1.3100	1.5000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.5000
Warwick	0.3304	0.3304	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740
West Cocalico	1.5000	1.6000	1.4330	1.4330	1.4330	1.5000	1.6000	1.8500	2.0000	2.0000
West Donegal	1.5000	1.5000	1.3503	1.3503	1.3503	1.3503	1.3503	1.6000	1.6000	1.6000
West Earl	1.0000	1.0000	1.3900	1.3900	1.3900	1.3900	1.3900	1.3900	1.3900	1.5900
West Hempfield	0.2000	0.2000	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.6800	0.6800
West Lampeter	0.7000	0.7000	0.5990	0.5990	0.5990	0.5990	0.6500	0.7500	0.9000	1.0000
School district rates:										
Cocalico	17.3600	15.3600	16.4200	17.0000	17.9300	18.9100	19.8400	20.5500	20.8900	21.3200
Columbia Borough	19.0000	20.0000	18.7700	18.7700	20.6600	23.0000	24.3570	24.3570	25.3700	26.0000
Conestoga Valley	12.4600	12.8600	11.5100	11.9600	12.3670	12.8490	13.2660	13.2730	14.0480	14.2860
Donegal	14.5300	14.9000	13.6100	16.2000	16.2000	18.7300	19.4500	20.1690	20.1690	20.9837
Eastern Lancaster County	12.1500	12.5000	11.0600	11.1500	11.7142	12.2142	12.5979	13.0877	13.4470	13.8410
Elizabethtown Area	13.0000	13.5000	12.1340	14.3500	15.3394	16.1816	16.5861	17.2700	17.5800	17.8900
Ephrata Area	16.4400	17.2900	15.5300	16.5300	17.2000	18.0900	18.5200	19.0200	19.0200	19.4100
Hempfield	14.7900	15.0900	14.1590	15.4180	15.9409	16.8814	17.3878	17.9789	18.2660	18.6310
Lampeter-Strasburg	15.6400	16.5400	15.0800	15.9600	16.6000	17.3300	17.8000	18.4620	18.7573	19.0760
Lancaster	18.4700	18.4700	19.3800	20.4400	20.4400	20.4400	23.2600	24.2130	24.6972	24.6972
Manheim Central	15.6200	16.0900	14.5600	15.2400	15.2400	15.2400	15.8500	16.2500	16.2500	16.6900
Manheim Township	14.8800	15.6200	14.1000	14.7300	15.2300	15.9000	16.5500	17.0299	17.2680	17.9525
Octorara Area	20.3000	20.4200	20.1200	23.1100	23.1100	27.3700	27.6800	27.6800	28.3700	27.4900
Penn Manor	14.6700	14.6700	14.0700	14.7300	15.3100	15.9100	15.9100	16.4600	16.6900	16.9700
Pequea Valley	14.5000	15.0000	13.2000	14.6000	15.1000	15.7430	15.7430	16.3333	20.4080	16.8898
Solanco	8.2500	8.6000	8.2475	8.6351	9.0496	9.6378	10.1582	10.5442	10.8500	11.2243
Warwick	16.1000	17.7000	15.2000	15.8000	15.8000	16.7000	17.4000	17.6600	17.9000	18.5900

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

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

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

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

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

County of Lancaster, Pennsylvania
Principal Property Taxpayers
December 31, 2012

Table 7

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Park City Center Business Trust	\$ 139,083,200	1	0.44%	\$ 146,740,200	2	0.63%
High Properties Et Al	124,015,500	2	0.40%	158,974,400	1	0.68%
Willow Valley Retirement	109,067,800	3	0.35%	62,191,300	7	0.27%
Lancaster General Foundation	104,307,900	4	0.33%	77,183,800	4	0.33%
Willow Valley Manor	85,652,200	5	0.27%			
High Properties	82,274,000	6	0.26%			
Dart Container Corp of PA	70,589,200	7	0.23%	56,048,800	8	0.24%
Granite Properties	59,245,200	8	0.19%			
Garden Spot Village Inc	58,374,000	9	0.19%			
Rockvale Group	48,663,800	10	0.16%	52,657,800	9	0.23%
Willow Valley Association Inc				83,385,700	3	0.36%
PECO Energy Company				68,660,700	6	0.29%
Armstrong Cork Co				72,427,000	5	0.31%
American Stores				50,996,100	10	0.22%
Total	<u>\$ 881,272,800</u>		<u>2.82%</u>	<u>\$ 829,265,800</u>		<u>3.55%</u>

Source: County of Lancaster, Assessment Office

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

Table 8

Fiscal Year Ended December-31	Tax Levy for Fiscal Year	Interim Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year (1)	Amount of Taxes Collected	Percent of Levy	Delinquent Tax Collections (2)	Total Tax Collections (3)	Ratio of Total Tax Collections to Total Tax Levy
2003	\$66,544,976	\$ 878,410	\$67,423,386	\$65,227,229	96.74%	\$ 1,472,215	\$ 66,699,444	98.93%
2004	76,404,957	342,171	76,747,128	74,129,754	96.59%	1,549,926	75,679,680	98.61%
2005	83,612,635	1,792,689	85,405,324	82,200,782	96.25%	1,509,305	83,710,087	98.02%
2006	86,161,049	1,159,369	87,320,418	84,398,755	96.65%	1,839,425	86,238,180	98.76%
2007	94,514,982	1,182,319	95,697,301	92,719,914	96.89%	1,822,994	94,542,908	98.79%
2008	103,006,648	948,516	103,955,164	100,146,553	96.34%	1,887,440	102,033,993	98.15%
2009	104,097,044	1,067,581	105,164,625	101,136,149	96.17%	2,270,227	103,406,376	98.33%
2010	105,408,347	811,724	106,220,071	102,409,086	96.41%	2,377,031	104,786,117	98.65%
2011	106,290,327	603,550	106,893,877	103,293,221	96.63%	2,443,940	105,737,161	98.92%
2012	106,836,125	572,535	107,408,660	103,802,744	96.64%	2,476,144	106,278,888	98.95%

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

Notes:

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

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

(3) Includes penalties and other adjustments.

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

Table 9

Year	Governmental Activities		Capital Equipment Lease	Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds & Notes	Lease Rental Bond Debt				
2003	\$151,950,075	\$ 949,000	\$ 392,401	\$ 153,291,476	1.08%	\$ 318.30
2004	174,728,072	934,000	102,939	175,765,011	1.16%	362.10
2005	192,883,456	919,000	94,200	193,896,656	1.23%	396.61
2006	237,706,173	904,000	86,245	238,696,418	1.45%	483.86
2007	230,282,253	889,000	922,876	232,094,129	1.35%	466.09
2008	230,717,789	874,000	1,118,669	232,710,458	1.27%	463.23
2009	246,155,571	859,000	—	247,014,571	1.34%	486.47
2010	270,323,222	844,000	—	271,167,222	1.43%	522.03
2011	259,721,873	829,000	—	260,550,873	1.33%	497.62
2012	270,171,500	814,000	26,378,556	297,364,056	*	564.45

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

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

* - Data not available.

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

Table 10

Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Debt Per Capita (2)
2003	\$ 151,950,075	\$ 6,778,720	\$ 145,171,355	0.61%	\$ 301.44
2004	174,728,072	3,986,246	170,741,826	0.60%	351.75
2005	192,883,456	1,796,517	191,086,939	0.66%	390.86
2006	237,706,173	850,916	236,855,257	0.80%	480.12
2007	230,282,253	-	230,282,253	0.76%	462.46
2008	230,717,789	-	230,717,789	0.76%	459.26
2009	246,155,571	-	246,155,571	0.80%	484.78
2010	270,323,222	-	270,323,222	0.87%	520.41
2011	259,721,873	-	259,721,873	0.83%	496.04
2012	270,171,500	-	270,171,500	0.86%	512.83

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, 2012

Table 11

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Lancaster	\$ 270,985,500	100%	\$ 270,985,500
Overlapping:			
City of Lancaster	\$ 217,103,034	100%	\$ 217,103,034
School Districts:			
Cocalico	\$ 23,615,089	100%	\$ 23,615,089
Columbia Borough	20,785,821	100%	20,785,821
Conestoga Valley	30,378,767	100%	30,378,767
Donegal	54,260,000	100%	54,260,000
Eastern Lancaster County	22,672,649	100%	22,672,649
Elizabethtown Area	36,025,000	100%	36,025,000
Ephrata Area (as of 6/30/12)	53,649,346	100%	53,649,346
Hempfield	96,515,437	100%	96,515,437
Lampeter-Strasburg	44,590,876	100%	44,590,876
Lancaster	156,994,000	100%	156,994,000
Manheim Central	38,601,135	100%	38,601,135
Manheim Township	130,466,876	100%	130,466,876
Octorara	72,545,000	100%	72,545,000
Penn Manor	39,707,787	100%	39,707,787
Pequea Valley	29,358,569	100%	29,358,569
Solanco	7,657,234	100%	7,657,234
Warwick	93,365,000	100%	93,365,000
Total School Districts			\$ 951,188,586
Municipal Authorities:			
Adamstown Borough	\$ 614,993	100%	\$ 614,993
Akron Borough	403,912	100%	403,912
Bainbridge Water Authority	104,430	100%	104,430
Blue Ball Water Authority	268,246	100%	268,246
Christiana Borough Authority	153,900	100%	153,900
Columbia Borough	2,384,163	100%	2,384,163
Columbia Municipal Authority	12,362,053	100%	12,362,053
Earl Township Sewer Authority	1,754,537	100%	1,754,537
East Lampeter Sewer Authority	12,554,500	100%	12,554,500
East Lampeter Township	9,194,838	100%	9,194,838
Elizabethtown Regional Sewer Authority	13,390,000	100%	13,390,000
Ephrata Area Joint Authority	3,205,000	100%	3,205,000
Ephrata Borough Authority	15,985,000	100%	15,985,000
Ephrata Township Sewer Authority	2,236,387	100%	2,236,387
Georgetown Area Sewer Authority	88,280	100%	88,280
Lancaster Area Sewer Authority	60,155,000	100%	60,155,000
Lancaster County Hospital Authority (as of 6/30/12)	618,656,624	100%	618,656,624
Lancaster County Solid Waste Management Authority	36,665,000	100%	36,665,000

(Continued)

County of Lancaster, Pennsylvania
Direct and Overlapping Governmental Activities Debt
As of December 31, 2012

Table 11 (Cont.)

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lancaster County Vo-Tech School Authority	\$ 9,995,000	100%	\$ 9,995,000
Lancaster-Lebanon Joint Authority	720,000	100%	720,000
Lancaster Parking Authority	27,845,000	100%	27,845,000
Leacock Township Municipal Authority	2,090,590	100%	2,090,590
Leola Sewer Authority	211,009	100%	211,009
Manheim Borough Authority	18,712,788	100%	18,712,788
Manheim Township	17,955,000	100%	17,955,000
Marietta-Donegal Joint Authority	5,173,012	100%	5,173,012
Mount Joy Borough Authority	19,125,000	100%	19,125,000
Mountville Borough Authority	269,496	100%	269,496
New Holland Borough Authority	55,492	100%	55,492
Northern Lancaster County Sewer Authority	6,022,381	100%	6,022,381
Paradise Township Sewer Authority	1,970,000	100%	1,970,000
Penn Township	11,865,000	100%	11,865,000
Quarryville Borough	1,910,641	100%	1,910,641
Redevelopment Authority	28,815,622	100%	28,815,622
Sadsbury Township Municipal Authority	1,455,000	100%	1,455,000
Suburban Lancaster Sewer Authority	30,735,000	100%	30,735,000
Warwick Township Municipal Authority	10,805,000	100%	10,805,000
West Cocalico Township Authority	437,061	100%	437,061
West Earl Sewer Authority	8,340,788	100%	8,340,788
West Earl Water Authority	1,545,000	100%	1,545,000
Total Municipalities			<u>\$ 996,230,743</u>
Total Overlapping Debt			<u>\$ 2,164,522,363</u>
Total direct and overlapping debt			<u>\$ 2,435,507,863</u>

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

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

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

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

Table 12

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Borrowing base revenues (1):					
Two years prior	\$ 105,046,643	\$ 114,988,835	\$ 126,410,082	\$ 131,266,881	\$ 129,499,678
Prior year	114,988,835	126,410,082	131,266,881	129,499,678	123,748,612
Current year	126,410,082	131,266,881	129,499,678	123,748,612	122,530,609
Total borrowing base revenues	<u>\$ 346,445,560</u>	<u>\$ 372,665,798</u>	<u>\$ 387,176,641</u>	<u>\$ 384,515,171</u>	<u>\$ 375,778,899</u>
Average borrowing base revenues	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633
Net Nonelectoral Debt Limit:					
Average borrowing base revenues	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633
Debt limit percentage	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>346,445,558</u>	<u>372,665,798</u>	<u>387,176,641</u>	<u>384,515,171</u>	<u>375,778,899</u>
Total amount of debt applicable to debt limit	<u>151,950,075</u>	<u>174,728,072</u>	<u>192,883,456</u>	<u>237,706,173</u>	<u>230,282,253</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 194,495,483</u>	<u>\$ 197,937,726</u>	<u>\$ 194,293,185</u>	<u>\$ 146,808,998</u>	<u>\$ 145,496,646</u>
Total net debt applicable to the limit as a percentage of debt limit	43.86%	46.89%	49.82%	61.82%	61.28%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit					
Average borrowing base revenues	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633
Debt limit percentage	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>461,927,413</u>	<u>496,887,732</u>	<u>516,235,520</u>	<u>512,686,895</u>	<u>501,038,532</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>152,899,075</u>	<u>175,662,072</u>	<u>193,802,456</u>	<u>238,610,173</u>	<u>231,171,253</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 309,028,338</u>	<u>\$ 321,225,660</u>	<u>\$ 322,433,064</u>	<u>\$ 274,076,722</u>	<u>\$ 269,867,279</u>
Total net debt applicable to the limit as a percentage of debt limit	33.10%	35.35%	37.54%	46.54%	46.14%

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

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

(Continued)

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

Table 12 (Cont.)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Borrowing base revenues (1):					
	\$ 123,748,612	\$ 122,530,609	\$ 129,828,387	\$ 130,291,338	\$ 132,014,815
	122,530,609	129,828,387	130,291,338	132,014,815	133,405,844
	129,828,387	130,291,338	132,014,815	133,405,844	139,531,382
Total borrowing base revenues	<u>\$ 376,107,608</u>	<u>\$ 382,650,334</u>	<u>\$ 392,134,540</u>	<u>\$ 395,711,997</u>	<u>\$ 404,952,041</u>
Average borrowing base revenues	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999	\$ 134,984,014
Net Nonelectoral Debt Limit:					
Average borrowing base revenues	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999	\$ 134,984,014
Debt limit percentage	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>376,107,608</u>	<u>382,650,334</u>	<u>392,134,540</u>	<u>395,711,997</u>	<u>404,952,041</u>
Total amount of debt applicable to debt limit	<u>230,717,789</u>	<u>246,155,571</u>	<u>270,323,221</u>	<u>259,721,873</u>	<u>270,171,500</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 145,389,819</u>	<u>\$ 136,494,763</u>	<u>\$ 121,811,319</u>	<u>\$ 135,990,124</u>	<u>\$ 134,780,541</u>
Total net debt applicable to the limit as a percentage of debt limit	61.34%	64.33%	68.94%	65.63%	66.72%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit					
Average borrowing base revenues	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999	\$ 134,984,014
Debt limit percentage	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>501,476,811</u>	<u>510,200,445</u>	<u>522,846,053</u>	<u>527,615,996</u>	<u>539,936,055</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>231,591,789</u>	<u>247,014,571</u>	<u>271,167,221</u>	<u>260,550,873</u>	<u>270,985,500</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 269,885,022</u>	<u>\$ 263,185,874</u>	<u>\$ 251,678,832</u>	<u>\$ 267,065,123</u>	<u>\$ 268,950,555</u>
Total net debt applicable to the limit as a percentage of debt limit	46.18%	48.42%	51.86%	49.38%	50.19%

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)
2003	481,803	\$ 14,672,734	\$ 30,454	37.0	86,364	3.5%
2004	485,676	15,513,013	31,941	37.1	85,996	3.4%
2005	489,258	16,154,443	33,018	37.3	86,471	3.3%
2006	494,393	16,934,568	34,253	37.5	87,209	3.0%
2007	499,364	18,027,960	36,102	37.5	87,480	3.3%
2008	503,807	18,673,891	37,066	37.7	87,909	5.1%
2009	507,766	18,450,403	36,336	38.1	86,411	7.5%
2010	519,445	18,921,587	36,366	38.2	86,917	6.8%
2011	523,594	19,653,012	37,535	38.2	85,537	6.2%
2012	526,823	*	*	*	85,180	6.6%

Sources:

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

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

* Data not available.

County of Lancaster, Pennsylvania
Principal Employers
December 31, 2012

Table 14

Employer (1)	2012			2003		
	Employees (2)	Rank (1)	Percentage of Total County Employment	Employees (2)	Rank (1)	Percentage of Total County Employment
Lancaster General Hospital	7,076	1	3.21%	5,173	1	2.34%
County of Lancaster	1,973	2	0.89%	2,692	3	1.22%
Ephrata Community Hospital Inc	1,866	3	0.85%	1,557	6	0.70%
R.R. Donnelley & Sons Company	*	4	*	*	2	*
Turkey Hill Co Inc	1,650	5	0.75%			
School District of Lancaster	1,585	6	0.72%	1,477	7	0.67%
Manheim Remarketing Inc	1,583	7	0.72%	1,879	5	0.85%
Masonic Villages	1,512	8	0.69%	1,386	9	0.63%
Dart Container Corporation	1,475	9	0.67%	1,300	10	0.59%
Armstrong World Industries Inc	1,448	10	0.66%	2,533	4	1.14%
Weis Markets Inc				*	8	*
Total	*			*		
Total Employees in County	<u>220,602</u>	(1)		<u>221,246</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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program:										
Governmental Activities										
General government	269	261	264	266	262	275	284	259	263	254
Public safety	6	6	7	8	9	104	101	98	103	103
Roads and bridges	3	3	4	4	-	-	-	-	-	-
Health, education, and welfare	363	379	378	387	392	403	396	376	354	337
Judicial	545	556	556	576	584	609	612	588	605	620
Corrections	300	306	295	303	292	304	297	291	294	285
Cultural and recreation	32	33	35	35	34	32	14	14	15	15
Community development	-	-	-	-	-	-	-	-	-	6
Total governmental activities	1,518	1,544	1,539	1,579	1,573	1,727	1,704	1,626	1,634	1,620
Business-type activities										
Conestoga View	475	472	-	-	-	-	-	-	-	-
911 Operations	92	93	93	93	93	-	-	-	-	-
Total business type activities	567	565	93	93	93	-	-	-	-	-
Total	2,085	2,109	1,632	1,672	1,666	1,727	1,704	1,626	1,634	1,620

Source: County of Lancaster, Controller's Office

Effective September 30, 2005, Conestoga View was sold.

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
General Election Information:										
Registered voters	278,540	311,934	293,329	299,412	303,184	326,501	313,604	317,635	301,562	314,567
Votes cast	76,609	221,251	72,708	151,843	71,099	228,857	59,665	151,428	49,946	224,670
Percent of votes cast	27.50%	70.93%	24.79%	50.71%	23.45%	70.09%	19.03%	47.67%	16.56%	71.42%
Property transfers recorded	16,499	15,708	15,445	14,643	13,370	11,334	10,773	10,414	9,879	11,031
9-1-1 calls	****	****	****	****	****	214,723	211,932	222,253	236,810	240,195
County ordinances approved	83	76	99	92	115	124	71	26	26	29
Municipal ordinances reviewed	394	410	387	384	397	345	266	177	184	168
Judicial										
Estates and wills probated	1,654	1,685	1,764	1,716	1,650	1,784	1,672	1,708	1,717	1,841
Marriage licenses issued	3,155	3,131	3,098	3,235	3,254	3,215	3,057	3,218	3,298	3,337
Child adoptions	199	199	206	265	243	254	244	258	242	249
Child relinquishments	111	105	101	128	151	139	137	156	175	133
Criminal cases filed	5,972	5,999	5,975	6,027	6,105	6,004	6,038	5,867	5,901	6,104
Criminal cases disposed **	4,883	4,548	4,204	4,827	5,053	4,985	5,133	5,483	5,125	5,702
Civil suits filed	7,118	7,051	6,428	8,732	8,851	10,093	9,984	9,913	10,845	8,396
Civil judgments filed	3,405	3,861	3,776	3,999	4,216	4,661	9,235	6,266	7,031	9,449
Divorces filed	1,219	1,257	1,268	1,299	1,280	1,207	1,238	1,389	1,428	1,369
Protection from abuse cases filed	1,255	1,141	1,161	1,239	1,372	1,265	1,331	1,261	1,169	1,260
Naturalizations	201	205	279	290	255	288	157	197	166	182
Real estate executions (mortgage foreclosures) filed	702	796	764	779	685	702	1,104	1,082	632	777
District judge case filings	107,174	117,162	106,307	108,947	114,071	118,566	106,159	104,838	105,574	101,290
Domestic relations active cases	20,136	19,523	18,935	18,477	18,439	18,004	17,628	17,760	18,050	18,061
New juvenile probation cases	1,967	1,865	1,783	1,822	1,853	1,692	1,385	1,212	1,239	1,170
Juvenile probation placement days	71,951	75,142	70,574	64,278	61,395	56,796	49,170	48,276	48,359	35,313
New adult probation and parole cases	*	3,256	3,049	2,850	2,276	2,977	2,986	3,337	3,418	4,251
Corrections										
Average daily population	1,097	1,078	1,141	1,200	1,186	1,156	1,155	1,144	1,144	1,198
Annual admissions	5,641	5,793	5,888	6,169	6,137	6,040	6,152	5,739	6,263	6,145
Culture and Recreation										
Pool attendance	32,666	28,438	35,632	30,950	27,372	31,345	25,339	30,749	25,739	27,771
Community Development										
Easements added	21	5	38	44	33	33	21	20	13	26
Easement acreage added	1553	497	3592	2934	2140	2566	1355	1633	1396	1931

Note: * Data not available.

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

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

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

(Continued)

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

Table 16 (Cont.)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Health, education, and welfare										
Employment and Training										
Customers served	907	1,874	2,078	2,341	5,573	5,549	8,452	7,551	5,710	***
Drug and Alcohol:										
Information and referral contacts	544	581	604	796	1,009	946	1,055	864	852	858
Inpatient non-hospital detox clients	584	607	482	341	340	366	386	357	447	403
Inpatient non-hospital rehab clients	396	418	435	385	373	406	275	222	381	129
Inpatient non-hospital halfway house clients	102	103	87	69	73	38	16	14	7	5
Inpatient hospital detox clients	3	3	6	2	3	2	2	1	1	2
Partial hospitalization clients	55	56	53	33	26	24	36	37	61	25
Outpatient drug free clients	1,521	1,388	1,645	1,869	1,902	2,009	2,055	1,998	1,421	1,153
Methadone maintenance clients	14	14	14	17	21	24	24	34	20	16
Intensive outpatient clients	87	105	134	169	163	223	245	217	197	179
Website visitors	*	*	45,168	46,428	114,065	198,017	254,655	111,751	146,411	143,170
Mental Health:										
Emergency/crisis intervention hours	*	1,728	2,832	3,276	7,974	8,771	9,658	3,633	3,589	4,197
Community residential days	24,347	24,614	28,385	26,933	27,135	29,487	30,543	30,942	48,463	29,211
Community employment hours	36,670	41,283	40,131	39,116	38,444	38,009	38,967	38,282	4,760	37,747
Service case management clients	*	1,552	1,888	2,114	4,185	3,026	1,825	3,580	3,924	3,193
Day treatment hours	5,547	4,144	4,774	5,235	5,083	4,804	5,066	4,942	2,214	4,197
Outpatient hours	2,299	2,691	2,919	3,384	3,730	3,708	3,486	3,572	6,744	4,395
Family based hours	1,056	879	996	747	795	825	1,081	1,035	1,556	3,542
Psychiatric rehab hours	42,759	37,928	33,578	37,611	35,569	34,413	35,047	29,424	27,406	33,743
Social rehab hours	21,462	28,311	29,000	30,008	28,338	29,183	29,393	25,622	44,950	28,099
Drop-in-Center hours	*	*	31,759	44,112	43,413	32,739	54,100	18,666	41,321	60,740
Host home days	*	338	397	282	359	184	123	-	-	-
Supported housing hours	10,915	7,682	7,907	6,705	6,789	6,635	6,857	8,122	17,085	9,147
Mental Retardation:										
Specialized support hours	3,933	7,719	6,550	13,300	14,907	17,034	14,284	10,314	9,704	1,168
Transportation trips	83,915	92,401	109,435	109,160	101,621	112,938	109,477	6,692	4,734	4,848
Employment hours	11,914	85,134	69,639	59,408	54,581	54,417	57,783	3,455	5,301	3,768
Residential services clients	355	317	364	367	372	382	394	237	610	22
Early intervention clients	949	767	1,083	1,068	1,092	1,137	1,127	2,314	2,470	1,189
Pre-Vocational hours	340,400	312,215	326,325	344,844	28,514	362,132	394,605	2,679	18,845	11,485
Respite clients	182	249	227	251	381	370	362	274	235	47
Home & community service hours	69,085	75,410	143,152	171,516	57,140	119,447	117,936	5,463	96,959	9,896
Family driven clients	268	120	63	86	96	122	110	162	58	8
Community habilitation hours	204,729	183,061	189,866	191,311	14,655	184,147	193,238	164,889	8,672	3,993
Adult day services hours	*	6,414	14,664	14,854	1,332	17,692	14,652	8,072	3,821	1,342
Community habilitation hours	*	176,647	175,202	176,457	13,323	166,455	178,586	156,817	4,852	2,651

Note: * Data not available.

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

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

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

(Continued)

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

Table 16 (Cont.)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Health Choices ***										
Inpatient psychiatric:										
Members served	726	823	860	942	920	881	921	971	948	1,016
Days of service	8,928	10,318	9,044	9,693	10,914	13,013	12,372	12,433	12,784	15,904
Outpatient psychiatric:										
Members served	4,148	4,998	6,036	7,012	7,342	7,942	9,462	10,164	10,724	12,094
Units of service	56,394	74,581	98,508	94,869	99,492	168,441	183,870	218,594	178,870	240,775
Inpatient drug and alcohol:										
Members served	52	29	15	29	24	34	18	12	22	22
Days of service	388	310	121	256	154	230	180	103	117	236
Non-hospital drug and alcohol:										
Members served	275	322	402	552	545	683	880	664	763	786
Days of service	8,509	10,556	14,021	21,878	25,469	27,905	26,324	29,060	31,060	35,189
Outpatient drug and alcohol:										
Members served	695	888	1,033	1,171	1,180	1,283	1,747	1,760	1,874	2,041
Units of service	17,903	21,789	22,966	24,567	25,860	82,681	124,039	149,004	153,361	164,481
Behavioral health rehabilitation:										
Members served	856	905	1,186	1,171	1,530	1,863	2,136	2,276	2,484	2,671
Units of service	482,221	510,494	531,850	973,211	1,213,010	1,532,542	1,841,423	1,987,384	2,210,853	2,536,176
Residential treatment facility:										
JCAHO:										
Members served	161	168	139	131	117	121	156	137	110	121
Days of service	33,325	32,042	24,150	21,787	22,753	24,531	35,184	23,994	22,231	22,826
Non JCAHO:										
Members served	5	7	7	9	5	9	8	7	13	15
Days of service	713	1,226	721	953	1,046	1,014	690	1,744	2,662	2,417
Office of Aging:										
Case management clients	1,275	1,262	539	897	935	1,030	990	1,077	1,012	796
Protective services clients	745	784	470	506	617	735	888	898	983	1,268
Transportation clients	722	702	752	713	732	700	544	407	470	463
Meals provided	153,679	158,138	155,805	161,850	163,813	157,551	146,855	147,358	140,724	105,847
In-home services clients	530	569	498	547	561	612	540	581	534	647
Adult day care clients	111	122	102	137	130	76	61	69	44	47
PDA Waiver clients	75	118	152	165	162	161	184	235	236	265
Children and Youth:										
Children served	4,833	5,231	5,035	4,585	4,825	4,408	4,459	4,366	4,870	4,966
Placement days	199,417	190,920	201,963	180,047	173,186	164,437	175,903	185,369	190,217	173,999
Child abuse reports	650	682	632	649	797	845	809	1,001	881	1,218
Intake reports	845	1,124	1,103	910	996	1,206	1,291	1,221	1,300	1,057
Business-type										
911 Operations										
9-1-1 calls	204,603	204,604	210,518	217,333	217,895	****	****	****	****	****

Note: * Data not available.

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

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

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

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

Table 17

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program:										
Governmental Activities										
General government										
Motor vehicles	4	5	5	5	5	5	5	6	9	9
Office buildings	4	5	4	4	4	2	2	2	2	1
Public safety										
Motor vehicles	4	4	6	7	7	20	17	17	25	26
Office buildings	1	1	1	1	1	1	1	1	1	1
Roads and bridges										
County-owned bridges	64	64	64	64	64	64	64	64	64	64
Motor vehicles	7	9	9	9	9	9	8	8	12	13
Health, education, and welfare										
Motor vehicles	7	7	8	7	8	8	8	6	6	6
Office buildings	1	1	-	-	-	-	-	-	3	3
Judicial										
Motor vehicles	43	50	56	62	63	70	67	70	114	120
Office buildings	1	1	1	1	1	3	3	3	3	4
Corrections										
Motor vehicles	6	7	8	9	5	4	7	7	7	7
Office buildings	3	3	2	2	2	2	2	2	2	2
Cultural and recreation										
Number of parks	8	8	8	8	8	8	8	9	9	9
Park acreage	2,028	2,028	2,028	2,028	2,053	2,053	2,053	2,055	2,055	2,055
Pavilions	12	12	12	12	12	12	12	12	12	12
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Environmental/Educational Building	1	1	1	1	1	1	1	1	1	1
Motor vehicles	38	38	39	44	42	45	46	45	48	48
Office buildings	4	4	4	4	4	4	4	4	4	4
Storage buildings	6	6	7	7	7	8	8	8	8	8
Tenant Properties	4	4	4	4	4	5	5	5	5	5
Community development										
Easement acreage	27,315	27,812	31,404	34,338	36,478	39,044	40,399	42,032	43,428	45,359
Business-type Activities										
Conestoga View (1)										
Motor vehicles	22	21	-	-	-	-	-	-	-	-
Office buildings	1	1	-	-	-	-	-	-	-	-
911 Operations (2)										
Motor vehicles	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, 2012

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Scott F. Martin, Commissioner	\$ 94,709	\$ 7,500
Dennis P. Stuckey, Commissioner	93,681	7,500
Craig E. Lehman, Commissioner	93,681	7,500
Joshua G. Parsons, Clerk of Courts	81,541	11,000
Kathryn B. Kunkel, Acting Controller	81,541	100,000
Stephen Diamantoni, Coroner	81,541	15,000
Andrea McCue, Chief Clerk	103,992	7,500
Craig W. Stedman, District Attorney	168,541	(1)
Debra A. Frantz, Jury Commissioner	8,076	(1)
Kathleen A. Harrison, Jury Commissioner	8,076	(1)
Katherine E. Wood-Jacobs, Prothonotary	81,541	200,000
Bonnie L. Bowman, Recorder of Deeds	81,541	385,000
MaryAnn Gerber, Register of Wills	83,596	25,000
Mark S. Reese, Sheriff	81,541	60,000
Craig A. Ebersole, Treasurer	81,541	627,000
29 bonded tax collectors	\$.75 per parcel collected	50,149,455 (2)

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

(2) The dollar value is stated at 75% of total county and municipal tax levied in 2010.
Bonds are valid for the tax collector's term, 2010-2014.

County of Lancaster, Pennsylvania
Schedule of Insurance In-Force
December 31, 2012

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	02/01/12-02/01/13	\$ 111,100	General Liability	\$ 2,000,000	General Total Limit Products And Completed Work Total Limit Personal Injury Each Person Limit Advertising Injury Each Person Limit Each Event Limit Premises Damage Limit Each Employee Aggregate Sexual Abuse Total Limit	
				Included	Skateboard Park General Liability		\$ 1,000,000
							\$ 1,000,000
							\$ 1,000,000
				Included	Employee Benefit Plans Administration Liability Employee Benefit Plans Administration Liability Ded. – \$1,000		\$ 100,000 \$ 1,000,000 \$ 1,000,000
Indian Harbor Insurance Co (XL Ins Co)	LEI951716702	02/01/12-02/01/13	\$ 261,764	Law Enforcement Liability	\$ 1,000,000	Total Limit Each Wrongful Act Limit	
					Law Enforcement Deductible – \$100,000		\$ 1,000,000
National Union Fire Ins Co (Chartis)	15403614	02/01/12-02/01/13	\$ 50,665	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)		Included
National Fire Insurance of Hartford (CNA)	MNA419708737	02/01/12-02/01/13	\$ 47,574	Commercial Auto	\$ 1,000,000 \$ 35,000	Combined Single Limit Uninsured/Underinsured Motorists	
Lexington	21430625	02/01/12-02/01/13	\$ 189,025	Umbrella Excess Liability Umbrella Excess Liability Deductible - \$10,000	\$ 10,000,000 \$ 10,000,000	General Aggregate Each Occurrence	
Great American Ins Co Building and Contents Boiler & Machinery Property Includes Covered Bridges with Buildings Commercial Property Coverages Computers	MAC5259991	02/01/12-02/01/13	\$ 178,973	Special Form: \$25,000 deductible, Boiler & Machinery Bridge Property Damage, Deductible \$25,000 Flood \$50,000 Deductible Flood \$50,000 Deductible Earthquake \$50,000 deductible Earthquake \$50,000 deductible Hardware: \$1,000 deductible Software: \$1,000 deductible Fine Arts Floater; \$1,000 deductible Radio & Television Broadcasters – Transmission Towers – Replacement Cost; deductible \$25,000 Voting Machines; deductible \$1,000 Other Scheduled Equipment; deductible \$1,000	\$ 226,972,619 \$ 226,972,619 \$ 7,676,100 \$ 2,500,000 \$ 2,500,000 \$ 15,000,000 \$ 15,000,000 \$ 19,049,653 Included in Hardware \$ 272,750 \$ 8,977,426 \$ 3,872,575 \$ 1,252,100	Total Limit, Schedule of Bridges On File With Carrier Per Occurrence Limit No Flood for Bridges Annual Aggregate Limit No Flood for Bridges Per Occurrence Limit Annual Aggregate	

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, 2012

Table 19 (Cont.)

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %		Liability Limit
SAFETY NATIONAL Excess Workers Comp. & Employers Liability	SP4045478	01/01/12-01/01/13	\$ 47,132	Excess Workers Compensation Employers Liability (\$500,000 Cap Loss Limit)	\$	Statutory 1,000,000 Each Accident/Limit Each Employee Per Disease Each Accident/Limit Each Employee Per Disease
Travelers Casualty and Surety Co of America	105562115	02/01/12-02/01/13	\$ 11,069	Public Employees Blanket Bond, Deductible \$2,500	\$	1,000,000 Per Loss Limit
FOSTER CARE PROFESSIONALS (1): Foster Parent Liability Ins.	FPL – 128	07/01/12-06/30/13	\$ 10,800	Personal Liability Insurance for foster parents	\$	300,000 Per Person, Per Occurrence

(1) Contracted directly by Children and Youth Agency

DISCLAIMER - GENERAL

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