

# *County of Lancaster*

## PENNSYLVANIA



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the year ended December 31, 2016

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

For the Year Ended December 31, 2016

PREPARED BY THE CONTROLLER'S OFFICE

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CONTROLLER'S SOLICITOR  
George D. Alspach

COVER PHOTOGRAPH  
Pinetown Covered Bridge  
Photo by: Robert Devonshire, Jr.

Covered bridges are important historic structures in Pennsylvania. 29 of the State's covered bridges are in Lancaster County. The County owns and maintains 20 of the bridges including the Pinetown Covered Bridge (Big Conestoga #6).

The 133 feet long Pinetown Covered Bridge spans the Conestoga River and is a single span, wooden, double Burr arch truss design with the addition of steel hanger rods. The deck is made from oak planks. It is painted red, the traditional color of Lancaster County covered bridges, on the inside and out. It is listed on the U.S. National Register of Historic Places in Pennsylvania.

The bridge was built in 1867 by Elias McMellan at a cost of \$4,500. In 1972 it was destroyed by the flood waters of Hurricane Agnes. The following spring, several local Amish craftsmen rebuilt the bridge and raised it to 17 feet 6 inches above the average water line to prevent future flooding from damaging the bridge. In 2011, Tropical Storm Lee's flood waters rose high enough to damage the bridge. The bridge was rebuilt and opened again in January 2014.

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Brian K. Hurter, CPA

Controller

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**Controller**  
Brian K. Hurter, CPA

June 27, 2017

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, 2016, 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 SB & Company, LLC. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits". The single audit for 2016 will be completed during September 2017. Information related to this single audit, including the supplementary schedule of expenditures of federal awards, findings and recommendations, 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.



Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is a complement to this letter of transmittal and should be read in conjunction with it.

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**

Named for Lancashire in England, Lancaster County was formed from Chester County on May 10, 1729, becoming the fourth county in the Commonwealth of Pennsylvania. It occupies a land area of 946 square miles and is in the south-central part of the state, approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. The County consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships and has been a third-class county since 1962. Lancaster County is the sixth most populous in the state behind only Philadelphia, Allegheny, Montgomery, Bucks, and Delaware counties with approximately 538,500 people making it their home.

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. Additionally, the chief clerk is responsible for the preparation and monitoring of the annual county budget, contract negotiations, and monitoring the departments under the scope of the county commissioners.

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, and the Agricultural Land Preservation special revenue funds, and the capital projects fund. 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.** Economic growth in Lancaster County, as well as the nation, slowed in 2016 compared to 2015. Even with the slowed economic growth the County received positive results in both the housing market and unemployment rates. The County's housing market took an upswing with the number of homes sold rising, as well as the average and median sale prices. Pending home sales also hit a 10-year high in November. The County benefits from a well-diversified economy, low unemployment, and a good supply of workers looking to enter the workforce. With significant business sectors in food processing, pharmaceutical production and packaging, light manufacturing, agribusiness, professional services, and a live events cluster, no one sector or company dominates the economy and it is that diversity which leads to our prosperity. The County's unemployment rate of 3.7% remains consistently lower than both the state and national averages of 5.4% and 4.7%, respectively. Centrally located in the New York – Washington D.C. corridor and within a 500-mile radius of more than half the buying power of the nation, the County benefits from its proximity to the major marketplaces and transportation hubs of the East Coast. The Lancaster Chamber of Commerce & Industry's most recent Prosperity Indicators report shows a diverse mix of industries offering more jobs for our growing population, which is good news for our economy and community.

Lancaster County is growing and diversifying, but the County's core is the same today as it has been since the arrival of the first European settlers. Agriculture continues to be a dominant industry that has a big economic impact. The County's farmlands feature some of the richest, most productive, non-irrigated soil in the United States. In addition to providing fresh, local food to residents, as well as people across the state and nation, the County's nearly 5,700 farms and the industries they support provide more than 51,000 jobs and contribute approximately \$6 billion to the local economy. The local agriculture industry is a well-diversified farm economy which is not dependent on any one area for its success. Dairy farming is the leading agricultural business but poultry, swine, beef, crop, and vegetable production all contribute to the County's economic strength. One indication of the County's dedication to agriculture is that the Lancaster County Agricultural Preservation Board and the Lancaster County Farmland Trust have preserved 104,173 acres, or 163 square miles, of farmland, an area larger than the entire city of Philadelphia. Land conservation offers many benefits to the County, including attracting jobs, enhancing property values, safeguarding a valuable way of life for generations to come, ensuring an adequate fresh food supply, and protecting the quality of the environment. Lancaster County farming is always evolving but the basics remain the same, hardworking farmers that provide excellent and abundant food.

An important source of tax revenues and a key economic development tool, tourism is one of the leading industries in the County. Investments in attractions and amenities serve the traveling public, enhance the quality of life of area residents, and produce growth in

other sectors of the economy. In 2016, an estimated 8.34 million visitors to Lancaster County directly spent \$1.97 billion and created an economic impact of nearly \$2.64 billion. Supporting more than 24,000 county jobs, including approximately 15,970 direct tourism industry jobs, makes tourism the 5<sup>th</sup> largest non-agriculture private sector employer in the County. State and local tax revenue generated by the tourism industry saves each Lancaster County household an estimated \$997 annually in such taxes. The County is located within a short drive of Philadelphia, Baltimore, New York, and Washington, D.C. making it an ideal destination for a day trip, weekend getaway, or even an extended vacation. Offering everything from the Amish, Pennsylvania Dutch cooking, buggy rides, and farmer's markets to artists, vegan restaurants, theaters, and microbreweries, the County has something for everyone.

## **Major Initiatives**

### **For the Year**

- Effective June 1, an order signed by Lancaster County's president judge shifted the duties of serving arrest warrants from the nearly 100 constables to the County's deputy sheriffs. This move was made to save taxpayers money and improve service. The county commissioners supported the change and shifted budgeted money from the constable's expense line to the sheriff's department to hire six deputy sheriffs to handle the additional duties. In addition, the overall budget was reduced because of this change. The County was spending approximately \$1.6 million on constable costs each year. Under the new system, deputy sheriffs will receive the same salary regardless of how many warrants they serve. By putting the sheriff in charge of all warrants, the County also expects to make progress in reducing the large backlog of unserved warrants.
- The Lancaster County Department of Parks and Recreation worked in cooperation with the Lancaster County Solid Waste Authority and the Facilities Management Department to complete the 2 plus mile section of the Northwest River Trail through Chickies Rock County Park. This section of the trail provides a key connector for the larger 14.2-mile trail which runs from Columbia to Falmouth and has been more than 20 years in the making. The Northwest River Trail provides numerous recreational opportunities including walking, jogging, cross-country skiing, and bike riding. The trail also exposes visitors to the historic ruins and scenic attractions along the Susquehanna River corridor.
- The county controller established a Fraud, Waste, and Abuse Hotline. The purpose of the hotline is to allow confidential reporting of information regarding any fraud, waste, or abuse having to do with County of Lancaster assets including suspected theft or misuse of County property or cash, false reporting of hours worked, submission of illegitimate vendor invoices, misrepresentation of expense reimbursements, mismanagement of tax dollars, spending in excess of what is reasonable and necessary, violations of the County's purchasing policy, or any other suspected fraud or abuse. Suspected fraud can be reported via phone to the hotline (717)824-8570, electronically through a link on the controller's website (<http://co.lancaster.pa.us/1077/Fraud-Waste-Abuse-Hotline>), or through the mail. All methods of reporting are anonymous and untraceable, unless the person

chooses otherwise. A fraud investigation conducted by the controller and his staff will be opened within seven days of receiving a tip.

## **For the Future**

- The Lancaster County Commissioners passed a resolution in 1977 requiring reassessment of all property parcels in Lancaster County every eight years. The last reassessment was effective as of 1/1/2005. A reassessment was scheduled for 2013 but it was postponed four years until 2017 because of the unpredictability and instability of real property values during the economic recession. In December 2015, the Board of Commissioners voted to delay the reassessment one year to ensure technology was in place to provide accurate assessment values. All property parcels in the County will receive an updated assessment in March of 2017. This new assessment represents an estimate of the property's fair market value. The County will mail a final notice establishing the assessment for each property in June of 2017. The new assessment will be effective as of 1/1/18 for municipal taxes and 7/1/18 for school district taxes.
- In response to the growing opioid epidemic, The Lancaster County Drug Task Force plans to add three more investigators to help crack down on the distribution of drugs including heroin, using informants and surveillance. This addition will bring the total number of detectives to fifteen, making the task force the largest in its nearly three-decade history. The task force also plans to add an evidence specialist who is responsible for collecting and analyzing evidence while processing crime scenes and drug-dealing locations. The Drug Task Force is made up of County detectives and municipal police officers who are assigned to temporary duty with the County. The money to operate the task force comes from forfeitures from criminal arrests, funding from the state Attorney General's Office, and voluntary contributions from the municipalities themselves. In the past year, about 60% of the task force's investigations and seizures involved opioids. The task force targets drug dealers and trafficking operations across the County.
- The Lancaster County Prison plans to begin a new female reentry unit that will be housed in the C-2 Annex. The physical structure of the C-2 Annex housing unit will be altered to promote a more welcoming and therapeutic atmosphere for up to eleven sentenced female inmates who are within 60 to 90 days of their release date. Programming on the unit will include a variety of community partners providing drug and alcohol, parenting, anger management, mental health, job search/readiness, and other educational programs to prepare female inmates for reentry back into their communities. In addition, Lancaster County Prison inmate services specialists will work with the female inmates to create Individualized Reentry Plans (IRP) which will assess inmate needs and make referrals to outside agencies to address a wide range of needs upon release. Participants must have a generally good record of behavior and be major misconduct free. They must also be medically cleared to meet program requirements. The C-2 Reentry Program will run on an open entry-open exit schedule. When an inmate is released or dismissed from the program another inmate on an approved waiting list will be brought in to replace her. New inmates will immediately meet with an assigned inmate services

specialist to begin development of their IRP. They will also be given specific block responsibilities. The goal of the program is to provide the inmates with a greater opportunity for a successful transition back to their families and communities and reduce the rate of recidivism.

## **Financial Policies**

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

The Lancaster 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, 2015. 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 (GAAP) 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, SB & Company, LLC. We appreciate the contributions made in the preparation of this report.

A handwritten signature in black ink, appearing to read "BKS, CPA".

Brian K. Hurter, CPA  
Controller



Government Finance Officers Association

**Certificate of  
Achievement for  
Excellence in  
Financial  
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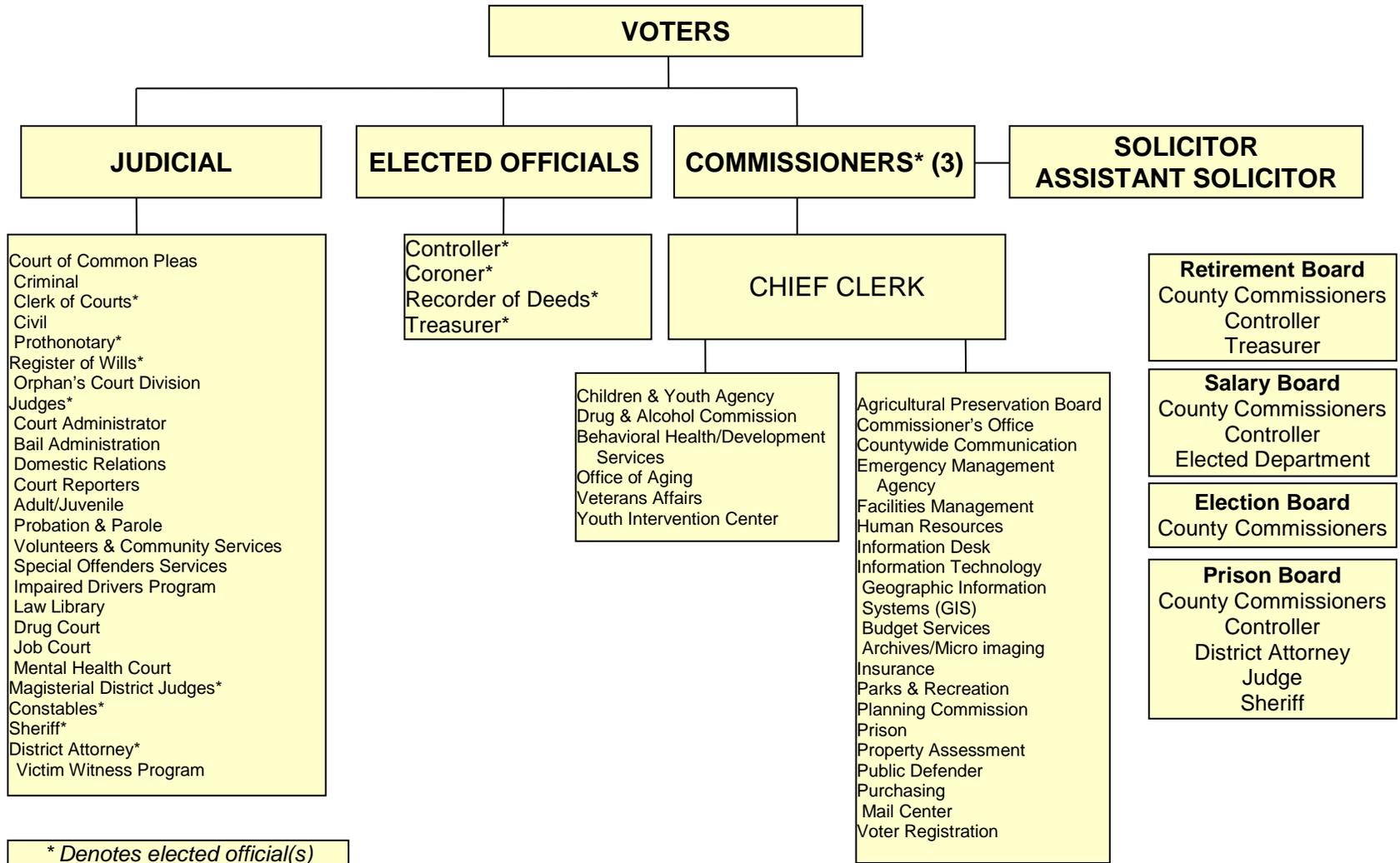
**County of Lancaster  
Pennsylvania**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

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



**2016  
County of Lancaster  
Elected Officials**

**COMMISSIONERS**

Dennis P. Stuckey, Chairman  
Joshua G. Parsons, Vice Chairman  
Craig E. Lehman

**CONTROLLER**

Brian K. Hurter, CPA

**TREASURER**

Amber L. Green

**PROTHONOTARY**

Katherine E. Wood-Jacobs

**REGISTER OF WILLS**

Anne L. Cooper

**RECORDER OF DEEDS**

Bonnie L. Bowman

**CLERK OF COURTS OF COMMON PLEAS**

Jacquelyn E. Pfursich

**DISTRICT ATTORNEY**

Craig W. Stedman

**JUDGES OF COURT OF COMMON PLEAS**

Dennis E. Reinaker, President Judge  
David L. Ashworth  
Leonard G. Brown, III  
James P. Cullen  
Leslie Gorbey  
Christopher A. Hackman  
Jay J. Hoberg  
Howard F. Knisely  
Margaret C. Miller  
Jeffrey J. Reich  
Merrill M. Spahn, Jr.  
Thomas B. Sponaugle  
Donald R. Totaro  
David R. Workman  
Jeffery D. Wright

**SHERIFF**

Mark S. Reese

**CORONER**

Stephen G. Diamantoni, MD

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Management and 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 County of Lancaster (the County) as of and for the year ended December 31, 2016, 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***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.



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### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the required supplementary schedule of changes in the County's net pension liability and related ratios, schedule of County contributions and schedule of investment returns for the County of Lancaster, Pennsylvania, Employee Retirement Plan, the schedule of employer contributions and 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, Behavioral Health & Developmental Services Fund and Domestic Relation Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 introductory section, statistical section, and 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.



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The combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and was derived from and relates 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 of America. 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.

Hunt Valley, Maryland  
June 27, 2017

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **INTRODUCTION**

This section of the County of Lancaster's (County) comprehensive annual financial report (CAFR) presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2016. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to financial statements to obtain a thorough understanding of the County's financial condition at December 31, 2016.

### **FINANCIAL HIGHLIGHTS**

- ✓ The County's 2016 real estate property tax rate remained unchanged at 3.735 mills.
- ✓ The County's net position increased \$21.9 million in 2016, or 154.2%.
- ✓ The County's unrestricted deficit was \$(63.5) million at December 31, 2016 compared to \$(76.8) million at December 31, 2015.
- ✓ The County's bond rating is A1 (stable outlook).
- ✓ At December 31, 2016, the County had \$219 million of general obligation debt outstanding. This represents a decrease of \$16.4 million, or 7.0%, 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 using 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:

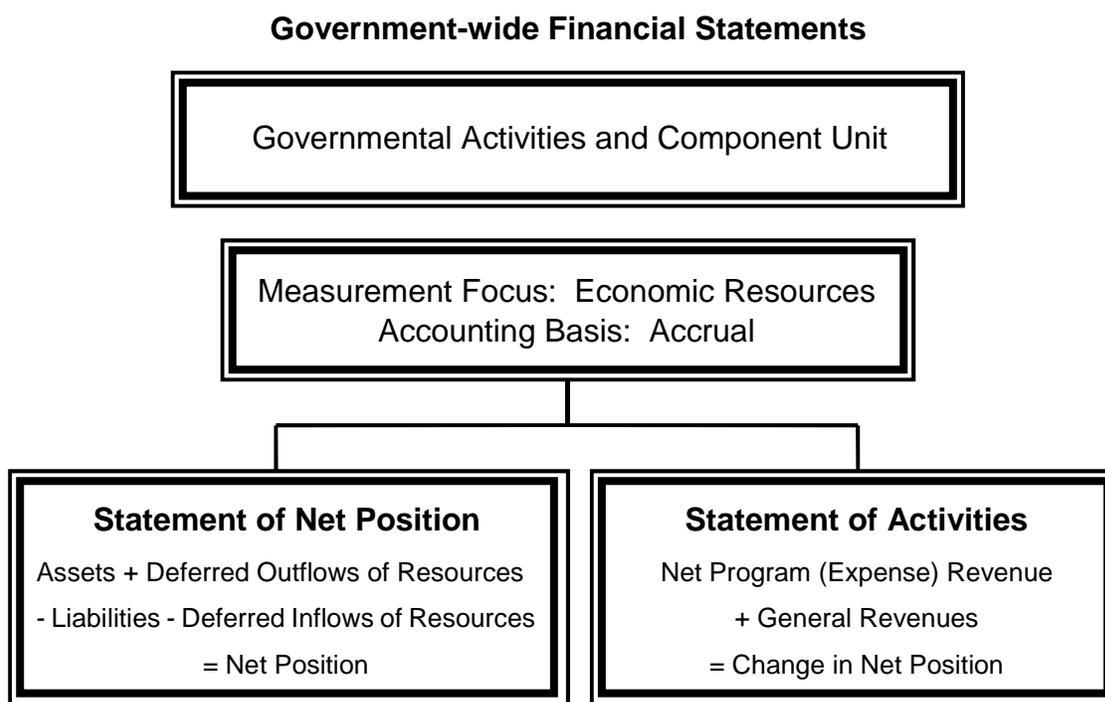
- ◆ *Governmental funds financial statements* which explain how services such as public safety were financed in the short term, as well as what remains for future spending.
- ◆ *Fiduciary funds financial statements* that reflect activities involving resources that are held by the County as a trustee 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 the contributions to and other post-employment benefit funding progress, the contributions to and schedule of changes for the pension plan, the County's budget for the General Fund, and the County's budget for each major budgeted special revenue fund. In addition to these required elements, a section is included with combining and individual fund statements that provide particulars about non-major governmental funds.

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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



The statement of net position includes all 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:

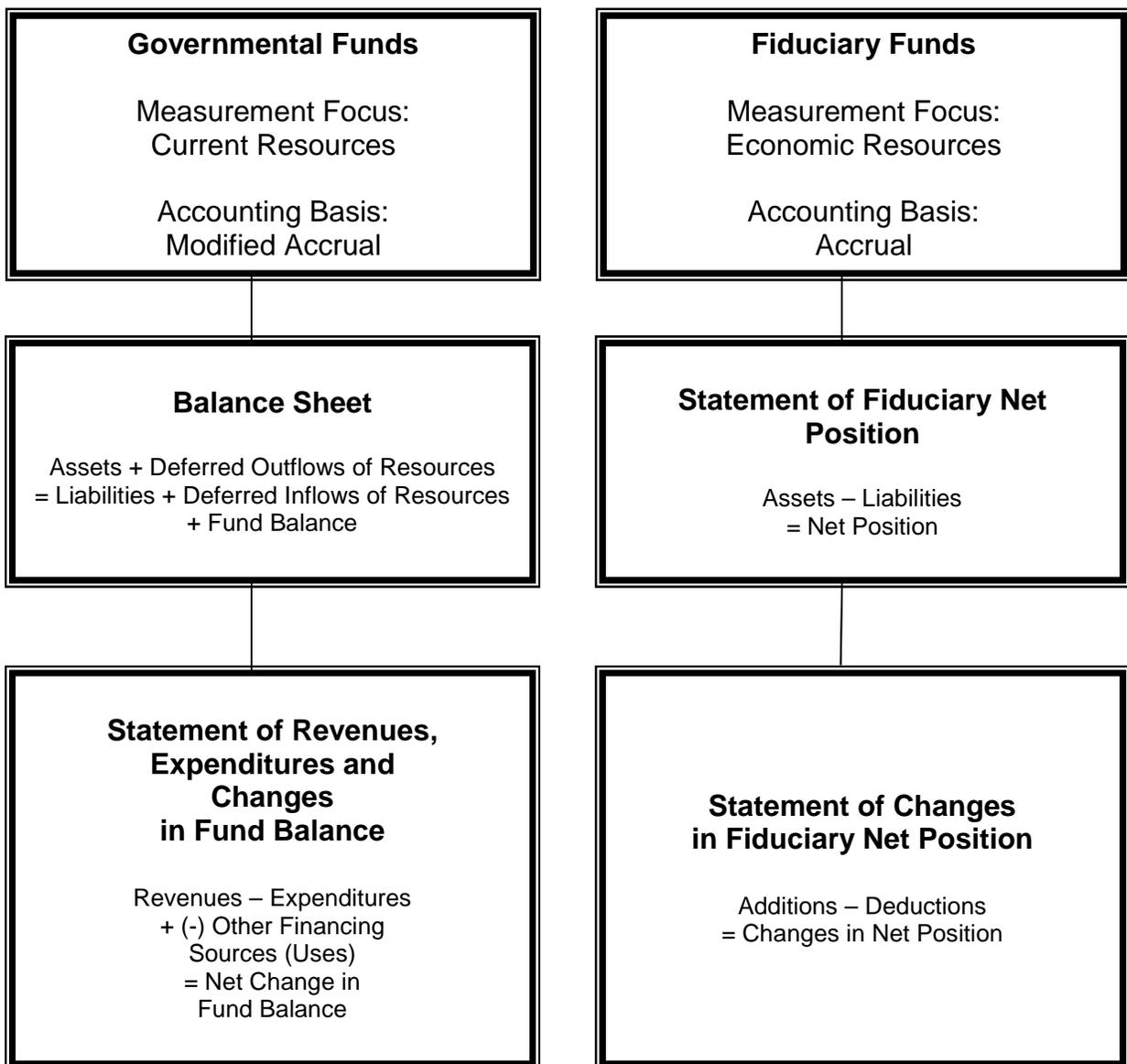
- ◆ *Governmental activities* – All the County’s basic services are included here, such as public safety, public works, health and welfare, and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Component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

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

## 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.

### 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, Behavioral Health and Developmental Services special revenue fund, Children and Youth Services special revenue fund, and the Domestic Relations special revenue fund. The County also maintains seven non-major special revenue funds that are combined into a single aggregated presentation. Because this information does not encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between 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 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, 2016 and 2015 are presented below:

<p>Table A-1  <b>County Net Position for the year ended December 31, 2016</b>  (amounts in millions)</p>
--

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 297.1	\$ 300.4
Other assets	74.8	66.6
<b>Total assets</b>	<b>371.9</b>	<b>367.0</b>
Deferred outflows of resources	18.3	27.1
<b>Total deferred outflows of resources</b>	<b>18.3</b>	<b>27.1</b>
Other liabilities	22.8	24.4
Long-term liabilities	331.3	355.5
<b>Total liabilities</b>	<b>354.1</b>	<b>379.9</b>
Net position (deficit):		
Net investment in capital assets	75.1	64.5
Restricted	24.5	26.5
Unrestricted (deficit)	(63.5)	(76.8)
<b>Total net position</b>	<b>\$ 36.1</b>	<b>\$ 14.2</b>

Net position of the County’s governmental activities increased by 154.2% to \$36.1 million. Of this amount, \$75.1 million represents the balance of net investments in capital assets, while \$24.5 million is restricted for various purposes. The County has an unrestricted deficit balance of \$(63.5) million as of the end of the year.

Lancaster County’s total assets stand at \$371.9 million and deferred outflows of resources stand at \$18.3 million as of December 31, 2016. Of the total assets, \$297.1 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, 2016 and 2015:

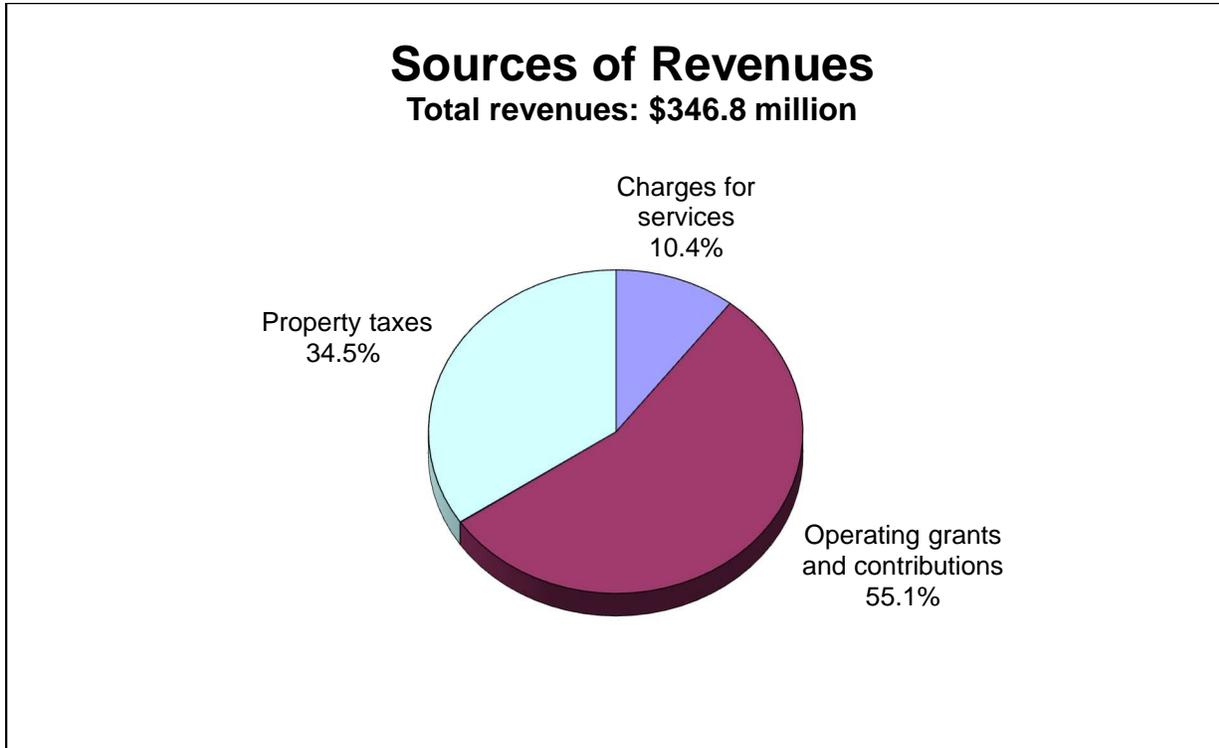
<p>Table A-2  <b>County's Changes in Net Position for the year ended December 31, 2016</b>  (amounts in millions)</p>
---

	2016	2015
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 36.1	\$ 27.6
Operating grants and Contributions	191.2	175.1
<b>General revenues:</b>		
Property taxes	119.3	118.0
Unrestricted investment Earnings	0.2	0.2
<b>Total revenues</b>	<b>346.8</b>	<b>320.9</b>
<b>Expenses:</b>		
General government	49.2	49.3
Public safety	9.6	15.8
Roads and bridges	0.7	1.3
Health, education, and welfare	177.3	156.7
Judicial	44.9	41.7
Corrections	28.2	26.7
Cultural and recreation	2.2	1.6
Community development	4.2	6.9
Interest on long-term debt	8.6	9.5
<b>Total expenses</b>	<b>324.9</b>	<b>309.5</b>
<b>Change in net position</b>	<b>21.9</b>	<b>11.4</b>
<b>Net position – beginning</b>	<b>14.2</b>	<b>2.8</b>
<b>Net position – ending</b>	<b>\$ 36.1</b>	<b>\$ 14.2</b>

See the following pages for details of these amounts.

**GOVERNMENTAL ACTIVITIES:**

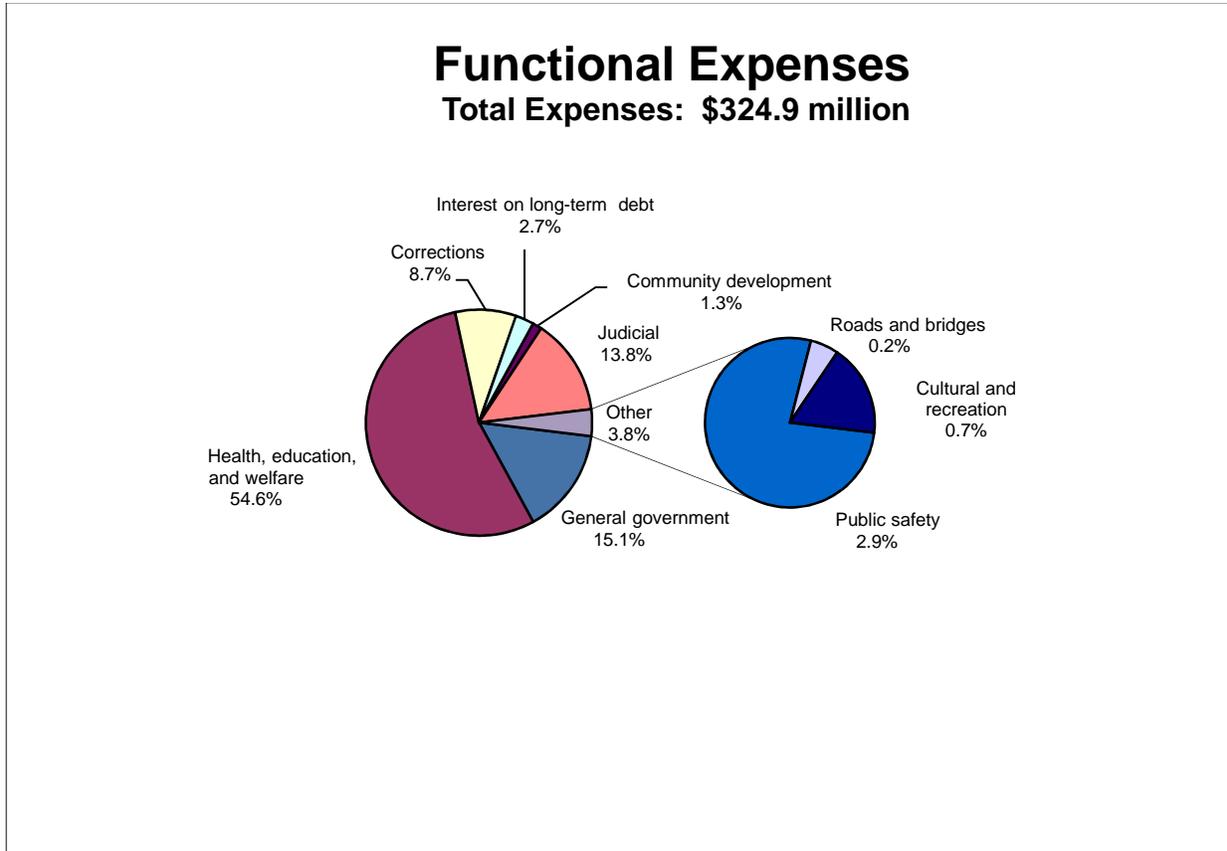
The following chart graphically depicts the sources of revenues for the year ended December 31, 2016:



Total government-wide revenues of \$346.8 million were derived primarily from operating grants and contributions, representing 55.1% of the total. Property taxes made up the second largest source of revenue at 34.5%, followed by charges for services at 10.4%.

## GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the year ended December 31, 2016:



Total expenses for all programs in 2016 were \$324.9 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 54.6%. The second largest program area was general government at 15.1%, followed by judicial at 13.8%, corrections at 8.7%, other (cultural and recreation, public safety, and roads and bridges) at 3.8%, interest on long term debt at 2.7%, and community development at 1.3%.

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

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

### **GOVERNMENTAL FUNDS:**

The General Fund, the Children and Youth Services special revenue fund, the Behavioral Health and Developmental Services special revenue fund, and the Domestic Relations special revenue 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, 2016, the General Fund reported a fund balance of \$25.6 million, which was a \$7.5 million or 41.4% increase over the previous year's balance of \$18.1 million. This increase was the result of over 100% of budgeted revenues being collected while only about 96% of budgeted expenditures were spent. Revenues increased from \$150.0 million to \$155.2 million, a \$5.2 million or 3.5% increase. This was the result of an increase in other revenues from the Capital Area Behavioral Health Collaborative (CABHC) loan we received due to the State budget impasse and an increase in rent and royalties since Children and Youth Agency is being charged rent for moving to the Government Center at 150 North Queen Street. Expenditures decreased from \$142.8 million to \$135.6 million, which was a \$7.2 million or 5.0% decrease. This decrease was the result of the County's Actuarially Determined Contribution (ADC) going down, as well as the out sourcing of facility management jobs and the fact that there were 26 pay periods in 2016 as compared to 27 pay periods in 2015.

The fund balance in the Children and Youth Services special revenue fund decreased to \$1.9 million at December 31, 2016, from \$2.2 million, a \$0.3 million or 13.6% decrease. This decrease is a result of Children and Youth Agency spending almost 100% of their budget. Revenues increased from \$32.5 million to \$35.5 million, a \$3.0 million or 9.2% increase. This is mainly due to an increase in Title IV-E and Act 148 funding. Expenditures increased from \$38.9 million to \$44.8 million, an increase of \$5.9 million or 15.2%. The increase was the result of placement costs for at risk youth, other contractual services, payroll, and rent being higher than the previous year.

The Behavioral Health and Developmental Services special revenue fund has no fund balance to report. Revenues in this fund increased to \$129.3 million from \$114.9 million, an increase of \$14.4 million or 12.5%. Expenditures increased from \$115.3 million to \$130.4 million, a \$15.1 million or 13.1% increase. These increases were due to increased activity in the Health Choices account for 2016.

As of December 31, 2016, the Domestic Relations special revenue fund balance was \$11.2 million as compared to \$10.6 million last year, an increase of \$0.6 million or 5.7%. The increase in the fund balance was primarily due to transfers. The revenues increased from \$4.6 million to \$4.7 million, an increase of \$0.1 million or 1.7%. The increase was mainly the result of due from other governments, transfers, and interest income being higher than the previous year. The expenditures remained basically flat increasing from \$6.0 million to \$6.1 million, an increase of \$0.1 million or 1.7%.

## **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 \$153.7 million to \$156.1 million, an increase of \$2.4 million or 1.6%. Actual revenues received totaled \$158.3 million or 101.4% of the final budget. Real estate tax revenues were \$0.8 million higher than the final budgeted amounts due to the natural growth of the tax base. Intergovernmental revenues were \$0.6 million higher than the final budgeted amounts because the County received an additional Administrative Office of Pennsylvania Courts (AOPC) payment during 2016. Other revenues were \$0.8 million higher than final budgeted amounts because of the loan from the Capital Area Behavioral Health Collaborative (CABHC) due to the State budget impasse.

The County's original operating expenditure budget, excluding transfers, increased from \$140.2 million to \$142.3 million, an increase of \$2.1 million or 1.5%. Actual expenditures were \$138.2 million or 97.1% of the final budget due to cost saving measures implemented in 2016. 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. The increase in supplemental funding sources was the result of a loan received from the Capital Area Behavioral Health Collaborative (CABHC) due to the State budget impasse.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS:

The County's investment in capital assets at December 31, 2016, net of accumulated depreciation, amounted to \$297.1 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, infrastructure and easements. The following is a summary of capital assets at December 31, 2016 and 2015:

<b>Summary of Capital Assets</b>		
	<b>2016</b>	<b>2015</b>
Land	\$ 5,275,585	\$ 5,275,585
Buildings and improvements	213,124,113	210,547,530
Improvements other than buildings	1,969,330	1,969,330
Furniture and equipment	63,037,991	62,036,294
Infrastructure	22,919,144	22,032,195
Easements	103,860,971	102,991,548
Less accumulated depreciation/amortization	(113,028,455)	(104,474,892)
Total	<u>\$ 297,158,679</u>	<u>\$ 300,377,590</u>

Total capital assets decreased from \$300.4 million to \$297.1 million, an overall decrease of \$3.3 million or 1.1%. The reason for the decrease is because capital outlay only increased by \$5.4 million while accumulated depreciation/amortization increased by \$8.5 million.

As of December 31, 2016, the County had \$238,772 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, 2016, the County had \$219 million of general obligation bonds and notes outstanding. This was a decrease of \$16.4 million, or 7.0%, from the previous year. The following details activity related to general obligation bonds and notes during 2016:

<b>Summary of General Obligation Bond and Note Activity</b>	
Beginning balance at 1/1/2016	\$ 235,183,400
Debt issued	26,495,000
Less principal refunded	(27,530,000)
Less principal payments	<u>(15,361,900)</u>
Ending balance at 12/31/2016	<u>\$ 218,786,500</u>

**BOND RATING:**

The County’s GOB series A and B of 2016 refunding bonds have been assigned an A1 rating with a stable outlook by Moody’s Investors Service.

All new debt issued during 2016 was the result of refunding previous bond issues. The County continues to aggressively reduce long-term debt.

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

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

The key economic factors affecting the County include the following:

- The County's population has grown consistently over the past decade and the majority of the County's residents succeed in finding employment.
- The County's unemployment rate stands at 3.7%, which is a 23.3% increase over the previous year's rate of 3.0%. This rate compares favorably with the State's rate of 5.4% and the national rate of 4.7%.

These factors were considered in preparing the County's 2017 budget. Amounts available for appropriation in the General Fund budget are \$158.2 million, an increase of 2.9% over the final 2016 budget of \$153.7. Fees and fines were budgeted to increase by \$3.3 million because of an increase in Act 12 VOIP (voice over internet protocol) income.

Budgeted operating expenditures, excluding transfers, have increased 3.5% to \$149.2 million from \$144.1 million in 2016. This is due to an increase in payroll and fringe benefits, as well as debt service.

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

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

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

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## **Basic Financial Statements**

County of Lancaster, Pennsylvania

Statement of Net Position

December 31, 2016

	Primary Government	Component Unit
	Governmental Activities	Lancaster County Convention Center Authority
<b>ASSETS</b>		
Cash and temporary investments:		
Operating	\$ 50,317,222	\$ 2,035,048
Other	465,522	-
Cash with fiscal agents	136	-
Restricted cash and investments	-	10,920,607
Investments	1,051,600	-
Receivables:		
Room rental tax	-	824,975
Taxes, net of allowance for uncollectibles of \$84,822	2,742,562	-
Fines and costs, net of allowance for uncollectibles of \$39,106,909	5,096,524	-
Accounts	2,875,471	-
Due from other governments	9,335,189	-
Restricted	-	3,050,000
Other	2,908,487	85,478
Prepaid items	-	63,136
Capital assets not being depreciated/amortized:		
Land	5,275,585	1,579,621
Easements	103,860,971	-
Capital assets being depreciated/amortized:		
Buildings and improvements	213,124,113	75,266,497
Improvements other than buildings	1,969,330	-
Furniture and equipment	63,037,991	4,617,585
Assets under capital lease	-	-
Infrastructure	22,919,144	-
Less accumulated depreciation/amortization	(113,028,455)	(18,366,841)
Total assets	<u>371,951,392</u>	<u>80,076,106</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Accumulated decrease in the fair value of hedging derivatives	4,080,626	-
Deferred charge on refunding	3,334,016	-
Deferred outflows related to pensions	10,846,892	-
Total deferred outflows of resources	<u>18,261,534</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts payable	6,787,321	1,752,447
Contracts payable	27,229	-
Retainage payable	19,335	-
Accrued interest payable	1,161,043	234,712
Unearned revenue	10,525,146	116,390
Payroll related accruals	4,299,741	8,911
Long-term liabilities:		
Due within one year	22,024,824	460,000
Due in more than one year	302,859,382	61,905,000
Derivative instruments - interest rate swap liability	4,974,726	3,588,082
Borrowing payable	1,443,478	18,329,482
Total liabilities	<u>354,122,225</u>	<u>86,395,024</u>
<b>NET POSITION</b>		
Net investment in capital assets	75,140,193	5,126,467
Restricted for:		
Federal and state grant programs	21,327,572	-
Capital projects	1,161,931	-
Public Safety	583,382	-
Community Development	1,468,899	-
Other	-	8,285,478
Unrestricted (deficit)	(63,591,276)	(19,730,863)
Total net position	<u>\$ 36,090,701</u>	<u>\$ (6,318,918)</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, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Lancaster County Convention Center Authority
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 49,177,536	\$ 15,650,427	\$ 2,977,602	\$ (30,549,507)	\$ -
Public safety	9,599,612	5,551,904	73,584	(3,974,124)	-
Roads and bridges	669,583	2,910	1,323,720	657,047	-
Health, education, and welfare:					
Drug and alcohol	4,563,843	189,135	4,427,392	52,684	-
Behavioral health/developmental services	128,737,955	2,538,951	126,778,398	579,394	-
Office of aging	9,013,313	23,745	9,567,353	577,785	-
Children and youth	34,858,690	1,966,898	33,232,073	340,281	-
Other	141,343	578,336	2,786	439,779	-
Judicial	44,902,740	7,862,100	8,771,902	(28,268,738)	-
Corrections	28,250,573	1,437,909	323,313	(26,489,351)	-
Cultural and recreation	2,182,493	298,106	-	(1,884,387)	-
Community development	4,173,840	11,062	3,730,895	(431,883)	-
Interest on long-term debt	8,665,991	-	-	(8,665,991)	-
Total government activities	\$ 324,937,512	\$ 36,111,483	\$ 191,209,018	(97,617,011)	-
<b>Component Unit:</b>					
Convention center	\$ 8,002,531	\$ 6,504,304	\$ -		(1,498,227)
Total component unit	\$ 8,002,531	\$ 6,504,304	\$ -		(1,498,227)
<b>General Revenues:</b>					
Property taxes				119,276,761	-
Unrestricted investment earnings (loss)				181,209	515,560
Room rental tax				-	4,952,212
Total general revenues				119,457,970	5,467,772
Change in net position				21,840,959	3,969,545
Net position - beginning				14,249,742	(10,288,463)
Net position - ending				\$ 36,090,701	\$ (6,318,918)

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

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2016

	General	Children and Youth Services	Behavioral Health & Developmental Services	Domestic Relations	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and temporary investments:						
Operating	\$ 22,282,233	\$ 7,462,791	\$ -	\$ 10,273,167	\$ 10,299,031	\$ 50,317,222
Other	-	125,869	197,045	-	142,608	465,522
Cash with fiscal agents	136	-	-	-	-	136
Investments	326,185	-	-	-	725,415	1,051,600
Receivables:						
Taxes	2,827,384	-	-	-	-	2,827,384
Less allowance for uncollectible taxes	(84,822)	-	-	-	-	(84,822)
Fines and costs	44,203,433	-	-	-	-	44,203,433
Less allowance for uncollectible fines and costs	(39,106,909)	-	-	-	-	(39,106,909)
Accounts	2,875,471	-	-	-	-	2,875,471
Due from other funds	2,053,448	-	-	-	-	2,053,448
Due from other governments	1,690,413	3,251,272	3,123,727	1,039,417	230,360	9,335,189
Other	-	774	192,562	57	15,094	208,487
<b>Total assets</b>	<b>\$ 37,066,972</b>	<b>\$ 10,840,706</b>	<b>\$ 3,513,334</b>	<b>\$ 11,312,641</b>	<b>\$ 11,412,508</b>	<b>\$ 74,146,161</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 1,780,802	\$ 2,828,489	\$ 1,307,922	\$ 4,525	\$ 865,583	\$ 6,787,321
Contracts payable	-	-	-	-	27,229	27,229
Retainage payable	19,335	-	-	-	-	19,335
Due to other funds	-	-	2,053,448	-	-	2,053,448
Unearned revenue - intergovernmental	-	5,937,016	-	-	4,588,130	10,525,146
Payroll related accruals	3,795,036	196,621	151,964	79,746	76,374	4,299,741
<b>Total liabilities</b>	<b>5,595,173</b>	<b>8,962,126</b>	<b>3,513,334</b>	<b>84,271</b>	<b>5,557,316</b>	<b>23,712,220</b>
Deferred inflows of resources:						
Unavailable revenue-property taxes and fines & costs	5,859,394	-	-	-	-	5,859,394
<b>Total deferred inflows of resources</b>	<b>5,859,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,859,394</b>
Fund Balances:						
Restricted:						
Health, education, and welfare	-	1,878,580	-	-	235,611	2,114,191
Capital projects	-	-	-	-	1,161,931	1,161,931
Roads and bridges	1,806,246	-	-	-	2,988,751	4,794,997
General government	2,176,792	-	-	-	-	2,176,792
Public safety	583,382	-	-	-	-	583,382
Judicial	1,013,222	-	-	11,228,370	-	12,241,592
Community development	-	-	-	-	1,468,899	1,468,899
Assigned:						
Capital projects	560,614	-	-	-	-	560,614
Future benefits	1,183,724	-	-	-	-	1,183,724
Healthcare benefits	1,773,084	-	-	-	-	1,773,084
Postemployment benefits	2,522,436	-	-	-	-	2,522,436
Unassigned	13,992,905	-	-	-	-	13,992,905
<b>Total fund balances</b>	<b>25,612,405</b>	<b>1,878,580</b>	<b>-</b>	<b>11,228,370</b>	<b>5,855,192</b>	<b>44,574,547</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 37,066,972</b>	<b>\$ 10,840,706</b>	<b>\$ 3,513,334</b>	<b>\$ 11,312,641</b>	<b>\$ 11,412,508</b>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. (Note 7)						297,158,678
Certain receivables are not available to pay for current-period expenditures and, therefore, are not recognized or unearned in the funds.						5,859,394
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)						(314,201,918)
Other long-term note receivable						2,700,000
<b>Total net position of governmental activities</b>						<b>\$ 36,090,701</b>

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

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2016

	General	Children and Youth Services	Behavioral Health & Developmental Services	Domestic Relations	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real estate taxes	\$ 119,727,563	\$ -	\$ -	\$ -	\$ -	\$ 119,727,563
Intergovernmental	5,157,765	33,504,939	126,778,398	4,602,409	19,052,146	189,095,657
Departmental	22,618,673	1,966,858	261,888	63,445	12,767	24,923,631
Fines and costs	3,148,094	-	-	-	-	3,148,094
Investment earnings	140,071	15	59	21,426	19,638	181,209
Other	4,455,401	40	2,468	-	792,421	5,250,330
Health Choices revenues	-	-	2,274,595	-	-	2,274,595
<b>Total revenues</b>	<b>155,247,567</b>	<b>35,471,852</b>	<b>129,317,408</b>	<b>4,687,280</b>	<b>19,876,972</b>	<b>344,601,079</b>
<b>EXPENDITURES</b>						
Current:						
General government	29,223,402	-	-	-	7,500	29,230,902
Public safety	10,545,603	-	-	-	-	10,545,603
Roads and bridges	50,967	-	-	-	82,768	133,735
Health, education, and welfare:						
Drug and alcohol	-	-	-	-	4,780,815	4,780,815
Behavioral Health/Developmental Services	-	-	130,186,095	-	-	130,186,095
Office of aging	-	-	-	-	10,390,899	10,390,899
Children and youth	-	44,634,358	-	-	-	44,634,358
Judicial	40,968,053	-	-	6,096,526	-	47,064,579
Corrections	26,668,718	-	-	-	-	26,668,718
Cultural and recreation	2,084,548	-	-	-	-	2,084,548
Community development	-	-	-	-	4,153,872	4,153,872
Capital outlay	1,755,674	175,584	251,022	4,208	1,299,463	3,485,951
Debt Service:						
Principal retirement	15,361,100	-	-	-	-	15,361,100
Interest and fiscal charges	8,901,565	-	-	-	-	8,901,565
<b>Total expenditures</b>	<b>135,559,630</b>	<b>44,809,942</b>	<b>130,437,117</b>	<b>6,100,734</b>	<b>20,715,317</b>	<b>337,622,740</b>
Excess (deficiency) of revenues over (under) expenditures	19,687,937	(9,338,090)	(1,119,709)	(1,413,454)	(838,345)	6,978,339
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	9,015,387	1,119,709	2,045,652	1,461,503	13,642,251
Transfers out	(12,526,467)	-	-	-	(1,115,784)	(13,642,251)
Face amount of refunding bonds issued	26,495,000	-	-	-	-	26,495,000
Payment to refunded bond escrow agent	(29,225,865)	-	-	-	-	(29,225,865)
Premium on refunding bonds issued	3,087,988	-	-	-	-	3,087,988
<b>Total other financing sources (uses)</b>	<b>(12,169,344)</b>	<b>9,015,387</b>	<b>1,119,709</b>	<b>2,045,652</b>	<b>345,719</b>	<b>357,123</b>
Net change in fund balances	7,518,593	(322,703)	-	632,198	(492,626)	7,335,462
Fund balances, January 1	18,093,812	2,201,283	-	10,596,172	6,347,818	37,239,085
<b>Fund balances, December 31</b>	<b>\$ 25,612,405</b>	<b>\$ 1,878,580</b>	<b>\$ -</b>	<b>\$ 11,228,370</b>	<b>\$ 5,855,192</b>	<b>\$ 44,574,547</b>

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, 2016

Net change in fund balances – total governmental funds	\$ 7,335,462
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)	(3,218,911)
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.	(522,608)
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)	21,364,245
Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. (Note 3)	(4,783,053)
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>1,665,824</u>
Change in net position of governmental activities	<u>\$ 21,840,959</u>

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

County of Lancaster, Pennsylvania  
Statement of Net Position - Fiduciary Funds

December 31, 2016

	Pension Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,869,746	\$ 12,788,714
Investments, at fair value:		
U.S. Government securities	24,615,840	-
Domestic corporate bonds	25,215,532	-
International corporate bonds	1,584,795	-
Collateralized mortgage obligations	2,050,676	-
Domestic common stocks	51,304,573	-
Equity mutual funds	26,786,084	-
International equity mutual funds	55,460,846	-
Fixed income mutual funds	4,193,598	-
Exchange traded index funds	49,586,471	-
Brokered CDs	1,556,505	-
Total investments	242,354,920	-
Receivables	664,517	
Total assets	257,889,183	12,788,714
<b>LIABILITIES</b>		
Deposits and advances	-	3,201,760
Escrow liability	-	3,456,236
Other	-	1,653,377
Due to other governments	-	4,477,341
Total liabilities	-	12,788,714
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 257,889,183</b>	<b>\$ -</b>

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

County of Lancaster, Pennsylvania

Statement of Changes in Fiduciary Net Position -  
Pension Trust Fund

For the Year Ended December 31, 2016

**ADDITIONS**

Contributions:

Employer	\$ 4,580,199
Plan members	5,110,678
Total contributions	<u>9,690,877</u>

Investment income:

Net appreciation in fair value of investments	13,091,646
Interest and dividends	6,135,540
Less investment expenses	<u>(591,518)</u>
Net investment income	18,635,668
Other	88,836
Total additions	<u>28,415,381</u>

**DEDUCTIONS**

Benefit payments, including refunds of member contributions	15,177,732
Administrative expenses	71,633
Other	<u>24,928</u>
Total deductions	<u>15,274,293</u>

Net increase in net position 13,141,088

**NET POSITION RESTRICTED FOR PENSIONS**

Beginning of year	244,748,095
End of year	<u>\$ 257,889,183</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, 2016

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

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

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

In evaluating how to define the County of Lancaster for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61. GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. The primary government may also be financially accountable if a potential component unit is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Conditions that would indicate the ability to impose will by the primary government include, but are not limited to, the primary government's ability to remove appointed members of the organization's governing board at will, the ability to modify or approve the budget of the organization, the ability to modify or approve rate or fee changes affecting revenues, the ability to veto, overrule, or modify the decisions of the organization's governing body, and the ability to appoint, hire, reassign, or dismiss management of the organization. Conditions that would indicate the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government include, but are not limited to, the legal entitlement or access by the primary government to the organization's resources, legal obligation by the primary government to finance the deficits of or provide financial support to the organization, and the obligation by the primary government for the debt of the

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### A. Reporting Entity (continued)

organization. Based upon the 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 facilities for the public purpose of promoting, attracting, stimulating, developing, and expanding business, industry, commerce, and tourism in the Commonwealth of Pennsylvania. 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 Statement No. 14, as amended by GASB Statement Nos. 39 and 61. 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.

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 Development Board
- Lancaster County Land Bank Authority
- Lancaster County Ethics Committee
- 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
- South Central Transit 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 a deferred inflow of resources. 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, or the amounts are deferred and recognized as an inflow of resources in the period that amounts become available. 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.

# 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)*

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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

The following major funds are used by the County:

##### *Governmental Funds:*

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

- General Fund – The General Fund accounts for numerous County primary services (Public Safety, Judicial, Corrections, General Government, 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. Local sources include dependent support and revenues received from other Counties for detention services. These funds are restricted to provide support services to underprivileged juveniles.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

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

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

- Behavioral Health and Developmental Services Fund – This special revenue fund is used to account for amounts received from various Federal, State, and local sources. Local sources include payments from third parties which include payments for rent. These funds are restricted to provide assistance and medical care to those individuals with mental health and developmental disability problems.
- Domestic Relations Fund – This special revenue fund is used to account for amounts received from various Federal and local sources. Local sources include blood test fees and EFT support fees. 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.

##### *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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

###### *Basis of Accounting*

The Convention Center Authority utilizes the accrual basis of accounting.

###### *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% was originally allocated to Discover Lancaster (formerly known as the Pennsylvania Dutch Convention and Visitors Bureau (PDCVB)) to be used to promote tourism in Lancaster County and 80% was received by the Convention Center Authority (Authority) to be used for the construction and operation of the convention center facility. If the Authority encountered 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 Discover Lancaster would be diverted to the trustee of the Authority's Bonds. Revenue was recognized in the period to which the County attributed collection.

On July 31, 2014, the Convention Center Authority entered into a collaboration agreement with the County, Discover Lancaster, the City of Lancaster (City), the Redevelopment Authority of the City of Lancaster (RCAL), and the Lancaster City Revitalization and Improvement Zone Authority (Lancaster CRIZ Authority). Under the collaboration agreement, Discover Lancaster agreed to direct 100% of the hotel room rental tax revenue to the Convention Center Authority for the period July 2014 through June 2019. As of December 31, 2016, and each December 31 thereafter, if the funds on deposit with the trustee under the terms of the indenture exceed \$5,750,000 after all obligations have been paid, the Convention Center Authority shall remit the lesser of any funds in excess of \$5,750,000 or 20% of the hotel room rental tax revenue by January 15 of the following year to Discover Lancaster. For the year ended December 31, 2016, the Convention Center Authority's funds on deposit exceeded the established thresholds and \$1,240,524 of the hotel room rental tax revenue was payable to Discover Lancaster under the terms of the Collaboration agreement. Beginning in July 2019, the terms of the Lancaster County Ordinance No. 45 shall again govern the distribution of the hotel room rental tax revenue.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### D. New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements. The County adopted this standard effective January 1, 2016 and included the necessary fair value disclosures in the notes to the financial statements.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. Accordingly, GASB Statement No. 73 is effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. This statement will not have an effect 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 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement No. 74 replaces GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. Accordingly, GASB Statement No. 74 is effective for financial statements for periods beginning after June 15, 2016. The County is currently evaluating the effect the adoption of GASB Statement No. 74 will have on the County's financial statements.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Accordingly, GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The County expects the adoption of GASB Statement No. 75 to have a material 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 June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". Accordingly, GASB Statement No. 76 is effective for fiscal years beginning after June 15, 2015, and should be applied retroactively. The County adopted this standard effective January 1, 2016; however, it did not have a significant impact on the County's financial statements.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting governments tax revenues. The County adopted this standard effective January 1, 2016 and expanded the Property Taxes footnote to include information about the County's tax abatement program.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

In December 2015, the GASB issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans". The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, "Accounting and Financial Reporting for Pensions". This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics as described within the Statement. Accordingly, GASB Statement No. 78 is effective for fiscal years beginning after December 15, 2015. The County adopted this standard effective January 1, 2016; however, it did not have a significant impact on the County's financial statements.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Accordingly, GASB Statement No. 79 is effective for fiscal years beginning after June 15, 2015. The County adopted this standard effective January 1, 2016; however, it did not have a significant impact on the County's financial statements.

In January 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, "The Financial Reporting Entity", as amended. Accordingly, GASB Statement No. 80 is effective for fiscal years beginning after June 15, 2016. This statement will not have an effect 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 March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements". The Objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Accordingly, GASB Statement No. 81 is effective for fiscal years beginning after December 15, 2016. This statement will not have an effect on the County's financial statements.

In March 2016, the GASB issued Statement No. 82, "Pension Issues". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, "Financial Reporting for Pension Plans", No. 68, "Accounting and Financial Reporting for Pensions", and No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statements 67 and 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Accordingly, GASB Statement No. 82 is effective for fiscal years beginning after June 15, 2016. The County is currently evaluating what effect, if any, the adoption of GASB Statement No. 82 will have on the County's financial statements.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. It requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Accordingly, GASB Statement No. 83 is effective for fiscal years beginning after June 15, 2018. This statement will not have an effect 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 January 2017, the GASB issued Statement No. 84, "Fiduciary Activities". The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Accordingly, GASB Statement No. 84 is effective for fiscal years beginning after December 15, 2018. This statement will not have an effect on the County's financial statements.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017". The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Accordingly, GASB Statement No. 83 is effective for fiscal years beginning after June 15, 2017. This statement will not have an effect on the County's financial statements.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues". The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources and improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Accordingly, GASB Statement No. 83 is effective for fiscal years beginning after June 15, 2017. This statement will not have an effect on the County's financial statements.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 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.

##### **Cash and Cash Equivalents**

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

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

##### **Investments**

In accordance with authorized investment laws, the County invests in various fixed income securities, mutual funds, money market funds, brokered CDs, and equity securities. These securities are reported at fair value on the balance sheet. 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, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

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

Investments are reported at fair value in accordance with GASB Statement No. 72. Fair value is defined by GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1, that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumptions and information about market participant assumptions that are reasonably available.

##### **Investments**

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

The Convention Center Authority accounts for investments at fair value. The fair value of the Convention Center Authority's investments is based upon values provided by external investment managers and quoted market prices.

The Convention Center Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

##### **Short-Term Interfund Receivables/Payables**

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

**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 assets on the statement of net position, because their use is limited by applicable trust indentures or other agreements. At December 31, 2016, restricted assets included cash and investments in the amount of \$10,920,607 and accounts receivable in the amount of \$3,050,000.

**Capital Assets**

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

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

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

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

**Capital Assets (continued)**

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

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

**Capital Assets**

*Discretely Presented Component Unit*

Capital assets are carried at cost, if purchased or constructed. Capital assets are defined by the Convention Center Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Building, furniture, fixtures, and equipment are depreciated over the estimated useful lives using the straight-line method.

The useful lives for purposes of computing depreciation are as follows:

Buildings	40 Years
Furniture, Fixtures, and Equipment	3-10 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed. A portion of the interest incurred during the construction phase of capital assets is included as part of the capitalized value of the asset constructed.

**Unearned Revenue**

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

##### **Deferred Outflows/Inflows of Resources**

The County reports a deferred outflow of resources in the statement of net position resulting from the accumulated increase in the fair value of hedging derivatives, in accordance with GASB Statement No. 63, and the deferred charge on debt refunding resulting from the difference between the carrying value of the refunded debt and its reacquisition price, and amortized over the shorter of the life of the refunded or refunding debt, as a result of adopting GASB Statement No. 65.

The County reports a deferred inflow of resources in its governmental funds. A deferred inflow of resources 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, or intergovernmental revenue not meeting the available criteria to be recognized as revenue in the funds.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

**Risk Management (continued)**

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**

The County applies Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for governmental funds.

The County's governmental fund financial statements reflect GASB Statement 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 County 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; however, no such amounts existed as of December 31, 2016.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

**Fund Balance (continued)**

*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* – These funds are received from federal and state grants and are restricted to be used for the provision of human services and education activities for County residents.

*Capital projects* – These are the County's bond proceeds and are restricted to be used to pay for future capital-related projects of the County.

*Roads and bridges* – These funds are received and restricted due to state legislation including Act 13. These amounts are restricted for the purpose of maintaining and replacing County owned bridges and roads.

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

*Public safety* – These funds are received from federal and state grants and are restricted to be 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* – These funds are collected per state statute and are restricted to be used for the provision of County judicial services. This amount includes Act 122 funds which are restricted to be used for training and equipment for the Coroner's Office. The amount also includes funds restricted for the use of the County's Drug Task Force.

*Community Development* – These funds are received from federal and state grants, as well as other sources, and are restricted to purchase easements from farmers within the County in an effort to preserve agricultural land.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

**Fund Balance (continued)**

*Unrestricted Fund Balance*

Unrestricted fund balance consists of the committed, assigned, and unassigned fund balance categories, as applicable. The County's general fund is the only fund that reports a positive unassigned fund balance.

*Committed Fund Balance*

Committed fund balance represents amounts that can be spent only for the specific purposes allowed by the formal action taken by the County Commissioners in the form of a Resolution. There were no funds committed as of December 31, 2016.

*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. The County Commissioners have not authorized management to assign fund balances.

Assignments have been established in the general fund as follows:

*Capital Projects* – this assignment is established to pay future capital-related projects.

*Future Benefits* – this assignment is established to pay future payroll costs.

*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.

**Leases**

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)**

##### **Intergovernmental Revenues**

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

##### **Departmental Revenues**

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

##### **Investment Earnings**

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

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

In accordance with GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", derivatives are stated at fair value on the Statement of Net 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 a 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 \$314,201,918 difference is as follows:

General obligation bonds and notes payable	\$ 218,786,500
Plus: Issuance premium (amortized as income)	9,113,172
Accrued vacation and sick pay	5,763,351
Net pension liability	16,909,841
Net OPEB obligation	51,325,737
Accrued interest payable	1,161,043
Deferred outflow from refundings	(3,334,016)
Deferred outflow from interest rate swap	(4,080,626)
Deferred outflow related to pensions	(10,846,892)
Derivative instrument – interest rate swap/swaption liability	4,974,726
Borrowing payable	1,443,478
Capital leases	18,826,729
Contracts payable	663,676
Workers’ compensation	795,199
Other liability	2,700,000
Net adjustment to <i>total fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 314,201,918</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*

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 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 \$(3,218,911) difference is as follows:

Capital outlay	\$ 5,855,440
Depreciation/amortization expense	(8,953,567)
Loss on disposal	<u>(120,784)</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>\$ (3,218,911)</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 \$21,364,245 difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (26,495,000)
Principal repayments:	
Capital lease payment	3,272,280
General obligation debt	15,361,100
Payment to escrow agent for refunding	<u>29,225,865</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>\$ 21,364,245</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 premiums, discounts and similar items when debt is first issued, whereas, these amounts are amortized in the statement of activities.” The detail of this \$(4,783,053) difference is as follows:

Bond premiums	\$ (3,087,988)
Net unamortized amounts on refunding and prepayments	<u>(1,695,065)</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>\$ (4,783,053)</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 \$1,665,824 difference is as follows:

Accrued vacation and sick pay	\$ (224,630)
Contracts payable	(19,968)
Net pension liability	12,755,024
Net OPEB obligation	(4,973,284)
Deferred outflows related to pensions	(8,426,193)
Accrued interest payable	235,574
Amortization of gain on refunding	599,480
Workers’ compensation	(171,952)
Amortization of net bond premiums	<u>1,891,773</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>\$ 1,665,824</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, 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, Behavioral Health and Developmental Services, Children and Youth Services, and Domestic Relations special revenue funds are located in required supplementary information. The budgetary schedules for Office of Aging, Drug and Alcohol, and Liquid Fuels nonmajor special revenue funds are located in the combining and individual fund statements and schedules.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### **Deposits**

At December 31, 2016, the County's bank balances, which include cash and temporary investments, totaled \$114,901,717. Of the bank balances, \$1,365,167 was covered by federal depository insurance 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.

##### **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. At December 31, 2016, the County's non-pension investments included \$1,051,600 invested in U.S. Treasury Strips, U.S. Treasury Mutual Funds, Certificates of Deposit, and Money Market Funds.

##### *Custodial Credit Risk*

At December 31, 2016, the County's non-pension investments included \$1,051,600 invested in U.S. Treasury Strips, U.S. Treasury Mutual Funds, Certificates of Deposit, and Money Market Funds. Of the investment balance, the \$200,371 invested in Certificates of Deposits 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 \$375,632 invested in Money Market Funds do not expose the County to custodial credit risk. 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, 2016, the County's non-pension investments were subject to interest rate risk as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 – 5	6 – 10	More Than 10 Years
Non-Pension Investments					
U.S. Treasury Strips	\$ 362,534	\$ -	\$ -	\$ 362,534	\$ -
U.S. Treasury Mutual Funds	113,063	-	113,063	-	-
Certificates of Deposit	200,371	200,371	-	-	-
Money Market Funds	375,632	375,632	-	-	-
Total Non-Pension Investments	<u>\$ 1,051,600</u>	<u>\$ 576,003</u>	<u>\$ 113,063</u>	<u>\$ 362,534</u>	<u>\$ -</u>

At December 31, 2016, the County's non-pension investments had the following fair value measurements:

Investments by Fair Value Level	Fair Value at December 31, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Non-Pension Investments				
U.S. Treasury Strips	\$ 362,534	\$ 362,534	\$ -	\$ -
U.S. Treasury Mutual Funds	113,063	113,063	-	-
Certificates of Deposit	200,371	200,371	-	-
Money Market Funds	375,632	375,632	-	-
Total Non-Pension Investments	<u>\$ 1,051,600</u>	<u>\$ 1,051,600</u>	<u>\$ -</u>	<u>\$ -</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Non-Pension Investments (continued)**

*Interest Rate Risk (Continued)*

The total non-pension investments amount of \$1,051,600 is classified as investments on 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.

*Credit Risk*

The following schedule details the County's exposure to credit risk with respect to non-pension investments at December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating*</u>
Non-Pension Investments		
U.S. Treasury Strips	\$ 362,534	Aaa
U.S. Treasury Mutual Funds	113,063	Not rated
Certificates of Deposit	200,371	N/A
Money Market Funds	375,632	Aaa
Total Non-Pension Investments	<u>\$ 1,051,600</u>	

\*expressed as Moody's quality ratings

The County follows the Pennsylvania County Code and Act 72 of the Commonwealth of Pennsylvania but does not have a formal policy relative to managing credit risk.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### **Pension Investments**

The County utilizes various investment options for the County's Pension Plan. At December 31, 2016, the County's pension investments had a fair value of \$242,354,920. In addition to the pension investments, the County maintains Money Market Funds with a fair value of \$12,299,783, U.S. Treasury Bills with a fair value of \$1,823,468, and Commercial Paper with a fair value of \$746,495, for the County's Pension Plan, which are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

##### *Custodial Credit Risk*

At December 31, 2016, the County's pension investments were subject to custodial credit risk except for \$12,299,783 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, 2016, the County's pension investments were subject to interest rate risk as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 – 5	6 – 10	More Than 10 Years
Pension Investments					
U.S. Government Securities	\$ 24,615,840	\$ 5,827,558	\$ 11,522,652	\$ 5,599,493	\$ 1,666,137
Domestic Corporate Bonds	25,215,532	5,210,350	13,463,105	6,258,722	283,355
International Corporate Bonds	1,584,795	699,932	487,767	397,096	-
Collateralized Mortgage Obligations	2,050,676	162,135	1,044,011	844,530	-
Brokered CDs	1,556,505	-	1,556,505	-	-
Fixed Income Mutual Funds	4,193,598	4,193,598	-	-	-
Domestic Common Stock	51,304,573	51,304,573	-	-	-
Equity Mutual Funds	26,786,084	26,786,084	-	-	-
International Equity Mutual Funds	55,460,846	55,460,846	-	-	-
Exchange Traded Index Funds	49,586,471	49,586,471	-	-	-
<b>Total Pension Investments</b>	<b>\$ 242,354,920</b>	<b>\$ 199,231,547</b>	<b>\$ 28,074,040</b>	<b>\$ 13,099,841</b>	<b>\$ 1,949,492</b>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Pension Investments (continued)**

*Interest Rate Risk (continued)*

At December 31, 2016, the County's pension investments had the following fair value measurements:

Investments by Fair Value Level	Fair Value at December 31, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Pension Investments				
U.S. Government Securities	\$ 24,615,840	\$ 24,615,840	\$ -	\$ -
Domestic Corporate Bonds	25,215,532	25,114,827	100,705	-
International Corporate Bonds	1,584,795	1,584,795	-	-
Collateralized Mortgage Obligations	2,050,676	1,861,935	188,741	-
Brokered CDs	1,556,505	1,556,505	-	-
Fixed Income Mutual Funds	4,193,598	4,193,598	-	-
Domestic Common Stock	51,304,573	51,304,573	-	-
Equity Mutual Funds	26,786,084	26,786,084	-	-
International Equity Mutual Funds	55,460,846	55,460,846	-	-
Exchange Traded Index Funds	49,586,471	49,586,471	-	-
Total Pension Investments	<u>\$ 242,354,920</u>	<u>\$ 242,065,474</u>	<u>\$ 289,446</u>	<u>\$ -</u>

In addition to the pension investments, the County maintains Money Market Funds with a fair value of \$12,299,783, U.S. Treasury Bills with a fair value of \$1,823,468, and Commercial Paper with a fair value of \$746,495. These investments are measured at Net Asset Value (NAV), have maturities of less than one year, and 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)**

*Interest Rate Risk (continued)*

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Pension Investments (continued)**

*Credit Risk*

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2016:

Investment Type	Fair Value	Credit Rating*
Pension Investments		
Domestic Corporate Bonds	\$ 1,253,407	Aaa
Domestic Corporate Bonds	3,192,496	Aa
Domestic Corporate Bonds	9,749,809	A
Domestic Corporate Bonds	10,516,579	Baa
Domestic Corporate Bonds	445,533	Ba
Domestic Corporate Bonds	57,708	NR
Total Domestic Corporate Bonds	25,215,532	
International Corporate Bonds	1,177,025	Aa
International Corporate Bonds	64,174	A
International Corporate Bonds	343,596	Baa
Total International Corporate Bonds	1,584,795	
Collateralized Mortgage Obligations	1,488,419	Aaa
Collateralized Mortgage Obligations	278,236	Aa
Collateralized Mortgage Obligations	284,021	A
Total Collateralized Mortgage Obligations	2,050,676	
Fixed Income Mutual Fund	567,088	B
Fixed Income Mutual Fund	3,626,510	NR
Total Collateralized Mortgage Obligations	4,193,598	
U.S. Government Securities	24,615,840	Aaa
Brokered CDs	1,556,505	Aaa
Domestic Common Stock	51,304,573	N/A
Equity Mutual Funds	26,786,084	N/A
International Equity Mutual Funds	55,460,846	N/A
Exchange Traded Index Funds	49,586,471	N/A
Total Pension Investments	\$ 242,354,920	

\*expressed as Moody's quality ratings

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

###### *Credit Risk (continued)*

Additionally, for the pension plan the County maintains Money Market Funds with a fair value of \$12,299,783, which are rated Aaa by Moody's; U.S. Treasury Bills with a fair value of \$1,823,468, which are rated Aaa by Moody's; and Commercial Paper with a fair value of \$746,495, which are rated P-1 by Moody's. All of these investments are reported as cash and temporary investments-operating in the Statement of Fiduciary Net Position.

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 as determined by Moody's, and by the insistence of the minimum quality investments below Baa, as determined by Moody's, may not constitute more than twenty percent of the fixed income portfolio.

###### *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, 2016, \$55,460,846 of the County's pension investments was held in international equity mutual funds and \$1,584,795 of the County's pension investments was held in international corporate bonds. The holdings within these investments are of those 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, 2016, the Convention Center Authority's bank balance, which included cash, temporary investments and restricted cash, equaled \$9,330,123. Of the bank balance, \$750,000 was covered by Federal depository insurance at December 31, 2016. The remainder was exposed to custodial credit risk and categorized as collateralized under Act No. 72 (Act) 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. The Convention Center Authority's investments are considered Level 1 based on quoted market prices. At December 31, 2016, the Convention Center Authority's investments included \$3,560,055 invested in money market funds.

###### *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. At December 31, 2016, all of the Convention Center Authority's investments had an average maturity of less than one year.

###### *Credit Risk*

At December 31, 2016, the Convention Center Authority's investment in money market funds were rated AAAM by Standard & Poor's. The Convention Center Authority does not have a formal investment policy relative to managing credit risk.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

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

###### *Concentration of Credit Risk*

The Convention Center Authority places no limit on the amount it may invest in any one issuer. At December 31, 2016, there were no investments held by the Convention Center Authority that exceeded five percent of the Convention Center Authority's portfolio.

#### **6. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 and are levied on or before March 1. Taxes are collected at a 2% discount until April 30, at their face amount from May 1 until June 30, and include a 10% penalty from July 1 until January 15 of the subsequent year. After January 15 of the subsequent year, the levies are sent to the Lancaster County Tax Claim Bureau for collection. The County bills and collects its own taxes relating to property within the City of Lancaster and certain other municipalities that do not have elected tax collectors. Taxes relating to all other municipalities in the County are collected by elected tax collectors. The Lancaster County Tax Claim Bureau collects delinquent taxes on behalf of the County and other taxing authorities. Delinquent tax collections and remittances are accounted for through the County's Agency Fund.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2016 was 3.735 mills.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **6. Property Taxes (continued)**

County property tax revenues were reduced by \$165,517 because of legislation enacted by the Commonwealth of Pennsylvania under the following program:

##### *Local Economic Revitalization Tax Assistance (LERTA) Program*

The LERTA Program authorizes local taxing authorities within the County to exempt property taxes of new construction in deteriorated areas of economically depressed communities and improvements to certain deteriorated properties. The LERTA tax exemptions are authorized under Act 76 of 1977 (72 P.S. section 4722 et seq.) which was passed by the General Assembly of Pennsylvania. A local taxing authority by ordinance or resolution may exempt from real property taxation, the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within designated deteriorated areas. The County recognizes, supports, and approves any LERTA of any municipality located within the boundaries of the County that has established a standard LERTA from property tax for certain properties. Application to each local taxing authority for a tax exemption under a LERTA ordinance is to be made at the same time a building permit is secured or other official notification is made. A copy of the exemption request shall be forwarded to the Board of Assessment. The assessment agency shall assess separately the new construction or improvement and calculate the amounts of the assessment eligible for tax exemption in accordance with the limits established by the local taxing authorities and notify the taxpayer and the local taxing authorities of the reassessment and amounts of the assessment eligible for exemption. The LERTA properties have different abatement periods and terms for different improvements. The abatement periods range from 5 to 10 years. At the end of the abatement period the exemption shall terminate.

The exempted portion of the assessable improvement is not included on the property owner's tax bill. The exemption from taxes is upon the eligible property and does not terminate upon the sale or exchange of the property.

The exemption from real estate taxes provided for herein shall be forfeited by the applicant and/or any subsequent owner of the real estate upon the occurrence of failure to pay any non-exempt real estate taxes by the last day of the time period to pay such taxes in the penalty period.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**6. Property Taxes (continued)**

*Local Economic Revitalization Tax Assistance (LERTA) Program (continued)*

The following local taxing authorities within the County have enacted LERTA ordinances or resolutions:

- Lancaster City
- West Donegal Township
- East Cocalico Township
- Manheim Borough
- Millersville Borough
- Mount Joy Borough
- Elizabethtown Borough

County forgone real estate tax revenue as a result of LERTA tax abatement agreements entered into by the Commonwealth of Pennsylvania was \$165,517 for the year ended December 31, 2016.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,275,585	\$ -	\$ -	\$ 5,275,585
Easements	102,991,548	869,423	-	103,860,971
Total capital assets, not being depreciated	108,267,133	869,423	-	109,136,556
Capital assets, being depreciated:				
Buildings and improvements	210,547,530	2,576,583	-	213,124,113
Improvements other than buildings	1,969,330	-	-	1,969,330
Furniture and equipment	62,036,294	1,522,485	(520,788)	63,037,991
Infrastructure	22,032,195	886,949	-	22,919,144
Total capital assets being depreciated	296,585,349	4,986,017	(520,788)	301,050,578
Less accumulated depreciation for:				
Buildings and improvements	74,098,098	5,246,589	-	79,344,687
Improvements other than buildings	771,549	61,592	-	833,141
Furniture and equipment	25,503,085	3,071,684	(400,004)	28,174,765
Infrastructure	4,102,160	573,702	-	4,675,862
Total accumulated depreciation	104,474,892	8,953,567	(400,004)	113,028,455
Total capital assets, being depreciated, net	192,110,457	(3,967,550)	(120,784)	188,022,123
Governmental activities capital assets, net	\$300,377,590	\$ (3,098,127)	\$ (120,784)	\$297,158,679

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	\$ 3,033,138
Public safety	2,688,560
Roads and bridges	573,702
Health, education, and welfare	166,361
Judicial	715,529
Corrections	1,533,147
Cultural and recreation	243,130
Total depreciation expense – governmental activities	<u>\$ 8,953,567</u>

The County had no active capital projects as of December 31, 2016. Commitment amounts of \$238,772 for the acquisition, construction, and renovation of various facilities were encumbered at year end.

*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	75,113,954	152,543	–	75,266,497
Furniture and equipment	4,597,286	32,333	(12,034)	4,617,585
Total capital assets being depreciated	79,711,240	184,876	(12,034)	79,884,082
Less accumulated depreciation for:				
Building	12,911,209	1,966,138	–	14,877,347
Furniture and equipment	3,014,949	479,194	(4,649)	3,489,494
Total accumulated depreciation	15,926,158	2,445,332	(4,649)	18,366,841
Total capital assets being depreciated, net	63,785,082	(2,260,456)	(7,385)	61,517,241
Capital assets, net	<u>\$ 65,364,703</u>	<u>\$ (2,260,456)</u>	<u>\$ (7,385)</u>	<u>\$ 63,096,862</u>

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. The County has acquired equipment towards that system valued at \$23,815,723. The equipment has a twenty-year estimated useful life. This year, \$1,190,786 was included in depreciation expense and \$3,493,912 was included as accumulated depreciation. 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, 2016, were as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 2,226,973
2018	2,226,973
2019	2,226,973
2020	2,226,973
2021	2,226,973
2022-2026	10,941,503
Total minimum lease payments	22,076,368
Less: amount representing interest	(3,249,639)
Present value of minimum lease payments	<u>\$ 18,826,729</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**8. Lease Obligations (continued)**

*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, 2016 amounted to \$2,821,283. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 2,601,745
2018	2,325,008
2019	2,139,528
2020	652,526
2021	523,086
2022-2026	1,930,467
2027-2031	1,420,233
2032-2036	1,351,158
2037-2041	1,315,648
2042-2046	1,087,417
Total	<u>\$ 15,346,816</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, and easements, 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 total legal debt limit of the County at December 31, 2016 was \$450,268,911. The total amount of debt applicable to the debt limit, which does not include lease rental debt, is \$218,350,500. The remaining legal debt margin of the County at December 31, 2016 was \$231,918,411. Refer to Statistical Table 12 for a detailed calculation.

General obligation bonds and notes consisted of the following at December 31, 2016:

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 \$1,178,000 to \$2,439,000 from October 25, 2017 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%.	\$ 24,222,000
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
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
3.77% Interest bearing General Obligation Note, Series of 2007 in the principal amount of \$10,000,000 to partially refund General Obligation Bond Series A of 2004 of the County dated December 31, 2007, principal payable annually in amounts ranging from \$1,670,400 to \$1,932,600 from November 1, 2017 to November 1, 2021.	8,993,500
2.00% – 5.00% General Obligation Bonds Series A of 2009 in the principal amount of \$41,220,000 to refund the outstanding General Obligation Variable Rate Demand Bonds, Series B of 2003 and the outstanding General Obligation Bonds, Series of 2008 of the County and to finance certain capital projects dated August 14, 2009, principal payable annually, varying in amounts from \$545,000 to \$2,360,000 from November 1, 2017 to November 1, 2033.	25,730,000
5.473% General Obligation Bonds, Series B of 2010 in the principal amount of \$9,425,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$635,000 to \$2,295,000 from November 1, 2026 to November 1, 2030.	9,425,000

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

4.744% General Obligation Bonds, Series C of 2010 in the principal amount of \$7,165,000 to finance certain capital projects dated September 22, 2010, principal payable annually, varying in amounts from \$1,405,000 to \$1,980,000 from November 1, 2023 to November 1, 2026.	7,165,000
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 \$920,000 to \$1,720,000 from November 1, 2017 to November 1, 2032.	19,870,000
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 \$1,205,000 to \$1,325,000 from November 1, 2017 to November 1, 2021.	6,355,000
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 \$1,480,000 to \$5,335,000 from November 1, 2017 to November 1, 2019.	11,895,000
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 \$175,000 to \$3,790,000 from November 1, 2017 to November 1, 2020.	7,890,000
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 \$885,000 to \$1,410,000 from November 1, 2017 to November 1, 2032.	17,960,000
2.00% - 3.375% General Obligation Bonds, Series A of 2013 in the principal amount of \$1,595,000 to finance certain capital projects dated August 7, 2013, principal payable annually, varying in amounts from \$185,000 to \$275,000 from November 1, 2017 to November 1, 2022.	1,275,000
4.007% - 5.556% General Obligation Bonds, Series B of 2013 in the principal amount of \$5,200,000 to finance certain capital projects dated August 7, 2013, principal payable annually, varying in amounts from \$160,000 to \$630,000 from November 1, 2022 to November 1, 2033.	5,200,000
Variable rate interest bearing General Obligation Bonds, Series C of 2013 in the principal amount of \$18,630,000 to refund the outstanding variable rate General Obligation Bonds, Series of 2005, dated August 7, 2013, principal payable annually, varying in amounts from \$950,000 to \$1,305,000 from March 1, 2017 to March 1, 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 18%.	15,940,000
0.20% - 2.80% General Obligation Bonds, Series of 2014 in the principal amount of \$8,185,000 to advance refund the outstanding General Obligation Bonds, Series A of 2004 of the County dated March 5, 2014, principal payable annually, varying in amounts from \$85,000 to \$2,155,000 from November 1, 2017 to November 1, 2023.	4,690,000
0.30% - 5.00% General Obligation Bonds, Series of 2015 in the principal amount of \$16,060,000 to advance refund the outstanding General Obligation Bonds, Series A of 2006 of the County dated March 12, 2015, principal payable annually, varying in amounts from \$1,305,000 to \$1,875,000 from May 1, 2017 to May 1, 2026.	15,645,000
0.22% - 5.00% General Obligation Bonds, Series A of 2015 in the principal amount of \$12,840,000 to refund the outstanding General Obligation Bonds, Series A of 2010 of the County dated September 2, 2015, principal payable annually, varying in amounts from \$1,570,000 to \$1,785,000 from November 1, 2017 to November 1, 2022.	9,955,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*General Obligation Bonds and Notes (continued)*

0.75% - 4.00% General Obligation Bonds, Series A of 2016 in the principal amount of \$17,130,000 to advance refund the outstanding General Obligation Bonds, Series of 2006 (Remarketing) of the County dated August 10, 2016, principal payable annually, varying in amounts from \$320,000 to \$1,640,000 from May 1, 2017 to May 1, 2031.	16,855,000
0.85% – 3.00% General Obligation Bonds, Series B of 2016 in the principal amount of \$9,365,000 to refund the outstanding General Obligation Bonds, Series of 2011 of the County dated August 10, 2016, principal payable annually, varying in amounts from \$25,000 to \$1,635,000 from November 1, 2017 to November 1, 2027.	<u>9,285,000</u>
Total general obligation bonds and notes payable	<u>\$ 218,786,500</u>

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

	Principal	Interest	Total
2017	\$ 16,898,400	\$ 7,399,263	\$ 24,297,663
2018	17,539,700	6,851,780	24,391,480
2019	17,669,400	6,261,323	23,930,723
2020	17,411,400	5,786,100	23,197,500
2021	14,131,600	5,294,195	19,425,795
2022-2026	73,355,000	18,929,268	92,284,268
2027-2031	56,196,000	6,758,967	62,954,967
2032-2033	5,585,000	331,386	5,916,386
	<u>\$ 218,786,500</u>	<u>\$ 57,612,282</u>	<u>\$ 276,398,782</u>

On August 10, 2016, the County issued General Obligation Bonds, Series A of 2016, in the amount of \$17,130,000, to advance refund General Obligation Bonds, Series of 2006 (Remarketing). Principal is payable annually ranging in amounts from \$275,000 to \$1,640,000 from November 1, 2016 to May 1, 2031. The refunding of the 2006 General Obligation Bonds resulted in a \$2,057,975 reduction to payments and an economic gain of \$2,056,400.

On August 10, 2016, the County issued General Obligation Bonds, Series B of 2016, in the amount of \$9,365,000, to refund General Obligation Bonds, Series of 2011. Principal is payable annually ranging in amounts from \$25,000 to \$1,635,000 from November 1, 2016 to November 1, 2027. The refunding of the 2011 General Obligation Bonds resulted in a \$884,156 reduction to payments and an economic gain of \$796,495.

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, 2016, the following changes occurred in long-term liabilities:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 235,183,400	\$ 26,495,000	\$ 42,891,900	\$ 218,786,500	\$ 16,898,400
Net premium (discount) on bonds payable	7,916,958	3,087,988	1,891,773	9,113,173	1,891,773
Accrued vacation and sick pay	5,538,721	697,659	473,029	5,763,351	473,029
Net pension liability	29,664,865	-	12,755,024	16,909,841	-
Net OPEB obligation	46,352,453	6,837,983	1,864,699	51,325,737	-
Capital leases	22,099,009	-	3,272,280	18,826,729	1,645,128
Contracts payable	643,708	265,635	245,667	663,676	363,602
Workers' compensation	623,247	561,414	389,462	795,199	302,892
Other liability	-	2,700,000	-	2,700,000	450,000
Governmental activities long-term liabilities	<u>\$ 348,022,361</u>	<u>\$ 40,645,679</u>	<u>\$ 63,783,834</u>	<u>\$ 324,884,206</u>	<u>\$ 22,024,824</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 were 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 a 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 were to be held by the bank until the mandatory purchase date of March 1, 2013, at which time the bonds were 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 was to 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 August 1, 2014. All other provisions of the agreement remain in effect through the mandatory purchase date.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

Under the agreement, the interest rate was converted from the weekly rate to the index interest rate. The bonds were to 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 could be reduced if the Convention Center Authority was able to accomplish certain milestones as set forth in the agreement. At the option of the Convention Center Authority, the bonds could have been 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.

On August 1, 2014, the bonds were refunded through the issuance of the Hotel Room Rental Tax Revenue Bonds, Series of 2014 in the amount of \$62,595,000. The fee received from the termination of the guaranteed investment contracts, including accrued interest, along with funds realized from a reduction in the debt service reserve fund requirements associated with the 2014 bonds totaling \$995,000, was used to pay a portion of the principal due on the bonds. In addition, the debt service reserve requirement for the 2014 bonds was reduced from \$4.1 million to \$3.9 million. The 2014 bonds are subject to mandatory tender on July 31, 2019.

The 2014 bonds initially bear interest, through the mandatory tender date, at a rate equal to the sum of the index rate, SIFMA or 70% of LIBOR, plus the applicable spread, initially 75 basis points, fixed for five years. The bonds will bear interest at the index rate during the index rate period provided no event of default has occurred. 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 any LIBOR reset date prior to the mandatory tender date upon 60 days written notice to the bank and compliance with the applicable provisions of the related documents.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Discretely Presented Component Unit (continued)*

Debt service requirements are as follows:

	Principal	Interest	Total
2017	\$ 460,000	\$ 618,310	\$ 1,078,310
2018	510,000	613,665	1,123,665
2019	60,845,000	558,237	61,403,237
	<u>\$ 61,815,000</u>	<u>\$ 1,790,212</u>	<u>\$ 63,605,212</u>

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Revenue bonds payable	<u>\$ 62,225,000</u>	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 61,815,000</u>	<u>\$ 460,000</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 October 9, 2015.

The County is also self-insured for unemployment compensation, however, payments are made quarterly to the Commonwealth of PA and any resulting liability is considered short term and included within accounts payable.

Changes in the County's self-insurance claims reserves for the years ended December 31, 2016 and 2015 were as follows:

	Reserve Balance as of January 1, 2016	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2016
Workers' Compensation	\$ 623,247	\$ 561,414	\$ 389,462	\$ 795,199

	Reserve Balance as of January 1, 2015	Current Year Claims	Claim Payments	Reserve Balance as of December 31, 2015
Workers' Compensation	\$ 1,039,301	\$ 42,461	\$ 458,515	\$ 623,247

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**11. Interfund Balances**

Individual fund receivable and payable balances at December 31, 2016 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,053,448	\$ -
Behavioral Health/Developmental Services Fund	-	2,053,448
Total	<u>\$ 2,053,448</u>	<u>\$ 2,053,448</u>

**12. Interfund Transfers**

Interfund transfers for the year ended December 31, 2016 consisted of the following:

	<u>Interfund Transfers-In</u>	<u>Interfund Transfers-Out</u>
General Fund	\$ -	\$ 12,526,467
Children and Youth Services Fund	9,015,387	-
Behavioral Health/Developmental Services Fund	1,119,709	-
Domestic Relations Fund	2,045,652	-
Nonmajor Governmental Funds	1,461,503	1,115,784
Total	<u>\$ 13,642,251</u>	<u>\$ 13,642,251</u>

Transfers are utilized to use unrestricted revenues collected in the General Fund and deferred inflows of resources in the Human Services Block Grant Fund. This is to finance various grant programs accounted for in other funds in accordance with budgetary and legal authorizations.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **13. Commitments and Contingent Liabilities**

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

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

On December 15, 2003, the County had 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 have been paid by the County equaled, to the extent the Convention Center Authority had failed to provide necessary funding as had been 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 (\$2,610,270). On August 1, 2014, the bonds were refunded through the issuance of the Hotel Room Rental Tax Revenue Bonds, Series of 2014. The 2014 bonds debt service payments are guaranteed by the County. At December 31, 2016, \$61,815,000 of the bonds remained outstanding.

As of December 31, 2016, 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)

**13. 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. On January 15, 2013, the bonds were refunded through the issuance of the Redevelopment Authority of the County of Lancaster Taxable Guaranteed Stadium Bonds, Series of 2013, in the amount of \$10,950,000. At December 31, 2016, \$8,430,000 of the bonds remained outstanding. The County guaranteed lease rental debt of the Redevelopment Authority for the stadium. At December 31, 2016, the County's guarantee equaled a maximum annual debt service amount of \$1,099,018.

On December 21, 2016, the County approved a resolution where the Lancaster Baseball Club, LLC (the Club) requested assistance from the County for a portion of the debt service for a limited period of time on the Redevelopment Authority of the County of Lancaster Taxable Guaranteed Stadium Bonds, Series of 2013. The agreement was subsequently approved on February 17, 2017. Under the agreement the County will allocate an amount of \$450,000 per year for six years, from 2017 to 2022, to assist with debt service on the Redevelopment Authority's bonds. The amounts allocated by the County are not to exceed \$2,700,000 and are considered a loan to the Club which must be repaid. The loan will bear interest at 6% beginning on January 1, 2020. The Club will pay annual principal installments of \$270,000 beginning on January 1, 2023, until the principal and all accrued interest are paid in full. Commencing in 2017, the Club, or its partners, will pledge to the County, security in the form of mortgage liens on property in Lancaster County equal in value to the outstanding principal amount of the loan plus accrued interest. Effective January 1, 2023, the Club will assume responsibility for making all payments of debt service due on the Redevelopment Authority of the County of Lancaster Taxable Guaranteed Stadium Bonds, Series of 2013. It was determined that the County is more likely than not to loan the Club an amount for a portion of the debt service of the bonds. The amount of the liability is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of this agreement.

The liability recognized for nonexchange financial guarantees by the County at December 31, 2016, is as follows:

Balance as of January 1, 2016	Increases	Decreases	Balance as of December 31, 2016
\$           —	\$ 2,700,000	\$           —	\$ 2,700,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**13. Commitments and Contingent Liabilities (continued)**

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.

Beginning in 2014, the Convention Center Authority approved a collaboration agreement in an effort to increase the marketability of the Convention Center, and, in turn, the promotion and attraction of business, industry, commerce, and tourism within the County. The Convention Center Authority agrees to make payments for the purpose of targeting marketing activities to attract higher priority events. The funding shall amount to \$35,000 per year through 2020.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **14. Other Post-Employment 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 \$51,325,738 and \$4,973,284 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 2016, contribution rates for Plan members under 65 equaled \$18.40 per participant per month. Contribution rates for Plan members 65 and over equaled \$95.40 per participant per month. For the year ended December 31, 2016, Plan members receiving benefits paid \$568,116, which was used to offset the County's total outlays to insurance carriers equaling \$2,432,815 for current year premiums due. The net outlay from the County, which equaled \$1,864,699 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)

**14. Other Post-Employment 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	\$ 7,664,767
Interest on net OPEB obligation	1,854,098
Adjustment to annual required contribution	<u>(2,680,882)</u>
Annual OPEB cost	6,837,983
Contributions made	<u>(1,864,699)</u>
Increase in net OPEB obligation	4,973,284
Net OPEB obligation – beginning of year	<u>46,352,453</u>
Net OPEB obligation – end of year	<u><u>\$51,325,737</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 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
12/31/14	\$ 7,920,328	20.0%	\$ 41,148,431
12/31/15	6,930,806	24.9	46,352,453
12/31/16	6,837,983	27.3	51,325,737

*Funding Status and Funding Progress*

As of January 1, 2016, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$85,587,204 resulting in an unfunded actuarial accrued liability (UAAL) of \$85,587,204. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$81,355,686 and the ratio of the UAAL to the covered payroll equaled 105.2%.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **14. Other Post-Employment Benefits (continued)**

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

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

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

##### *Actuarial Methods and Assumptions*

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

In the actuarial valuation dated January 1, 2016, 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 5.9% initially, reduced by decrements to an ultimate rate of 3.8% after five years. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Summary of Significant Accounting Policies*

The Lancaster County Employee Retirement Plan's (the Plan) 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.

*Description of Plan*

*Plan Administration*

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

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.

Management of the Plan is vested in the Retirement Board, which consists of five members – three elected County Commissioners, the County Controller and the County Treasurer.

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 2016, all administrative costs totaling \$96,558 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Plan Membership*

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2016, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,257
Terminated Plan members enrolled but not yet receiving benefits	224
Active Plan members	<u>1,748</u>
Total members	<u><u>3,229</u></u>

*Benefits Provided*

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

The general annual benefit is from 0.833% to 1.25% (depending on the date the employee entered the Plan) of the employee's highest three-year salary times years of service.

All plan members are eligible for disability benefits after five years of service if disabled while in service and unable to continue as a County employee. Disability retirement benefits are equal to 25% of the highest average salary at time of retirement.

Death benefits for a member who dies with ten years of service prior to retirement is the total present value of member's retirement paid in a lump sum.

On an ad hoc basis, cost-of-living adjustments (COLA) to each member's retirement allowance shall be reviewed at least once in every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is a percentage of the change in the Consumer Price Index.

*Contributions*

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 \$71,603,169 as of December 31, 2016, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Contributions (continued)*

An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2016 measurement period, the active member contribution rate was 5.0 percent of annual pay, and the County average contribution rate was 5.63 percent of annual payroll.

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 liability.

*Discount Rate*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2016 measurement period are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4-6.4%
International equity	5.5-6.5%
Fixed income	1.3-3.3%
Real estate/Alternative	4.5-5.5%
Cash	0.0-1.0%

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Discount Rate (continued)*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's net pension liability	\$ 47,026,354	\$ 16,909,841	\$(9,471,017)

*Investments*

The Plan's investments are held in a bank-administered trust fund. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy for the 2016 measurement period.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	49-57%
International equity	14-22%
Fixed income	24-32%
Cash	0-5%

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Investments (continued)*

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.

For the 2016 measurement period, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Total Pension Liability*

The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions:

Inflation	3.0 percent
Salary increases	3.75 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan Investment expense, including inflation
Postretirement benefit increases	none

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement.

*Net Pension Liability*

The components of the net pension liability of the County for the 2016 measurement period were as follows:

Total pension liability	\$ 274,799,024
Plan fiduciary net pension	<u>(257,889,183)</u>
County's net pension liability	<u>\$ 16,909,841</u>
Plan fiduciary net position as a percentage of the total pension liability	93.85%

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Net Pension Liability (continued)*

The actuarial assumptions used in the valuation for the 2016 measurement period were based on past experience under the plan and reasonable future expectations, which represent our best estimate of anticipated experience under the plan. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

The amortization of the unfunded actuarial accrued liability is over a 30 year period on a closed basis. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes.

*Changes in Net Pension Liability*

During the year ended December 31, 2016, the following changes occurred in net pension liability:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2015	\$ 274,412,960	\$ 244,748,095	\$ 29,664,865
Changes for the Year:			
Service Cost	7,580,247	-	7,580,247
Interest	19,529,550	-	19,529,550
Differences Between Expected and Actual Experience	56,883	-	56,883
Changes in Assumptions	-	-	-
Contributions – Employer	-	4,580,199	(4,580,199)
Contributions – Member	-	5,110,678	(5,110,678)
Net Investment Income	-	18,635,668	(18,635,668)
Benefit Payments, Including Refunds of Member Contributions	(15,177,732)	(15,177,732)	-
Administrative Expense	-	(71,633)	71,633
Other	(11,602,884)	63,908	(11,666,792)
Net Changes	386,064	13,141,088	(12,755,024)
Balances at 12/31/2016	<u>\$ 274,799,024</u>	<u>\$ 257,889,183</u>	<u>\$ 16,909,841</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Pension Expense and Deferred Outflows and Deferred Inflows of Resources*

For the 2016 measurement period, the County recognized pension expense of \$7,559,761 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ (468,973)
Change of assumptions	-
Net difference between projected and actual earnings on pension plan investments	<u>11,315,865</u>
Total	<u>\$ 10,846,892</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows;

<b>Year ended:</b>	
2017	\$ 3,704,349
2018	3,704,349
2019	3,704,348
2020	(199,109)
2021	<u>(67,045)</u>
	<u>\$ 10,846,892</u>

For the 2016 measurement period, the County had no outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Legally Required Reserves*

At December 31, 2016, the County has a balance of \$71,603,169 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, 2016. Since those accumulations represent the present value of future benefits as of December 31, 2016, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$51,531,501 in the County Annuity Reserve Account as of December 31, 2016. 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, 2016 amounted to \$112,503,661. Thus, the Retired Members' Reserve Account is always fully funded.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### 16. Derivative Instruments

##### *Objectives of the Interest Rate Swap*

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 associated with the general obligation debt series listed below.

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

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The Fair Value Measurement Level for the County's interest rate swap is considered Level 2 based on significant observable 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 as of December 31, 2016, are as follows. The swap agreement contains 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 12/31/2016	Counterparty Credit Rating*
GON 2002A	1/1/2002	10/25/2030	Pay-fixed/ receive- variable swap	5.195%	60% LIBOR +30.3bp	<u>\$24,697,000</u>	<u>\$3,000,000</u>	Deferred Outflows of Resources	<u>\$1,022,464</u>	Debt	<u>\$(6,418,204)</u>	Aa3 / A+ / AA-

\*Moody's, Standard & Poor's, and Fitch credit ratings

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### *Significant Terms, Fair Values, and Credit Risk (continued)*

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 \$1,443,478.

##### *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, 2016. At December 31, 2016, the 1-Month LIBOR rate equaled 0.77% and SIFMA equaled 0.72%.

##### *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 agreement at December 31, 2016 is limited only to the swap with negative fair values; the County would have to pay the respective amounts in order to terminate the associated swap. 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**16. Derivative Instruments (continued)**

*Swap Payments and Associated Debt*

Using rates as of December 31, 2016, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. As rates vary, variable rate debt interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable Rate Debt		Interest Rate Swap, Net	Total
	Principal	Interest		
2017	\$ 1,178,000	\$ 172,818	\$ 1,027,762	\$ 2,378,580
2018	1,245,000	164,247	972,235	2,381,482
2019	1,312,000	155,193	913,720	2,380,913
2020	1,383,000	145,656	852,038	2,380,694
2021	1,464,000	135,585	786,744	2,386,329
2022-2026	8,674,000	505,511	2,816,535	11,996,046
2027-2030	8,966,000	154,014	628,593	9,748,607
Total	<u>\$ 24,222,000</u>	<u>\$ 1,433,024</u>	<u>\$ 7,997,627</u>	<u>\$ 33,652,651</u>

**Discretely Presented Component Unit**

*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)

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

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

###### *Terms*

The bonds and the related swap agreements 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, was 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 agreements were entered into at the same time the bonds were issued, March 2007. Prior to October 3, 2011, under the swap agreements, 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.

Pursuant to the swap agreements, the Convention Center Authority pays or receives to/from the counterparty a monthly net swap payment. For the year ended December 31, 2016, the Convention Center Authority paid \$1,312,150 and \$775,397 fixed and received \$188,471 and \$114,813 variable with respect to the swap on the Series of 2003 bonds and the Series of 2007 bonds, respectively.

During the year ended December 31, 2016, the Convention Center Authority received \$61,746 in settlement funds from a class action lawsuit related to the swap, which are recorded on the statement of activities as net (expense) revenue and changes in net position.

###### *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)

**16. Derivative Instruments (continued)**

**Discretely Presented Component Unit (continued)**

*Fair Value Risk*

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, 2016 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 liability was reclassified to a swap borrowing on the balance sheet. 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, 2016 – Fair Value	Amortization of Swap Borrowing	Change in Fair Value Subsequent to Termination	December 31, 2016 – Fair Value
Series of 2003 Bonds	\$39,670,000	\$(12,554,179)	\$403,105	\$511,436	\$(11,639,638)
Series of 2007 Bonds	23,920,000	(10,532,918)	258,522	(3,530)	(10,277,926)
		<u>\$(23,087,097)</u>	<u>\$661,627</u>	<u>\$507,906</u>	<u>\$(21,917,564)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**16. Derivative Instruments (continued)**

**Discretely Presented Component Unit (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, 2016, current period changes in fair value for the swap are accounted for as an investment and are recorded on the statement of activities as unrestricted investment earnings (loss). The fair value of the outstanding swap as of December 31, 2016 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, 2016, 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. At December 31, 2016, the counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's, and AA by Fitch.

*Swap Payments and Associated Debt*

Using rates as of December 31, 2016, net swap payments on the applicable notional amounts of the Series of 2003 Bonds and the applicable notional amounts of the Series of 2007 Bonds, assuming current interest rates and floating rates under the swap agreement remain the same for their term, were as follows. As these rates vary, net swap payments on the applicable notional amounts of the Series of 2003 Bonds and the applicable notional amounts of the Series of 2007 Bonds will vary.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**16. Derivative Instruments (continued)**

**Discretely Presented Component Unit (continued)**

Series of 2003, Hotel Room Rental Tax Revenue Bonds

Fiscal Year Ending December 31	Notional Amount	Swap Agreement Payments, Net
2017	\$ 460,000	\$ 1,239,373
2018	510,000	1,224,566
2019	570,000	1,208,138
2020	630,000	1,189,794
2021	690,000	1,169,538
2022-2026	4,530,000	5,470,311
2027-2031	6,735,000	4,608,888
2032-2036	9,635,000	3,351,973
2037-2041	12,630,000	1,581,211
2042	2,500,000	73,103
	<u>\$ 38,890,000</u>	<u>\$ 21,116,895</u>

Series of 2007, Hotel Room Rental Tax Revenue Bonds

Fiscal Year Ending December 31	Notional Amount	Swap Agreement Payments, Net
2017	\$ -	\$ 739,131
2018	-	739,131
2019	-	739,131
2020	-	739,131
2021	-	739,131
2022-2026	-	3,695,655
2027-2031	-	3,695,655
2032-2036	-	3,695,655
2037-2041	370,000	3,694,702
2042-2046	17,475,000	2,539,643
2047	6,075,000	172,079
	<u>\$ 23,920,000</u>	<u>\$ 21,189,044</u>

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **17. Negative Unrestricted Net Position**

##### *Discretely Presented Component Unit*

The Convention Center Authority's negative unrestricted net position, as shown on the December 31, 2016 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 Convention Center Authority has had a significant interest rate swap liability and understood that the liability would be realized if, or when, the Convention Center Authority refinanced its bonds or the hedge became ineffective. The October 2011 restructuring caused the Convention Center 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.

The December 31, 2016 fair value of the Convention Center Authority's interest rate swap was (\$21,917,564), when compared to the December 31, 2015 fair value of (\$23,087,097) for a positive change in valuation of \$1,169,533. All change (including this \$1,169,533) in the fair value of the Convention Center Authority's interest rate swap is a reflection of market conditions and payments made under the swap agreement.

#### **18. Subsequent Events**

On April 10, 2017, the County issued General Obligation Bonds, Series A and B of 2017. Series A was issued in the amount of \$21,620,000 to advance refund a portion of the General Obligation Bonds, Series A of 2009. Series B was issued in the amount of \$6,255,000 to be used for various capital projects of the County. Series A has a final maturity date of November 1, 2033, and bears interest at fixed rates ranging from 0.090% to 5.000%. Series B has a final maturity date of November 1, 2037, and bears interest at fixed rates ranging from 1.150% to 3.650%.

##### *Discretely Presented Component Unit*

As of February 28, 2017, the fair value of the Convention Center Authority's interest rate swap was (\$21,918,964).

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## **Required Supplementary Information**

County of Lancaster, Pennsylvania

Schedule of Employer Contributions Other Post-Employment Healthcare Benefits

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2011	\$ 6,464,983	24.4%
2012	6,464,983	34.0%
2013	8,541,306	20.6%
2014	8,541,306	18.6%
2015	7,664,767	22.5%
2016	7,664,767	24.3%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2011	\$ -	\$ 67,857,280	\$ 67,857,280	0.0%	\$ 78,838,153	86.1%
1/1/2012	-	71,586,159	71,586,159	0.0%	76,433,494	93.7%
1/1/2013	-	89,599,715	89,599,715	0.0%	76,305,642	117.4%
1/1/2014	-	94,369,951	94,369,951	0.0%	77,867,605	121.2%
1/1/2015	-	81,654,079	81,654,079	0.0%	79,478,129	102.7%
1/1/2016	-	85,587,204	85,587,204	0.0%	81,355,686	105.2%

County of Lancaster, Pennsylvania  
Schedule of Changes in the County's Net  
Pension Liability and Related Ratios

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total pension liability</b>			
Service cost	\$ 2,398,631	\$ 2,433,016	\$ 7,580,247
Interest	18,403,064	19,317,769	19,529,550
Changes of benefit terms	-	-	-
Differences between expected and actual experience	4,512,191	4,323,879	56,883
Changes of assumptions	-	-	-
Benefit of payments, including refunds of member contributions	(12,955,244)	(13,356,419)	(15,177,732)
Other	-	-	(11,602,884)
Net change in total pension liability	12,358,642	12,718,245	386,064
Total pension liability - beginning	<u>\$ 249,336,073</u>	<u>\$ 261,694,715</u>	<u>\$ 274,412,960</u>
Total pension liability - ending (a)	<u>\$ 261,694,715</u>	<u>\$ 274,412,960</u>	<u>\$ 274,799,024</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 5,962,997	\$ 5,228,813	\$ 4,580,199
Contributions - member	5,034,095	4,973,865	5,110,678
Net investment income	13,976,986	(954,010)	18,635,668
Benefit payments, including refunds of member contributions	(12,955,244)	(13,356,419)	(15,177,732)
Administrative expense	(42,755)	(44,558)	(71,633)
Other	(21,557)	(22,027)	63,908
Net change in plan fiduciary net position	11,954,522	(4,174,336)	13,141,088
Plan fiduciary net position - beginning	<u>\$ 236,967,909</u>	<u>\$ 248,922,431</u>	<u>\$ 244,748,095</u>
Plan fiduciary net position - ending (b)	<u>\$ 248,922,431</u>	<u>\$ 244,748,095</u>	<u>\$ 257,889,183</u>
County's net pension liability - ending (a) - (b)	<u>\$ 12,772,284</u>	<u>\$ 29,664,865</u>	<u>\$ 16,909,841</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	95.12%	89.19%	93.85%
<b>Covered-employee payroll</b>	\$ 77,867,605	\$ 79,478,129	\$ 81,355,686
<b>County's net position liability as a percentage of covered-employee payroll</b>	16.40%	37.32%	20.79%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

## County of Lancaster, Pennsylvania

### Schedule of County Contributions

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 5,962,997	\$ 5,228,813	\$ 4,580,199
Contributions in relation to the actuarially determined contribution	5,962,997	5,228,813	4,580,199
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 77,867,605	\$ 79,478,129	\$ 81,355,686
Contributions as a percentage of covered-employee payroll	7.66%	6.58%	5.63%

#### Notes to schedule

Valuation date January 1, 2014    January 1, 2015    January 1, 2016

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates.

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	24 years
Asset valuation method	Market value adjusted for unrecognized gains and losses from prior years
Inflation	3.0%
Salary increases	3.75% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

### Schedule of Investment Returns

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	6.5%	0.0%	8.1%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown. Information should be provided by the Investment Consultant.

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Real estate taxes	\$ 118,604,240	\$ 118,604,240	\$ 119,377,713	\$ 773,473
Intergovernmental	4,930,850	5,180,799	5,780,915	600,116
Departmental	22,498,266	22,579,016	22,653,320	74,304
Fines and costs	3,275,350	3,275,350	3,132,459	(142,891)
Investment earnings	101,000	101,000	140,068	39,068
Other	4,288,913	6,405,300	7,231,519	826,219
Total revenues	<u>153,698,619</u>	<u>156,145,705</u>	<u>158,315,994</u>	<u>2,170,289</u>
<b>EXPENDITURES</b>				
Current:				
General government	31,952,800	30,605,019	31,969,998	(1,364,979)
Public Safety	11,035,978	11,093,816	10,632,065	461,751
Judicial	42,638,130	43,219,860	40,751,248	2,468,612
Corrections	26,140,995	26,475,456	26,648,931	(173,475)
Cultural and recreation	2,310,195	2,271,048	2,069,601	201,447
Capital outlay	1,403,265	1,797,367	1,874,633	(77,266)
Debt service:				
Principal retirement	14,653,900	16,769,337	15,361,100	1,408,237
Interest and fiscal charges	10,075,710	10,075,710	8,901,565	1,174,145
Total expenditures	<u>140,210,973</u>	<u>142,307,613</u>	<u>138,209,141</u>	<u>4,098,472</u>
Excess (deficiency) of revenues over (under) expenditures	13,487,646	13,838,092	20,106,853	6,268,761
Transfers out	(11,952,357)	(12,389,497)	(12,526,467)	(136,970)
Total other financing sources (uses)	<u>(11,952,357)</u>	<u>(12,389,497)</u>	<u>(12,526,467)</u>	<u>(136,970)</u>
Net change in fund balances	<u>\$ 1,535,289</u>	<u>\$ 1,448,595</u>	<u>7,580,386</u>	<u>\$ 6,131,791</u>
Net decrease in due from other funds			12,488,738	
Fund balance, January 1, cash basis			<u>2,540,205</u>	
Fund balance, December 31, cash basis			22,609,329	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			2,742,562	
Fines and costs, net			5,096,523	
Accounts			2,875,471	
Due from other funds			2,053,448	
Due from other governments			1,690,413	
Accounts payable			(1,781,576)	
Retainage payable			(19,335)	
Deferred inflows of resources			(5,859,394)	
Payroll related accruals			(3,795,036)	
Fund balance at December 31, modified accrual basis			<u>\$ 25,612,405</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 32,803,133	\$ 32,803,133	\$ 51,768,709	\$ 18,965,576
Departmental	2,235,884	2,235,884	1,968,224	(267,660)
Investment earnings	10	10	15	5
Total revenues	<u>35,039,027</u>	<u>35,039,027</u>	<u>53,736,948</u>	<u>18,697,921</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Children and youth	49,768,929	49,678,115	48,836,386	841,729
Capital outlay	143,776	234,590	175,584	59,006
Total expenditures	<u>49,912,705</u>	<u>49,912,705</u>	<u>49,011,970</u>	<u>900,735</u>
Excess (deficiency) of revenues over (under) expenditures	(14,873,678)	(14,873,678)	4,724,978	19,598,656
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	9,408,648	9,408,648	9,015,387	(393,261)
Net change in fund balances	<u>\$ (5,465,030)</u>	<u>\$ (5,465,030)</u>	<u>13,740,365</u>	<u>\$ 19,205,395</u>
Net decrease in due to other funds			(6,311,036)	
Fund balance, January 1, cash basis			<u>159,331</u>	
Fund balance, December 31, cash basis			<u>7,588,660</u>	
Differences from modified accrual basis:				
Due from other governments			3,251,272	
Other receivables			774	
Accounts payable			(2,828,489)	
Due to other funds				
Deferred inflows of resources			(5,937,016)	
Payroll related accruals			<u>(196,621)</u>	
Fund balance at December 31, modified accrual basis			<u>\$ 1,878,580</u>	

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Budgetary Basis - Behavioral Health & Developmental Services Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 23,723,582	\$ 29,701,090	\$ 22,397,150	\$ (7,303,940)
Departmental	2,288,424	2,288,424	2,347,009	58,585
Investment earnings	3,400	3,400	60	(3,340)
Total revenues	<u>26,015,406</u>	<u>31,992,914</u>	<u>24,744,219</u>	<u>(7,248,695)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Behavioral Health & Developmental Services	26,932,155	32,805,073	29,030,405	3,774,668
Capital outlay	208,251	312,841	251,022	61,819
Total expenditures	<u>27,140,406</u>	<u>33,117,914</u>	<u>29,281,427</u>	<u>3,836,487</u>
Excess (deficiency) of revenues over (under) expenditures	(1,125,000)	(1,125,000)	(4,537,208)	(3,412,208)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	854,000	854,000	1,119,709	265,709
Net change in fund balances	<u>\$ (271,000)</u>	<u>\$ (271,000)</u>	<u>(3,417,499)</u>	<u>\$ (3,146,499)</u>
Net increase in due to other funds			2,053,448	
Fund balance, January 1, cash basis			<u>1,561,097</u>	
Fund balance, December 31, cash basis			197,046	
Differences from modified accrual basis:				
Due from other governments			3,123,727	
Other receivables			192,562	
Due to other funds			(2,053,448)	
Accounts payable			(1,307,923)	
Payroll related accruals			<u>(151,964)</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 - Domestic Relations Special Revenue Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 4,204,873	\$ 4,204,873	\$ 4,577,573	\$ 372,700
Departmental	80,000	80,000	63,445	(16,555)
Investment earnings	11,000	11,000	21,426	10,426
Total revenues	<u>4,295,873</u>	<u>4,295,873</u>	<u>4,662,444</u>	<u>366,571</u>
<b>EXPENDITURES</b>				
Current:				
Judicial	6,660,932	6,660,612	6,080,592	580,020
Capital outlay	4,108	4,428	4,208	220
Total expenditures	<u>6,665,040</u>	<u>6,665,040</u>	<u>6,084,800</u>	<u>580,240</u>
Excess (deficiency) of revenues over (under) expenditures	(2,369,167)	(2,369,167)	(1,422,356)	946,811
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,354,663	2,354,663	2,045,652	(309,011)
Net change in fund balances	<u>\$ (14,504)</u>	<u>\$ (14,504)</u>	<u>623,296</u>	<u>\$ 637,800</u>
Fund balance, January 1, cash basis			<u>9,649,871</u>	
Fund balance, December 31, cash basis			10,273,167	
Differences from modified accrual basis:				
Due from other governments			1,039,417	
Other receivables			57	
Accounts payable			(4,525)	
Payroll related accruals			(79,746)	
Fund balance at December 31, modified accrual basis			<u>\$ 11,228,370</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	\$ 158,315,994
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	<u>(3,068,427)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances – General Fund	<u>\$ 155,247,567</u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis – General Fund	\$ 138,209,141
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	<u>(2,649,511)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances – General Fund	<u>\$ 135,559,630</u>

## County of Lancaster, Pennsylvania

### Combining and Individual Fund Statements and Schedules

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

#### **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.

#### **Capital Projects Fund**

This fund is used to account for the resources and expenditures related to construction within the County.

County of Lancaster, Pennsylvania

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2016

	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Human Services Block Grant	Community Development Block Grant	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and temporary investments:								
Operating	\$ 878,076	\$ 688,099	\$ 3,292,978	\$ 728,700	\$ 3,522,328	\$ -	\$ 1,188,850	\$ 10,299,031
Other	142,608	-	-	-	-	-	-	142,608
Investments	-	-	-	725,415	-	-	-	725,415
Other receivables	-	-	-	14,784	-	-	310	15,094
Due from other governments	168,863	-	61,497	-	-	-	-	230,360
<b>Total assets</b>	<b>\$ 1,189,547</b>	<b>\$ 688,099</b>	<b>\$ 3,354,475</b>	<b>\$ 1,468,899</b>	<b>\$ 3,522,328</b>	<b>\$ -</b>	<b>\$ 1,189,160</b>	<b>\$ 11,412,508</b>
<b>LIABILITIES</b>								
Liabilities:								
Accounts payable	\$ 497,850	\$ 336,805	\$ 30,928	\$ -	\$ -	\$ -	\$ -	\$ 865,583
Contracts payable	-	-	-	-	-	-	27,229	27,229
Unearned revenue-intergovernmental	387,602	343,404	334,796	-	3,522,328	-	-	4,588,130
Payroll related accruals	68,484	7,890	-	-	-	-	-	76,374
<b>Total liabilities</b>	<b>953,936</b>	<b>688,099</b>	<b>365,724</b>	<b>-</b>	<b>3,522,328</b>	<b>-</b>	<b>27,229</b>	<b>5,557,316</b>
<b>FUND BALANCES (DEFICIT)</b>								
Restricted								
Health, education, and welfare	235,611	-	-	-	-	-	-	235,611
Roads and bridges	-	-	2,988,751	-	-	-	-	2,988,751
Capital projects	-	-	-	-	-	-	1,161,931	1,161,931
Community development	-	-	-	1,468,899	-	-	-	1,468,899
<b>Total fund balances</b>	<b>235,611</b>	<b>-</b>	<b>2,988,751</b>	<b>1,468,899</b>	<b>-</b>	<b>-</b>	<b>1,161,931</b>	<b>5,855,192</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 1,189,547</b>	<b>\$ 688,099</b>	<b>\$ 3,354,475</b>	<b>\$ 1,468,899</b>	<b>\$ 3,522,328</b>	<b>\$ -</b>	<b>\$ 1,189,160</b>	<b>\$ 11,412,508</b>

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2016

	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Human Services Block Grant	Community Development Block Grant	Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>								
Intergovernmental	\$ 9,567,353	\$ 4,427,392	\$ 1,323,720	\$ -	\$ 2,786	\$ 3,730,895	\$ -	\$ 19,052,146
Departmental	12,767	-	-	-	-	-	-	12,767
Investment earnings	-	990	1,239	-	12,036	-	5,373	19,638
Other	10,978	189,135	2,910	11,062	578,336	-	-	792,421
Total revenues	9,591,098	4,617,517	1,327,869	11,062	593,158	3,730,895	5,373	19,876,972
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	-	-	7,500	7,500
Roads and bridges	-	-	82,768	-	-	-	-	82,768
Health, education, and welfare:								
Drug and alcohol	-	4,780,815	-	-	-	-	-	4,780,815
Office of aging	10,390,899	-	-	-	-	-	-	10,390,899
Community development	-	-	-	422,977	-	3,730,895	-	4,153,872
Capital outlay	10,525	2,579	571,178	-	-	-	715,181	1,299,463
Total expenditures	10,401,424	4,783,394	653,946	422,977	-	3,730,895	722,681	20,715,317
Excess (deficiency) of revenues over (under) expenditures	(810,326)	(165,877)	673,923	(411,915)	593,158	-	(717,308)	(838,345)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	773,000	165,877	-	-	522,626	-	-	1,461,503
Transfers out	-	-	-	-	(1,115,784)	-	-	(1,115,784)
Total other financing sources (uses)	773,000	165,877	-	-	(593,158)	-	-	345,719
Net change in fund balances	(37,326)	-	673,923	(411,915)	-	-	(717,308)	(492,626)
Fund balances, January 1	272,936	-	2,314,828	1,880,814	-	-	1,879,240	6,347,818
Fund balances, December 31	\$ 235,610	\$ -	\$ 2,988,751	\$ 1,468,899	\$ -	\$ -	\$ 1,161,932	\$ 5,855,192

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 9,393,988	\$ 9,393,988	\$ 13,021,580	\$ 3,627,592
Departmental	189,254	189,254	12,767	(176,487)
Other	130,120	130,120	10,979	(119,141)
Total revenues	9,713,362	9,713,362	13,045,326	3,331,964
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Office of Aging	11,764,329	11,751,971	11,536,362	215,609
Capital outlay	-	12,358	10,526	1,832
Total expenditures	11,764,329	11,764,329	11,546,888	217,441
Excess (deficiency) of revenues over (under) expenditures	(2,050,967)	(2,050,967)	1,498,438	3,549,405
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	773,000	773,000	773,000	-
Net change in fund balances	\$ (1,277,967)	\$ (1,277,967)	2,271,438	\$ 3,549,405
Net decrease in due to other funds			(1,387,475)	
Fund balance, January 1, cash basis			136,721	
Fund balance, December 31, cash basis			1,020,684	
Differences from modified accrual basis:				
Due from other governments			168,863	
Accounts payable			(497,850)	
Unearned revenue - intergovernmental			(387,602)	
Due to other funds				
Payroll related accruals			(68,484)	
Fund balance at December 31, modified accrual basis			\$ 235,611	

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 3,979,485	\$ 4,514,724	\$ 4,797,034	\$ 282,310
Departmental	362,100	362,100	355,657	(6,443)
Investment earnings	400	400	990	590
Other	-	-	210	210
Total revenues	<u>4,341,985</u>	<u>4,877,224</u>	<u>5,153,891</u>	<u>276,667</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Drug and alcohol	5,068,623	5,601,062	5,121,630	479,432
Capital outlay	-	2,800	2,579	221
Total expenditures	<u>5,068,623</u>	<u>5,603,862</u>	<u>5,124,209</u>	<u>479,653</u>
Excess (deficiency) of revenues over (under) expenditures	(726,638)	(726,638)	29,682	756,320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	244,000	244,000	165,877	(78,123)
Net change in fund balances	<u>\$ (482,638)</u>	<u>\$ (482,638)</u>	<u>195,559</u>	<u>\$ 678,197</u>
Fund balance, January 1, cash basis			<u>492,540</u>	
Fund balance, December 31, cash basis			688,099	
Differences from modified accrual basis:				
Unearned revenue - intergovernmental			(343,404)	
Accounts payable			(336,805)	
Payroll related accruals			(7,890)	
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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,375,000	\$ 1,375,000	\$ 1,569,670	\$ 194,670
Investment earnings	1,500	1,500	1,239	(261)
Other	-	-	5,175	5,175
Total revenues	<u>1,376,500</u>	<u>1,376,500</u>	<u>1,576,084</u>	<u>199,584</u>
<b>EXPENDITURES</b>				
Current:				
Roads and bridges	756,067	756,067	287,028	469,039
Capital outlay	1,915,832	1,915,832	571,178	1,344,654
Total expenditures	<u>2,671,899</u>	<u>2,671,899</u>	<u>858,206</u>	<u>1,813,693</u>
Net change in fund balances	<u>\$ (1,295,399)</u>	<u>\$ (1,295,399)</u>	<u>717,878</u>	<u>\$ 2,013,277</u>
Fund balance, January 1, cash basis			<u>2,575,100</u>	
Fund balance, December 31, cash basis			3,292,978	
Differences from modified accrual basis:				
Due from other governments			61,497	
Accounts payable			(30,928)	
Unearned revenue - intergovernmental			(334,796)	
Fund balance at December 31, modified accrual basis			<u>\$ 2,988,751</u>	

County of Lancaster, Pennsylvania

Statement of Changes in Assets and Liabilities -  
Agency Fund

For the Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and temporary investments - operating	\$ 12,449,795	\$ 183,040,589	\$ 182,701,670	\$ 12,788,714
<b>Total Assets</b>	<b>\$ 12,449,795</b>	<b>\$ 183,040,589</b>	<b>\$ 182,701,670</b>	<b>\$ 12,788,714</b>
<b>LIABILITIES</b>				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	\$ 1,102,715	\$ 1,163,414	\$ 1,766,726	\$ 499,403
Sheriff's office	1,518,809	18,004,419	16,828,652	2,694,576
All others	7,176	11,362	10,757	7,781
<b>Total deposits and advances</b>	<b>2,628,700</b>	<b>19,179,195</b>	<b>18,606,135</b>	<b>3,201,760</b>
Escrow liability:				
Bail escrow	370,816	32,565	284,419	118,962
Child support	24,365	2,311,472	2,195,924	139,913
County prison	32,304	381,325	241,029	172,600
Courts, restitution	2,206,082	9,251,174	9,257,296	2,199,960
All others	989,661	112,909	277,769	824,801
<b>Total escrow liability</b>	<b>3,623,228</b>	<b>12,089,445</b>	<b>12,256,437</b>	<b>3,456,236</b>
Other Liabilities:				
All others	1,797,262	10,417,351	10,561,236	1,653,377
<b>Total other</b>	<b>1,797,262</b>	<b>10,417,351</b>	<b>10,561,236</b>	<b>1,653,377</b>
Due to other governments :				
Fines and costs	4,309,900	102,430,169	102,370,946	4,369,123
All others	90,705	38,924,429	38,906,916	108,218
<b>Total due to other governments</b>	<b>4,400,605</b>	<b>141,354,598</b>	<b>141,277,862</b>	<b>4,477,341</b>
<b>Total liabilities</b>	<b>\$ 12,449,795</b>	<b>\$ 183,040,589</b>	<b>\$ 182,701,670</b>	<b>\$ 12,788,714</b>



## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page No.</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	134
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	138
Debt Capacity 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.	143
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	149
Operating Information 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.	152
Miscellaneous Information These schedules contain principal officials, salaries, amounts of surety bonds and insurance information.	156

### Sources:

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

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

Table 1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ (7,039,956)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693	\$ 46,196,645	\$ 49,226,216	\$ 57,793,520	\$ 64,556,495	\$ 75,140,193
Restricted	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062	62,854,126	57,216,276	41,738,015	26,536,227	24,541,784
Unrestricted (deficit)	1,436,715	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)	(109,299,728)	(104,543,590)	(84,961,252)	(76,842,980)	(63,591,276)
<b>Total governmental activities net position</b>	<b>\$ 4,850,368</b>	<b>\$ 1,680,936</b>	<b>\$ (8,798,500)</b>	<b>\$ 679,128</b>	<b>\$ 1,794,835</b>	<b>\$ (248,957)</b>	<b>\$ 1,898,902</b>	<b>\$ 14,570,283</b>	<b>\$ 14,249,742</b>	<b>\$ 36,090,701</b>
<b>Business-type activities (1)</b>										
Net investment in capital assets	\$ 994,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	(588,879)	-	-	-	-	-	-	-	-	-
<b>Total business-type activities net position</b>	<b>\$ 405,496</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Primary government</b>										
Net investment in capital assets	\$ (6,045,581)	\$ (5,428,758)	\$ (11,059,206)	\$ 35,298,967	\$ 40,056,693	\$ 46,196,645	\$ 49,226,216	\$ 57,793,520	\$ 64,556,495	\$ 75,140,193
Restricted	10,453,609	10,108,366	11,305,240	12,686,089	25,964,062	62,854,126	57,216,276	41,738,015	26,536,227	24,541,784
Unrestricted (deficit)	847,836	(2,998,672)	(9,044,534)	(47,305,928)	(64,225,920)	(109,299,728)	(104,543,590)	(84,961,252)	(76,842,980)	(63,591,276)
<b>Total primary government net position</b>	<b>\$ 5,255,864</b>	<b>\$ 1,680,936</b>	<b>\$ (8,798,500)</b>	<b>\$ 679,128</b>	<b>\$ 1,794,835</b>	<b>\$ (248,957)</b>	<b>\$ 1,898,902</b>	<b>\$ 14,570,283</b>	<b>\$ 14,249,742</b>	<b>\$ 36,090,701</b>

(1) 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 68,609,628	\$ 56,939,439	\$ 57,904,194	\$ 63,863,797	\$ 57,284,051	\$ 53,090,406	\$ 53,456,166	\$ 47,688,115	\$ 49,312,867	\$ 49,177,536
Public Safety	2,536,633	10,277,194	12,180,651	12,145,608	12,543,485	14,403,729	21,902,476	14,921,490	15,845,032	9,599,612
Roads and bridges	493,225	446,693	528,189	632,719	939,766	629,269	391,992	675,825	1,287,186	669,583
Health, education, and welfare	113,385,735	117,363,995	97,621,458	81,796,132	158,356,532	158,906,330	154,045,202	156,191,063	156,728,546	177,315,144
Judicial	41,188,766	43,561,664	41,496,484	42,298,718	43,118,281	45,303,625	44,553,349	42,421,056	41,683,823	44,902,740
Corrections	20,515,725	23,554,777	23,427,298	23,975,680	24,834,919	28,052,063	26,707,583	26,397,549	26,710,816	28,250,573
Cultural and recreation	3,063,646	3,298,512	3,009,056	2,963,256	2,492,561	2,749,572	2,681,009	2,441,711	1,560,006	2,182,493
Community development	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384	3,485,997	4,305,998	6,855,968	4,173,840
Bond issuance costs	-	-	-	-	-	-	282,181	127,854	-	-
Interest on long-term debt	9,163,174	9,444,280	9,240,379	9,506,172	10,774,790	10,298,347	10,599,734	10,605,535	9,539,788	8,665,991
Total governmental activities expenses	263,334,682	271,658,045	250,993,797	242,776,811	318,165,736	317,831,725	318,105,689	305,776,196	309,524,032	324,937,512
<b>Business-type activities:</b>										
911 Operations (1)	8,663,494	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	8,663,494	-	-	-	-	-	-	-	-	-
Total primary government expenses	\$ 271,998,176	\$ 271,658,045	\$ 250,993,797	\$ 242,776,811	\$ 318,165,736	\$ 317,831,725	\$ 318,105,689	\$ 305,776,196	\$ 309,524,032	\$ 324,937,512
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 3,228,878	\$ 9,423,946	\$ 10,398,692	\$ 6,905,007	\$ 6,238,767	\$ 9,711,321	\$ 10,444,728	\$ 5,898,650	\$ 9,111,789	\$ 15,650,427
Public Safety	191,522	3,307,766	3,844,511	6,817,662	7,494,676	6,551,111	12,711,899	5,108,919	5,827,034	5,551,904
Roads and bridges	-	15,630	30,834	48,098	11,650	9,819	7,875	10,509	15,653	2,910
Health, education, and welfare	-	3,340,383	3,051,371	3,688,636	3,939,160	3,369,213	3,532,301	4,546,721	4,115,277	5,297,066
Judicial	6,463,143	8,902,090	2,134,151	6,992,023	7,701,804	9,154,345	7,948,172	8,267,853	6,851,144	7,862,100
Corrections	95,800	162,781	91,985	132,681	145,236	214,594	579,462	1,176,571	1,245,477	1,437,909
Cultural and recreation	245,924	292,330	257,520	281,093	323,385	279,979	411,646	293,848	305,651	298,106
Community development	-	-	-	-	-	1,884,223	-	-	145,882	11,062
<b>Operating grants and contributions:</b>										
General government	2,817,224	4,054,521	2,656,338	9,897,518	10,873,602	6,061,463	5,043,465	4,789,553	5,322,572	2,977,602
Public Safety	175,821	182,036	189,997	149,797	252,359	184,980	90,315	251,141	168,559	73,584
Roads and bridges	917,389	1,220,200	903,191	1,153,429	2,606,826	1,612,936	2,576,440	1,541,697	1,472,544	1,323,720
Health, education, and welfare	109,220,515	115,332,557	97,393,712	80,837,880	156,460,780	156,510,054	152,763,381	155,048,253	154,564,650	174,008,002
Judicial	6,399,328	10,076,920	9,471,170	10,355,686	8,672,125	8,198,497	8,105,142	7,874,568	6,758,492	8,771,902
Corrections	88,113	37,905	38,200	29,904	33,715	174,656	261,805	58,301	264,310	323,313
Cultural and recreation	122,981	299,427	69,777	7,814	-	197,605	-	122,600	33,057	-
Community development	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384	3,484,987	3,901,912	6,468,065	3,730,895
Total governmental activities program revenues	134,344,788	163,419,983	136,117,537	132,901,857	212,575,436	208,513,180	207,961,618	198,891,096	202,670,156	227,320,502
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
911 Operations (1)	1,492,312	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,492,312	-	-	-	-	-	-	-	-	-
Total primary government program revenues	\$ 135,837,100	\$ 163,419,983	\$ 136,117,537	\$ 132,901,857	\$ 212,575,436	\$ 208,513,180	\$ 207,961,618	\$ 198,891,096	\$ 202,670,156	\$ 227,320,502
<b>Net (expense) revenue</b>										
Governmental activities	\$ (128,989,894)	\$ (108,238,062)	\$ (114,876,260)	\$ (109,874,954)	\$ (105,590,300)	\$ (109,318,545)	\$ (110,144,071)	\$ (106,885,100)	\$ (106,853,876)	\$ (97,617,010)
Business-type activities	(7,171,182)	-	-	-	-	-	-	-	-	-
Total primary government net expense	\$ (136,161,076)	\$ (108,238,062)	\$ (114,876,260)	\$ (109,874,954)	\$ (105,590,300)	\$ (109,318,545)	\$ (110,144,071)	\$ (106,885,100)	\$ (106,853,876)	\$ (97,617,010)
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
<b>Governmental activities:</b>										
Property taxes	\$ 94,673,936	\$ 102,490,521	\$ 103,588,540	\$ 104,918,937	\$ 105,576,248	\$ 106,177,196	\$ 116,526,852	\$ 117,215,756	\$ 118,030,667	\$ 119,276,761
Departmental revenues	14,546,868	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings(loss)	5,437,381	2,172,613	808,284	596,083	1,129,759	1,097,557	(1,368,543)	2,340,725	158,622	181,209
Gain on sale of capital assets	-	-	-	-	-	-	134,501	-	-	-
Transfers	(1,531,737)	-	-	-	-	-	-	-	-	-
Total governmental activities	113,126,448	104,663,134	104,396,824	105,515,020	106,706,007	107,274,753	115,292,810	119,556,481	118,189,289	119,457,970
<b>Business-type activities:</b>										
Unrestricted investment earnings	254,769	-	-	-	-	-	-	-	-	-
Transfers	1,531,737	-	-	-	-	-	-	-	-	-
Total business-type activities	1,786,506	-	-	-	-	-	-	-	-	-
Total primary government	\$ 114,912,954	\$ 104,663,134	\$ 104,396,824	\$ 105,515,020	\$ 106,706,007	\$ 107,274,753	\$ 115,292,810	\$ 119,556,481	\$ 118,189,289	\$ 119,457,970
<b>Change in Net Position</b>										
Governmental activities	\$ (15,863,446)	\$ (3,574,928)	\$ (10,479,436)	\$ (4,359,934)	\$ 1,115,707	\$ (2,043,792)	\$ 5,148,739	\$ 12,671,381	\$ 11,335,413	\$ 21,840,960
Business-type activities	(5,384,676)	-	-	-	-	-	-	-	-	-
Total primary government	\$ (21,248,122)	\$ (3,574,928)	\$ (10,479,436)	\$ (4,359,934)	\$ 1,115,707	\$ (2,043,792)	\$ 5,148,739	\$ 12,671,381	\$ 11,335,413	\$ 21,840,960

(1) 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

	2007	2008 *	2009	2010	2011	2012	2013	2014	2015	2016
<b>General fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	21,099,796	19,268,220	14,622,230	11,808,598	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,791,374	-	-	-	-	-
Restricted:										
Roads and bridges	-	-	-	-	-	-	-	2,207,871	1,546,324	1,806,246
General government	-	-	-	-	563,895	1,522,986	2,913,790	1,689,808	2,201,107	2,176,792
Public safety	-	-	-	-	532,145	26,540,769	18,485,979	9,817,893	2,239,642	583,382
Judicial	-	-	-	-	1,764,763	1,592,649	1,956,679	1,749,827	1,403,881	1,013,222
Committed:										
Capital projects	-	-	-	-	-	-	-	560,614	-	-
Assigned:										
Capital projects	-	-	-	-	-	-	-	-	560,614	560,614
Future benefits	-	-	-	-	-	-	-	3,000,000	1,500,000	1,183,724
Healthcare benefits	-	-	-	-	-	1,259,264	1,687,275	1,725,871	1,773,084	1,773,084
Postemployment benefits	-	-	-	-	6,518,968	2,275,734	1,220,973	1,212,719	4,387,135	2,522,436
Unassigned	-	-	-	-	-	-	-	-	2,482,025	13,992,905
<b>Total general fund</b>	<b>\$ 21,099,796</b>	<b>\$ 19,268,220</b>	<b>\$ 14,622,230</b>	<b>\$ 11,808,598</b>	<b>\$ 11,171,145</b>	<b>\$ 33,191,402</b>	<b>\$ 26,264,696</b>	<b>\$ 21,964,603</b>	<b>\$ 18,093,812</b>	<b>\$ 25,612,405</b>
<b>All other governmental funds</b>										
Reserved	\$ 5,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special revenue funds	9,818,532	9,461,818	10,651,056	12,686,089	-	-	-	-	-	-
Capital projects funds	24,629,850	12,905,607	12,029,288	28,603,276	-	-	-	-	-	-
Restricted:										
Health, education, and welfare	-	-	-	-	1,762,216	814,824	400,006	966,041	2,474,219	2,114,191
Capital projects	-	-	-	-	9,468,673	19,226,280	19,560,818	10,417,262	1,879,240	1,161,931
Roads and bridges	-	-	-	-	4,536,103	2,897,306	2,909,938	2,716,233	2,314,828	2,988,751
Judicial	-	-	-	-	7,336,267	8,388,628	9,105,852	9,886,595	10,596,172	11,228,370
Community development	-	-	-	-	-	2,536,562	2,239,586	1,734,932	1,880,814	1,468,899
<b>Total all other governmental funds</b>	<b>\$ 34,453,423</b>	<b>\$ 22,367,425</b>	<b>\$ 22,680,344</b>	<b>\$ 41,289,365</b>	<b>\$ 23,103,259</b>	<b>\$ 33,863,600</b>	<b>\$ 34,216,200</b>	<b>\$ 25,721,063</b>	<b>\$ 19,145,273</b>	<b>\$ 18,962,142</b>
<b>Total fund balances of all governmental funds</b>	<b>\$ 55,553,219</b>	<b>\$ 41,635,645</b>	<b>\$ 37,302,574</b>	<b>\$ 53,097,963</b>	<b>\$ 34,274,404</b>	<b>\$ 67,055,002</b>	<b>\$ 60,480,896</b>	<b>\$ 47,685,666</b>	<b>\$ 37,239,085</b>	<b>\$ 44,574,547</b>

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.

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

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

Table 4

	2007	2008 *	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 94,489,341	\$ 101,960,944	\$ 103,589,945	\$ 104,555,174	\$ 105,717,718	\$ 106,170,287	\$ 116,611,483	\$ 117,319,438	\$ 118,053,482	\$ 119,727,563
Intergovernmental	124,119,521	134,833,834	114,423,465	106,097,860	184,524,990	174,538,312	169,537,740	170,410,928	172,736,021	189,095,657
Departmental	20,103,239	21,956,938	21,226,755	21,536,881	20,567,399	24,736,156	31,744,650	20,681,144	24,720,276	24,923,631
Fines and costs	2,697,688	2,877,665	3,029,434	2,773,058	3,318,987	3,131,476	3,303,185	3,274,350	3,264,006	3,148,094
Interest	5,437,381	2,172,613	808,284	619,667	228,783	132,790	120,148	99,131	118,044	181,209
Other	547,399	978,544	1,083,974	1,173,930	2,100,366	4,132,985	1,169,894	1,037,730	1,889,819	5,250,330
Health Choices revenues	1,047,296	991,961	1,040,023	1,614,230	1,575,092	1,279,710	1,498,523	2,803,213	1,611,549	2,274,595
<b>Total revenues</b>	<b>248,441,865</b>	<b>265,772,499</b>	<b>245,201,880</b>	<b>238,370,800</b>	<b>318,033,335</b>	<b>314,121,716</b>	<b>323,985,623</b>	<b>315,625,934</b>	<b>322,393,197</b>	<b>344,601,079</b>
<b>Expenditures</b>										
General government	31,244,732	31,288,375	37,092,850	41,312,324	32,689,512	28,262,996	30,129,669	26,630,285	33,341,399	29,230,902
Public safety (1)	1,366,272	10,606,865	10,625,757	10,558,753	11,006,988	12,548,142	26,192,813	12,912,527	12,835,662	10,545,603
Roads and bridges	409,115	285,188	317,157	388,008	670,175	274,373	-	228,635	764,722	133,735
Health, education and welfare	125,716,956	130,287,274	111,699,460	93,528,376	170,064,660	169,963,493	165,705,416	167,944,070	167,453,600	189,992,167
Judicial	42,402,361	45,236,178	43,939,778	44,800,940	45,399,663	47,317,507	46,435,758	44,702,380	43,756,961	47,064,579
Corrections	19,225,889	22,169,692	22,096,860	22,725,580	23,107,431	24,234,937	27,577,716	24,952,042	25,234,661	26,668,718
Cultural and recreation	2,845,631	3,076,031	2,801,692	2,484,440	2,212,981	2,475,240	2,360,554	2,185,938	1,343,717	2,084,548
Community development	4,378,150	6,771,491	5,586,088	5,604,729	7,821,351	4,398,384	3,781,963	4,406,566	6,468,065	4,153,872
Capital outlay	35,371,682	19,793,861	22,922,212	14,459,028	21,106,757	20,087,950	11,152,496	20,766,965	17,751,098	3,485,951
Debt service (2):										
Principal	9,105,000	9,340,300	8,984,000	10,841,800	12,219,700	13,102,700	13,751,800	13,651,000	14,633,587	15,361,100
Interest and fiscal charges	9,313,790	9,488,089	8,469,097	9,755,340	10,557,676	10,053,952	10,643,324	10,601,370	9,656,490	8,901,565
Bond issuance costs	48,179	146,729	548,199	296,556	200,721	997,526	282,181	127,854	-	-
<b>Total expenditures</b>	<b>281,427,757</b>	<b>288,490,073</b>	<b>275,083,150</b>	<b>256,755,874</b>	<b>337,057,615</b>	<b>333,717,200</b>	<b>338,013,690</b>	<b>329,109,632</b>	<b>333,239,962</b>	<b>337,622,740</b>
Excess (deficiency) of revenues over (under) expenditures	(32,985,892)	(22,717,574)	(29,881,270)	(18,385,074)	(19,024,280)	(19,595,484)	(14,028,067)	(13,483,698)	(10,846,765)	6,978,339
<b>Other financing sources (uses)</b>										
Transfers in	16,017,815	12,974,525	14,251,429	12,403,303	12,335,157	12,974,005	12,221,130	12,365,605	11,651,165	13,642,251
Transfers out	(17,549,552)	(12,974,525)	(14,251,429)	(12,403,303)	(12,335,157)	(12,974,005)	(12,221,130)	(12,365,605)	(11,651,165)	(13,642,251)
Discount on refunding bonds issued	-	-	-	-	(128,404)	(166,353)	-	-	-	-
Premium on refunding bonds issued	-	-	3,973,031	-	-	2,842,564	27,149	8,487	2,170,372	3,087,988
Face amount of refunding bonds issued	10,000,000	-	40,042,574	-	10,000,000	52,830,000	28,380,000	8,185,000	28,900,000	26,495,000
Payment to refunded bond escrow agent	(9,951,821)	-	(43,467,406)	-	(9,670,875)	(54,855,913)	(28,205,000)	(8,065,633)	(30,670,188)	(29,225,865)
Premium on bonds issued	-	-	-	235,463	-	2,042,228	697	-	-	-
Face amount of bonds issued	-	8,800,000	25,000,000	33,945,000	-	23,305,000	6,795,000	-	-	-
Premium on swaption issued	-	-	-	-	-	-	1,865,000	-	-	-
Payment for refunded swaption issued	-	-	-	-	-	-	(1,757,500)	-	-	-
Capital leases	-	-	-	-	-	26,378,556	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	348,615	560,614	-	-
<b>Total other financing sources (uses)</b>	<b>(1,483,558)</b>	<b>8,800,000</b>	<b>25,548,199</b>	<b>34,180,463</b>	<b>200,721</b>	<b>52,376,082</b>	<b>7,453,961</b>	<b>688,468</b>	<b>400,184</b>	<b>357,123</b>
<b>Net change in fund balances</b>	<b>\$ (34,469,450)</b>	<b>\$ (13,917,574)</b>	<b>\$ (4,333,071)</b>	<b>\$ 15,795,389</b>	<b>\$ (18,823,559)</b>	<b>\$ 32,780,598</b>	<b>\$ (6,574,106)</b>	<b>\$ (12,795,230)</b>	<b>\$ (10,446,581)</b>	<b>\$ 7,335,462</b>
Debt service as a percentage of noncapital expenditures	7.5%	7.0%	6.9%	8.5%	7.2%	7.4%	7.5%	7.9%	7.7%	7.3%

(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
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%
2013	35,533,876,800	3,833,025,400	31,700,851,400	3.735	31,700,851,400	100%
2014	35,781,687,200	3,845,418,300	31,936,268,900	3.735	31,936,268,900	100%
2015	36,156,664,400	3,917,166,800	32,239,497,600	3.735	32,239,497,600	100%
2016	36,426,137,300	3,937,204,000	32,488,933,300	3.735	32,488,933,300	100%

Source: County of Lancaster, Assessment 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.

Note: Assessed value by major component not available.

Real Property Assessment Data

Year	Market Value	Assessed Value	Common Level Ratio
2007	\$ 39,365,758,877	\$ 30,154,171,300	.7660
2008	41,404,040,761	30,473,374,000	.7360
2009	41,755,405,819	30,857,244,900	.7390
2010	41,376,909,309	31,115,435,800	.7520
2011	40,882,630,719	31,275,212,500	.7650
2012	39,868,644,289	31,416,491,700	.7880
2013	39,331,081,141	31,700,851,400	.8060
2014	40,374,549,810	31,936,268,900	.7910
2015	41,599,351,742	32,239,497,600	.7750
2016	43,031,699,735	32,488,933,300	.7550

Source: County of Lancaster, Assessment Office

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

Table 6

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Direct Rate:	3.1890	3.4160	3.4160	3.4160	3.4160	3.4160	3.7350	3.7350	3.7350	3.7350
City rate:										
Lancaster	8.8200	9.1800	9.6400	12.0400	12.0400	12.0400	13.0400	13.0400	14.0200	14.0200
Borough rates:										
Adamstown	2.0000	2.0000	2.0000	2.0000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Akron	2.0000	2.0000	2.0000	2.0000	2.0000	2.5000	2.5000	2.5000	2.7500	2.7500
Christiana	3.8190	4.5000	4.5000	4.5000	4.5000	5.0000	5.0000	5.0000	5.0000	5.0000
Columbia	6.2600	7.7500	8.0000	8.0000	8.0000	8.0000	8.0000	8.0000	8.0000	8.0000
Denver	2.4000	2.5200	2.5200	2.5200	2.7500	3.0000	3.0000	3.0000	3.0000	3.0000
East Petersburg	1.7690	2.6570	1.8940	1.8940	1.8940	2.3940	2.3940	2.3940	3.3940	3.3940
Elizabethtown	3.8300	3.8300	4.2000	4.2000	5.0000	5.0000	5.0000	5.0000	5.2000	5.5000
Ephrata	1.8800	1.8800	1.8800	1.8800	1.8800	2.0700	2.0700	2.0700	2.0700	2.0700
Lititz	1.6000	1.6000	1.6000	1.6000	2.1000	2.1000	2.1000	2.1000	2.6000	2.6000
Manheim	2.6000	2.8500	2.9000	3.0000	3.5000	4.0000	4.7500	4.7500	4.8500	5.0500
Marietta	4.2500	4.5000	4.5000	4.5000	5.5000	5.5000	6.5000	6.5000	6.5000	6.5000
Millersville	4.6500	4.8500	4.8500	4.8500	5.2400	5.4500	5.4500	5.4500	5.7200	6.2000
Mount Joy	3.1000	3.3000	3.4000	4.2000	4.2000	4.4600	4.7000	4.9100	4.9100	4.9100
Mountville	1.4000	2.5000	2.5000	2.6000	2.6000	2.6000	2.6000	2.6000	2.6000	2.6000
New Holland	2.2500	2.2500	2.4800	2.4800	2.4800	3.4000	3.4000	3.4000	3.4000	3.4000
Quarryville	2.7500	3.7500	3.7500	4.7500	4.7500	4.7500	4.7500	4.7500	4.7500	6.0000
Strasburg	2.0300	2.1300	2.4300	2.8300	2.8300	3.0800	3.0800	3.0800	3.2800	3.2800
Terre Hill	3.7000	3.7000	4.2000	4.2000	4.2000	4.7000	5.0000	5.0000	5.0000	5.0000
Township rates:										
Bart	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Brecknock	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690	0.2690
Caernarvon	0.1000	0.0750	0.0750	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
Clay	0.7569	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000
Colerain	0.6120	0.6120	0.6120	0.6120	0.6120	0.6120	0.6620	0.6620	0.6620	0.6620
Conestoga	0.6930	0.6930	0.6930	0.6930	0.6930	1.1000	1.1000	1.1000	1.1000	1.1000
Drumore	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Earl	1.0000	1.0000	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
East Cocalico	1.6250	1.6250	1.6250	1.6250	1.6250	1.7000	2.0500	2.0500	2.0500	2.0500
East Donegal	2.3970	2.7000	2.9500	2.9500	2.9500	3.7500	3.7500	3.9500	3.9500	3.9500
East Drumore	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900
East Earl	1.3000	1.4000	1.6000	1.6000	1.6000	1.8000	1.9000	1.9000	1.9000	2.0500
East Hempfield	0.5100	0.8200	0.9200	1.1200	1.1200	1.1200	1.1200	1.1200	1.1200	1.1200
East Lampeter	1.1400	1.1400	1.1400	1.4620	1.4620	1.4620	1.6000	1.6000	1.6000	1.7300
Eden	0.6000	0.6000	0.6000	0.7000	0.7000	0.7000	0.8000	0.8000	0.9500	1.0500
Ephrata	1.2700	1.2700	1.2700	1.2700	1.3700	1.3700	1.3700	1.3700	1.3700	1.3700
Fulton	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100	0.2100
Lancaster	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Leacock	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300
Little Britian	0.3900	0.3900	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.)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Manheim	1.9000	1.9000	1.9000	1.9000	2.2300	2.2300	2.2300	2.2300	2.2300	2.2300
Manor	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800
Mount Joy Part (2)	1.0830	1.0810	1.2114	1.3500	1.3500	1.6000	1.8500	1.7500	1.7500	1.7500
Mount Joy Part (3)	1.0830	1.0810	1.2114	1.3500	1.3500	1.6000	1.8500	1.7500	1.7500	1.7500
Paradise	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200
Penn	0.8120	0.8120	0.8120	0.8120	0.8120	1.6000	1.4500	1.8000	1.8000	1.8000
Pequea	1.5500	1.5500	1.5500	1.5500	1.7000	1.7000	1.9000	1.9000	1.9000	1.9000
Providence	0.1930	0.1930	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580	0.9500	0.8075
Rapho	0.0000	0.0000	0.0000	0.0000	0.0000	1.7500	1.7500	1.7500	1.7500	1.7500
Sadsbury	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000
Salisbury	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800
Strasburg	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.4400	0.6000	0.6000	0.7000
Upper Leacock	1.3000	1.3000	1.3000	1.3000	1.3000	1.5000	1.7000	1.7000	1.7000	1.7000
Warwick	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740	0.2740
West Cocalico	1.4330	1.5000	1.6000	1.8500	2.0000	2.0000	2.0000	2.1750	2.1750	2.1750
West Donegal	1.3503	1.3503	1.3503	1.6000	1.6000	1.6000	1.6000	1.6000	1.6000	2.0000
West Earl	1.3900	1.3900	1.3900	1.3900	1.3900	1.5900	1.5900	1.5900	1.5900	1.5900
West Hempfield	0.1800	0.1800	0.1800	0.1800	0.6800	0.6800	0.6800	0.6800	1.3400	1.3400
West Lampeter	0.5990	0.5990	0.6500	0.7500	0.9000	1.0000	1.0000	1.1000	1.1000	1.2000
School district rates:										
Cocalico	17.9300	18.9100	19.8400	20.5500	20.8900	21.3200	21.7600	22.3200	22.8200	22.8200
Columbia Borough	20.6600	23.0000	24.3570	24.3570	25.3700	26.0000	27.3700	28.2000	28.2000	29.3400
Conestoga Valley	12.3670	12.8490	13.2660	13.2730	14.0480	14.2860	14.5280	14.8330	15.2064	15.9240
Donegal	16.2000	18.7300	19.4500	20.1690	20.1690	20.9837	21.4453	22.0243	22.0243	22.4640
Eastern Lancaster County	11.7142	12.2142	12.5979	13.0877	13.4470	13.8410	14.1177	14.4141	14.6879	15.0404
Elizabethtown Area	15.3394	16.1816	16.5861	17.2700	17.5800	17.8900	17.8900	18.3700	19.1048	19.9000
Ephrata Area	17.2000	18.0900	18.5200	19.0200	19.0200	19.4100	19.6000	19.6000	19.6000	20.4500
Hempfield	15.9409	16.8814	17.3878	17.9789	18.2660	18.6310	19.0030	19.4590	19.6530	20.1246
Lampeter-Strasburg	16.6000	17.3300	17.8000	18.4620	18.7573	19.0760	19.4384	19.6133	19.8683	20.2458
Lancaster	20.4400	20.4400	23.2600	24.2130	24.6972	24.6972	25.9224	26.6793	26.6793	26.6793
Manheim Central	15.2400	15.2400	15.8500	16.2500	16.2500	16.6900	16.9726	17.1848	17.3566	17.3566
Manheim Township	15.2300	15.9000	16.5500	17.0299	17.2680	17.9525	18.2575	18.6409	18.6409	19.0509
Octorara Area	23.1100	27.3700	27.6800	27.6800	28.3700	27.4900	27.7100	26.4300	27.2000	28.7300
Penn Manor	15.3100	15.9100	15.9100	16.4600	16.6900	16.9700	17.2500	17.6100	18.0100	19.2700
Pequea Valley	15.1000	15.7430	15.7430	16.3333	20.4080	16.8898	17.3866	17.4735	17.4735	18.1217
Solanco	9.0496	9.6378	10.1582	10.5442	10.8500	11.2243	11.5161	11.8040	12.0990	12.4499
Warwick	15.8000	16.7000	17.4000	17.6600	17.9000	18.5900	19.2100	19.7094	20.1627	20.1627

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

(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, 2016

Table 7

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
High Properties Et Al	\$ 139,160,800	1	0.43%	\$ 135,631,000	1	0.45%
Park City Center Business Trust	129,942,300	2	0.40%	125,816,600	2	0.42%
Willow Valley Retirement	108,792,500	3	0.33%	108,792,500	3	0.36%
Lancaster General	101,617,800	4	0.31%	104,001,900	4	0.34%
Willow Valley Manor	89,533,700	5	0.28%	84,499,100	5	0.28%
High Properties	65,576,800	6	0.20%	61,010,500	7	0.20%
Granite Properties	54,713,400	7	0.17%	60,865,600	8	0.20%
Garden Spot Village Inc	52,790,900	8	0.16%	*		
Rockvale Group	48,386,600	9	0.15%	58,186,700	9	0.19%
Dart Container Corp of PA	47,715,000	10	0.15%	61,635,300	6	0.20%
Exelon Generation Co LLC	*			54,429,800	10	0.18%
<b>Total</b>	<b>\$ 838,229,800</b>		<b>2.58%</b>	<b>\$ 854,869,000</b>		<b>2.83%</b>

Source: County of Lancaster, Assessment Office

\* - Company not included in top 10 ranking for the year

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
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%
2013	117,340,645	733,378	118,074,023	114,128,781	96.66%	2,459,459	116,588,240	98.74%
2014	118,402,728	523,875	118,926,603	115,041,984	96.73%	2,203,190	117,245,174	98.59%
2015	119,282,012	637,417	119,919,429	115,819,600	96.58%	2,203,937	118,023,537	98.42%
2016	120,414,571	660,834	121,075,405	117,104,809	96.72%	2,272,903	119,377,712	98.60%

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.

Assessment by Land Use

Year	Residential	Industrial	Commercial	Agriculture	Other	Total
2007	\$20,794,340,700	\$1,331,477,900	\$5,661,895,000	\$1,698,588,800	\$ 177,286,500	\$ 29,663,588,900
2008	21,153,237,200	1,324,033,900	5,776,718,700	1,717,450,400	182,731,100	30,154,171,300
2009	21,433,385,400	1,311,033,800	5,757,826,900	1,785,814,200	185,313,700	30,473,374,000
2010	21,655,796,800	1,309,673,500	5,857,993,100	1,844,666,800	189,114,700	30,857,244,900
2011	21,900,404,100	1,299,205,800	5,846,643,600	1,880,128,000	189,054,300	31,115,435,800
2012	22,065,761,600	1,284,714,100	5,883,540,100	1,850,363,000	190,833,700	31,275,212,500
2013	22,205,789,400	1,278,246,000	5,838,144,300	1,901,865,600	192,446,400	31,416,491,700
2014	22,372,143,300	1,236,168,900	5,943,822,400	1,951,938,100	196,778,700	31,700,851,400
2015	22,537,454,000	1,240,765,800	5,977,568,600	1,985,879,600	194,600,900	31,936,268,900
2016	22,726,338,100	1,241,110,300	6,040,992,400	2,036,483,100	194,573,700	32,239,497,600

Source: County of Lancaster Assessment Office

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

Table 9

Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds & Notes	Lease Rental Bond Debt	Capital Equipment Lease	Contracts Payable			
2007	\$ 231,794,110	\$ 889,000	\$ 922,876	\$ 2,289,540	\$ 235,895,526	1.37%	\$ 473.73
2008	232,057,636	874,000	1,118,669	2,243,905	236,294,210	1.29%	470.36
2009	251,240,880	859,000	-	2,494,166	254,594,046	1.38%	501.40
2010	275,305,898	844,000	-	1,939,415	278,089,313	1.47%	535.36
2011	264,272,063	829,000	-	2,502,149	267,603,212	1.36%	511.09
2012	278,963,914	814,000	26,378,556	652,339	306,808,809	1.45%	582.38
2013	271,461,089	799,000	25,039,710	356,373	297,656,172	1.37%	562.04
2014	256,692,023	799,000	23,592,400	255,805	281,339,228	1.26%	527.52
2015	242,301,358	799,000	22,099,009	643,708	265,843,075	1.10%	495.40
2016	227,463,672	436,000	18,826,729	663,676	247,390,077	*	459.41

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	Total General Obligation Debt	Percentage of Estimated Actual Taxable Value of Property (1)	Debt Per Capita (2)
2007	\$ 231,794,110	0.77%	\$ 465.49
2008	232,057,636	0.76%	461.93
2009	251,240,880	0.81%	494.80
2010	275,305,898	0.88%	530.00
2011	264,272,063	0.84%	504.73
2012	278,963,914	0.89%	529.52
2013	271,461,089	0.86%	512.58
2014	256,692,023	0.80%	481.31
2015	242,301,358	0.75%	451.53
2016	227,463,672	0.70%	422.40

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, 2016

Table 11

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Lancaster	\$ 247,390,077	100%	\$ 247,390,077
Overlapping:			
City of Lancaster	50,832,476	100%	50,832,476
School Districts:			
Cocalico	13,864,279	100%	13,864,279
Columbia Borough	18,043,085	100%	18,043,085
Conestoga Valley	17,748,599	100%	17,748,599
Donegal	46,345,875	100%	46,345,875
Eastern Lancaster County	13,047,954	100%	13,047,954
Elizabethtown Area	45,845,000	100%	45,845,000
Ephrata Area (as of 6/30/16)	38,227,131	100%	38,227,131
Hempfield	87,700,992	100%	87,700,992
Lampeter-Strasburg	29,251,230	100%	29,251,230
Lancaster (as of 6/30/16)	122,167,098	100%	122,167,098
Manheim Central	49,260,000	100%	49,260,000
Manheim Township	102,124,052	100%	102,124,052
Octorara (as of 6/30/16)	61,584,946	100%	61,584,946
Penn Manor	48,064,550	100%	48,064,550
Pequea Valley	17,766,239	100%	17,766,239
Warwick	75,285,000	100%	75,285,000
Total School Districts			786,326,030
Municipal Authorities:			
Akron Borough	869,018	100%	869,018
Blue Ball Water Authority	212,351	100%	212,351
Christiana Borough Authority	89,098	100%	89,098
Columbia Borough	6,799,000	100%	6,799,000
Earl Township Sewer Authority	7,537,801	100%	7,537,801
East Cocalico Township Water & Sewer Authority	4,635,000	100%	4,635,000
East Lampeter Sewer Authority	12,451,448	100%	12,451,448
East Lampeter Township	6,630,241	100%	6,630,241
Elizabethtown Regional Sewer Authority	10,931,400	100%	10,931,400
Ephrata Area Joint Authority	3,865,000	100%	3,865,000
Ephrata Borough Authority	15,030,000	100%	15,030,000
Ephrata Township Sewer Authority	2,036,288	100%	2,036,288
Lancaster Area Sewer Authority	87,970,000	100%	87,970,000
Lancaster County Hospital Authority (as of 6/30/16)	744,393,079	100%	744,393,079
Lancaster County Solid Waste Management Authority	125,465,000	100%	125,465,000

(Continued)

County of Lancaster, Pennsylvania  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2016

Table 11 (Cont.)

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lancaster County Vo-Tech School Authority	\$ 20,650,000	100%	\$ 20,650,000
Lancaster-Lebanon Joint Authority	32,499	100%	32,499
Lancaster Parking Authority	21,300,000	100%	21,300,000
Leacock Township Municipal Authority	2,318,905	100%	2,318,905
Manheim Area Water and Sewer Authority	14,257,802	100%	14,257,802
Manheim Township	12,045,000	100%	12,045,000
Marietta-Donegal Joint Authority	4,409,296	100%	4,409,296
Mount Joy Borough Authority	16,235,000	100%	16,235,000
Mountville Borough Authority	246,079	100%	246,079
Northern Lancaster County Sewer Authority	6,907,788	100%	6,907,788
Paradise Township Sewer Authority	1,440,000	100%	1,440,000
Penn Township	11,967,830	100%	11,967,830
Quarryville Borough	3,854,697	100%	3,854,697
Redevelopment Authority	24,609,585	100%	24,609,585
Sadsbury Township Municipal Authority	1,225,000	100%	1,225,000
Suburban Lancaster Sewer Authority	27,637,000	100%	27,637,000
Warwick Township Municipal Authority	7,210,000	100%	7,210,000
West Cocalico Township Authority	300,748	100%	300,748
West Earl Sewer Authority	7,960,000	100%	7,960,000
Total Municipalities			<u>1,213,521,953</u>
Total Overlapping Debt			<u>2,050,680,459</u>
Total direct and overlapping debt			<u>\$ 2,298,070,536</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Borrowing base revenues (1):					
Two years prior	\$ 129,499,678	\$ 123,748,612	\$ 122,530,609	\$ 129,828,387	\$ 130,291,338
Prior year	123,748,612	122,530,609	129,828,387	130,291,338	132,014,815
Current year	<u>122,530,609</u>	<u>129,828,387</u>	<u>130,291,338</u>	<u>132,014,815</u>	<u>133,405,844</u>
Total borrowing base revenues	<u>\$ 375,778,899</u>	<u>\$ 376,107,608</u>	<u>\$ 382,650,334</u>	<u>\$ 392,134,540</u>	<u>\$ 395,711,997</u>
Average borrowing base revenues	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999
Net Nonelectoral Debt Limit:					
Average borrowing base revenues	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999
Debt limit percentage	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>375,778,899</u>	<u>376,107,608</u>	<u>382,650,334</u>	<u>392,134,540</u>	<u>395,711,997</u>
Total amount of debt applicable to debt limit	<u>230,282,253</u>	<u>230,717,789</u>	<u>246,155,571</u>	<u>270,323,221</u>	<u>259,721,873</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 145,496,646</u>	<u>\$ 145,389,819</u>	<u>\$ 136,494,763</u>	<u>\$ 121,811,319</u>	<u>\$ 135,990,124</u>
Total net debt applicable to the limit as a percentage of debt limit	61.28%	61.34%	64.33%	68.94%	65.63%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit					
Average borrowing base revenues	\$ 125,259,633	\$ 125,369,203	\$ 127,550,111	\$ 130,711,513	\$ 131,903,999
Debt limit percentage	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>501,038,532</u>	<u>501,476,811</u>	<u>510,200,445</u>	<u>522,846,053</u>	<u>527,615,996</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>231,171,253</u>	<u>231,591,789</u>	<u>247,014,571</u>	<u>271,167,221</u>	<u>260,550,873</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 269,867,279</u>	<u>\$ 269,885,022</u>	<u>\$ 263,185,874</u>	<u>\$ 251,678,832</u>	<u>\$ 267,065,123</u>
Total net debt applicable to the limit as a percentage of debt limit	46.14%	46.18%	48.42%	51.86%	49.38%

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

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

(Continued)

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

Table 12 (Cont.)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Borrowing base revenues (1):					
	\$ 132,014,815	\$ 133,405,844	\$ 139,531,382	\$ 154,407,832	\$ 145,177,124
	133,405,844	139,531,382	154,407,832	145,177,124	149,627,502
	<u>139,531,382</u>	<u>154,407,832</u>	<u>145,177,124</u>	<u>149,627,502</u>	<u>155,464,285</u>
Total borrowing base revenues	<u>\$ 404,952,041</u>	<u>\$ 427,345,058</u>	<u>\$ 439,116,338</u>	<u>\$ 449,212,458</u>	<u>\$ 450,268,911</u>
Average borrowing base revenues	\$ 134,984,014	\$ 142,448,353	\$ 146,372,113	\$ 149,737,486	\$ 150,089,637
Net Nonelectoral Debt Limit:					
Average borrowing base revenues	\$ 134,984,014	\$ 142,448,353	\$ 146,372,113	\$ 149,737,486	\$ 150,089,637
Debt limit percentage	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>404,952,041</u>	<u>427,345,058</u>	<u>439,116,338</u>	<u>449,212,458</u>	<u>450,268,911</u>
Total amount of debt applicable to debt limit	<u>270,171,500</u>	<u>263,404,700</u>	<u>249,868,700</u>	<u>234,384,400</u>	<u>218,350,500</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 134,780,541</u>	<u>\$ 163,940,358</u>	<u>\$ 189,247,638</u>	<u>\$ 214,828,058</u>	<u>\$ 231,918,411</u>
Total net debt applicable to the limit as a percentage of debt limit	66.72%	61.64%	56.90%	52.18%	48.49%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit					
Average borrowing base revenues	\$ 134,984,014	\$ 142,448,353	\$ 146,372,113	\$ 149,737,486	\$ 150,089,637
Debt limit percentage	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>539,936,055</u>	<u>569,793,411</u>	<u>585,488,451</u>	<u>598,949,944</u>	<u>600,358,548</u>
Less: Non-electoral Debt and Lease Rental Debt	<u>270,985,500</u>	<u>264,203,700</u>	<u>250,667,700</u>	<u>235,183,400</u>	<u>218,786,500</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 268,950,555</u>	<u>\$ 305,589,711</u>	<u>\$ 334,820,751</u>	<u>\$ 363,766,544</u>	<u>\$ 381,572,048</u>
Total net debt applicable to the limit as a percentage of debt limit	50.19%	46.37%	42.81%	39.27%	36.44%

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)
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	21,119,188	40,088	38.5	85,180	6.6%
2013	529,600	21,774,881	41,116	38.7	85,491	4.9%
2014	533,320	22,245,595	41,712	38.3	84,678	3.6%
2015	536,624	24,145,511	44,995	38.4	84,634	3.0%
2016	538,500	*	*	*	84,481	3.7%

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, 2016

Table 14

Employer (1)	2016			2007		
	Employees (2)	Rank (1)	Percentage of Total County Employment	Employees (2)	Rank (1)	Percentage of Total County Employment
Lancaster General Hospital	7,884	1	3.34%	6,984	1	2.70%
Dart Container Corporation	2,214	2	0.94%	1,806	6	0.70%
County of Lancaster	1,924	3	0.81%	2,080	4	0.80%
Turkey Hill Co Inc	1,825	4	0.77%	*		
Masonic Villages	1,616	5	0.68%	*		
School District of Lancaster	1,512	6	0.64%	1,647	8	0.64%
Manheim Remarketing Inc	1,436	7	0.61%	2,513	3	0.97%
Weis Markets Inc	1,423	8	0.60%	1,383	10	0.53%
LSC Communications (formerly RR Donnelley)	1,288	9	0.55%	2,950	2	1.14%
Giant Food Stores	1,228	10	0.52%	*		
Ephrata Community Hospital Inc	*			1,836	5	0.71%
Armstrong World Industries Inc	*			1,794	7	0.69%
QVC Inc	*			1,586	9	0.61%
Total	<u>22,350</u>			<u>24,579</u>		
Total Employees in County	<u>236,231</u> (1)			<u>259,000</u> (1)		

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

\* - Company not included in top 10 ranking for the year

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

Table 15

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function/Program:</b>										
<b>Governmental Activities</b>										
General government	262	275	284	259	263	254	251	251	234	233
Public safety	9	104	101	98	103	103	104	102	102	98
Health, education, and welfare	392	403	396	376	354	337	355	351	349	357
Judicial	584	609	612	588	605	620	599	598	586	608
Corrections	292	304	297	291	294	285	307	321	318	334
Cultural and recreation	34	32	14	14	15	15	14	13	13	12
Community development	–	–	–	–	–	6	6	5	5	5
<b>Total governmental activities</b>	<b>1,573</b>	<b>1,727</b>	<b>1,704</b>	<b>1,626</b>	<b>1,634</b>	<b>1,620</b>	<b>1,636</b>	<b>1,641</b>	<b>1,607</b>	<b>1,647</b>
<b>Business-type activities</b>										
911 Operations	93	–	–	–	–	–	–	–	–	–
<b>Total business type activities</b>	<b>93</b>	<b>–</b>								
<b>Total</b>	<b>1,666</b>	<b>1,727</b>	<b>1,704</b>	<b>1,626</b>	<b>1,634</b>	<b>1,620</b>	<b>1,636</b>	<b>1,641</b>	<b>1,607</b>	<b>1,647</b>

Source: County of Lancaster, Controller's Office

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

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

Table 16

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
General Election Information:										
Registered voters	303,184	326,501	313,604	317,635	301,562	314,567	307,478	311,498	309,581	335,791
Votes cast	71,099	228,857	59,665	151,428	49,946	224,670	51,322	142,298	65,388	246,938
Percent of votes cast	23.45%	70.09%	19.03%	47.67%	16.56%	71.42%	16.69%	45.68%	21.12%	73.54%
Property transfers recorded	13,370	11,334	10,773	10,414	9,879	11,031	11,718	11,184	11,985	12,604
9-1-1 calls	***	214,723	211,932	222,253	236,810	240,195	233,994	245,293	231,151	274,898
Text to 9-1-1	*	*	*	*	*	*	6	97	179	345
Property transfers recorded	13,370	11,334	10,773	10,414	9,879	11,031	11,718	11,184	11,985	12,604
County ordinances approved	115	124	71	26	26	29	44	54	57	13
Municipal ordinances reviewed	397	345	266	177	184	168	193	221	226	306
<b>Judicial</b>										
Estates and wills probated	1,650	1,784	1,672	1,708	1,717	1,841	1,876	1,698	1,778	1,761
Marriage licenses issued	3,254	3,215	3,057	3,218	3,298	3,337	3,427	3,485	3,487	3,629
Child adoptions	243	254	244	258	242	249	232	245	230	249
Child relinquishments	151	139	137	156	175	133	167	145	163	143
Criminal cases filed	6,105	6,004	6,038	5,867	5,901	6,104	6,086	6,066	6,176	6,483
Criminal cases disposed	5,053	4,985	5,133	5,483	5,125	5,702	5,736	5,335	5,003	5,474
Civil suits filed	8,851	10,093	9,984	9,913	10,845	8,396	7,751	4,072	3,248	3,084
Civil judgments filed	4,216	4,661	9,235	6,266	7,031	9,449	12,565	8,542	7,922	11,110
Divorces filed	1,280	1,207	1,238	1,389	1,428	1,369	1,355	1,265	1,839	1,438
Protection from abuse cases filed	1,372	1,265	1,331	1,261	1,169	1,260	1,042	1,045	1,018	1,017
Naturalizations	255	288	157	197	166	182	225	169	261	193
Real estate executions (mortgage foreclosures) filed	685	702	1,104	1,082	632	777	980	952	755	705
District judge case filings	114,071	118,566	106,159	104,838	105,574	101,290	97,242	88,782	87,889	93,076
Domestic relations active cases	18,439	18,004	17,628	17,760	18,050	18,061	18,106	17,955	17,357	16,897
New juvenile probation cases	1,853	1,692	1,385	1,212	1,239	1,170	1,199	937	948	957
Juvenile probation placement days	61,395	56,796	49,170	48,276	48,359	35,313	34,121	28,012	22,797	20,711
New adult probation and parole cases	2,276	2,977	2,986	3,337	3,418	4,251	3,787	3,771	3,426	4,565
<b>Corrections</b>										
Average daily population	1,186	1,156	1,155	1,144	1,144	1,198	1,022	997	978	963
Annual admissions	6,137	6,040	6,152	5,739	6,263	6,145	5,913	5,715	5,454	5,110
<b>Culture and Recreation</b>										
Pool attendance	27,372	31,345	25,339	30,749	25,739	27,771	26,646	23,858	27,186	27,163
<b>Community Development</b>										
Easements added	33	33	21	20	13	26	33	20	23	26
Easement acreage added	2,140	2,566	1,355	1,633	1,396	1,931	1,851	1,362	1,560	1,781

Note: \* Data not available.

\*\* 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.

Source: various county departments.

(Continued)

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

Table 16 (Cont.)

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Health, education, and welfare</b>										
Employment and Training										
Customers served	5,573	5,549	8,452	7,551	5,710	**	**	**	**	**
Drug and Alcohol:										
Information and referral contacts	1,009	946	1,055	864	852	858	801	708	709	1,084
Inpatient non-hospital detox clients	340	366	386	357	447	403	460	499	428	206
Inpatient non-hospital rehab clients	373	406	275	222	381	129	463	413	327	197
Inpatient non-hospital halfway house clients	73	38	16	14	7	5	14	10	15	19
Inpatient hospital detox clients	3	2	2	1	1	2	1	1	1	1
Partial hospitalization clients	26	24	36	37	61	25	29	30	39	17
Outpatient drug free clients	1,902	2,009	2,055	1,998	1,421	1,153	1,190	1,088	964	628
Methadone maintenance clients	21	24	24	34	20	16	17	16	34	12
Intensive outpatient clients	163	223	245	217	197	179	147	133	155	117
Website visitors	114,065	198,017	254,655	111,751	146,411	143,170	117,917	131,381	13,297	14,356
Mental Health:										
Emergency/crisis intervention hours	7,974	8,771	9,658	3,633	3,589	4,197	141	6,649	3,436	11,677
Community residential days	27,135	29,487	30,543	30,942	48,463	29,211	27,805	28,066	27,801	27,404
Community employment hours	38,444	38,009	38,967	38,282	4,760	37,747	7,001	32,016	18,365	4,554
Service case management clients	4,185	3,026	1,825	3,580	3,924	3,193	2,618	2,932	3,387	3,231
Day treatment hours	5,083	4,804	5,066	4,942	2,214	4,197	4,704	3,013	366	347
Outpatient hours	3,730	3,708	3,486	3,572	6,744	4,395	3,042	5,677	1,727	1,201
Family based hours	795	825	1,081	1,035	1,556	3,542	166	-	-	-
Psychiatric rehab hours	35,569	34,413	35,047	29,424	27,406	33,743	2,808	118,770	23,345	20,129
Social rehab hours	28,338	29,183	29,393	25,622	44,950	28,099	31,960	96,113	24,475	21,195
Drop-in-Center hours	43,413	32,739	54,100	18,666	41,321	60,740	*	*	63,709	60,122
Host home days	359	184	123	-	-	-	-	-	-	-
Supported housing hours	6,789	6,635	6,857	8,122	17,085	9,147	9,209	38,424	9,221	9,190
Mental Retardation:										
Specialized support hours	14,907	17,034	14,284	10,314	9,704	1,168	6,458	6,828	3,167	2,944
Transportation trips	101,621	112,938	109,477	6,692	4,734	4,848	1,013	9,807	5,241	4,877
Employment hours	54,581	54,417	57,783	3,455	5,301	3,768	606	3,337	3,363	2,711
Residential services clients	372	382	394	237	610	22	24	32	33	32
Early intervention clients	1,092	1,137	1,127	2,314	2,470	1,189	2,419	1,250	1,201	1,234
Pre-Vocational hours	28,514	362,132	394,605	2,679	18,845	11,485	2,028	11,927	10,497	9,974
Respite clients	381	370	362	274	235	47	45	37	120	105
Home & community service hours	57,140	119,447	117,936	5,463	96,959	9,896	15,179	40,406	4,876	3,570
Family driven clients	96	122	110	162	58	8	2	-	132	194
Community habilitation hours	14,655	184,147	193,238	164,889	8,672	3,993	916	2,938	4,945	4,615

Note: \* Data not available.

\*\* 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.

Source: various county departments.

(Continued)

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

Table 16 (Cont.)

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Health Choices</b>										
Inpatient psychiatric:										
Members served	920	881	921	971	948	1,016	1,241	1,165	1,257	1,452
Days of service	10,914	13,013	12,372	12,433	12,784	15,904	16,824	17,473	21,556	23,163
Outpatient psychiatric:										
Members served	7,342	7,942	9,462	10,164	10,724	12,094	13,100	15,018	14,707	17,695
Units of service	99,492	168,441	183,870	218,594	178,870	240,775	252,287	263,741	286,814	307,581
Inpatient drug and alcohol:										
Members served	24	34	18	12	22	22	28	34	53	105
Days of service	154	230	180	103	117	236	325	270	453	949
Non-hospital drug and alcohol:										
Members served	545	683	880	664	763	786	790	1,327	940	2,004
Days of service	25,469	27,905	26,324	29,060	31,060	35,189	33,396	36,280	35,983	52,162
Outpatient drug and alcohol:										
Members served	1,180	1,283	1,747	1,760	1,874	2,041	2,140	2,253	2,386	3,698
Units of service	25,860	82,681	124,039	149,004	153,361	164,481	169,966	169,270	199,395	239,576
Behavioral health rehabilitation:										
Members served	1,530	1,863	2,136	2,276	2,484	2,671	2,735	5,651	2,426	5,552
Units of service	1,213,010	1,532,542	1,841,423	1,987,384	2,210,853	2,536,176	2,567,426	2,221,555	2,106,614	1,800,425
Residential treatment facility: JCAHO:										
Members served	117	121	156	137	110	121	121	122	98	108
Days of service	22,753	24,531	35,184	23,994	22,231	22,826	21,952	22,256	16,880	18,734
Non JCAHO:										
Members served	5	9	8	7	13	15	9	10	15	17
Days of service	1,046	1,014	690	1,744	2,662	2,417	2,270	2,493	3,333	3,765
Office of Aging:										
Case management clients	935	1,030	990	1,077	1,012	796	701	771	833	606
Protective services clients	617	735	888	898	983	1,268	1,237	1,360	1,690	1,594
Transportation clients	732	700	544	407	470	463	474	486	374	474
Meals provided	163,813	157,551	146,855	147,358	140,724	105,847	108,698	112,164	114,665	132,493
In-home services clients	561	612	540	581	534	647	511	635	555	497
Adult day care clients	130	76	61	69	44	47	50	69	55	96
PDA Waiver clients	162	161	184	235	236	265	296	319	350	381
Children and Youth:										
Children served	4,825	4,408	4,459	4,366	4,870	4,966	5,155	5,309	6,966	10,548
Placement days	173,186	164,437	175,903	185,369	190,217	173,999	156,618	162,789	177,027	183,822
Child abuse reports	797	845	809	1,001	881	1,218	1,192	1,191	1,744	2,391
Intake reports	996	1,206	1,291	1,221	1,300	1,057	1,348	1,233	1,967	2,830
<b>Business-type</b>										
911 Operations										
9-1-1 calls	217,895	***	***	***	***	***	***	***	***	***

Note: \* Data not available.

\*\* 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.

Source: various county departments.

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

Table 17

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function/Program:</b>										
<b>Governmental Activities</b>										
<b>General government</b>										
Motor vehicles	5	5	5	6	9	9	10	9	8	6
Office buildings	4	2	2	2	2	1	1	3	3	3
<b>Public safety</b>										
Motor vehicles	7	20	17	17	25	26	26	26	20	19
Office buildings	1	1	1	1	1	1	1	1	1	1
<b>Roads and bridges</b>										
County-owned bridges	64	64	64	64	64	64	64	64	64	63
Motor vehicles	9	9	8	8	12	13	12	12	8	5
<b>Health, education, and welfare</b>										
Motor vehicles	8	8	8	6	6	6	5	5	5	5
Office buildings	-	-	-	-	3	3	3	-	-	-
<b>Judicial</b>										
Motor vehicles	63	70	67	70	114	120	119	121	65	52
Office buildings	1	3	3	3	3	4	4	4	4	4
<b>Corrections</b>										
Motor vehicles	5	4	7	7	7	7	7	8	8	8
Office buildings	2	2	2	2	2	2	2	2	2	2
<b>Cultural and recreation</b>										
Number of parks	8	8	8	9	9	9	9	9	9	9
Park acreage	2,053	2,053	2,053	2,055	2,055	2,055	2,055	2,055	1,995	1,995
Pavilions	12	12	12	12	12	12	12	12	11	11
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Environmental/Educational Buildings	1	1	1	1	1	1	1	1	1	1
Motor vehicles	42	45	46	45	48	48	48	48	39	34
Office buildings	4	4	4	4	4	4	4	4	3	3
Storage buildings	7	8	8	8	8	8	8	8	5	5
Tenant Properties	4	5	5	5	5	5	5	5	5	5
<b>Community development</b>										
Easement acreage	36,478	39,044	40,399	42,032	43,428	45,359	47,211	48,573	50,133	51,914
<b>Business-type Activities</b>										
911 Operations (1)										
Motor vehicles	7	-	-	-	-	-	-	-	-	-

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

(1) 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, 2016

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Dennis P. Stuckey, Commissioner	\$ 99,183	\$ (1)
Joshua G. Parsons, Commissioner	98,183	(1)
Craig E. Lehman, Commissioner	98,183	(1)
Jacquelyn E. Pfursich, Clerk of Courts	85,459	(1)
Brian K. Hurter, Controller	85,459	(1)
Stephen Diamantoni, Coroner	85,459	(1)
Robert T. Still, Chief Clerk	105,000	(1)
Craig W. Stedman, District Attorney	175,572	(2)
Katherine E. Wood-Jacobs, Prothonotary	85,459	(1)
Bonnie L. Bowman, Recorder of Deeds	85,459	(1)
Anne L. Cooper, Register of Wills	87,459	(1)
Mark S. Reese, Sheriff	85,459	(1)
Amber L. Green, Treasurer	85,459	627,000
27 bonded tax collectors	\$0.75 per parcel collected	\$ 57,479,780 (3)

(1) Effective November 2011, Act 106 authorized counties to obtain crime insurance covering county officers, replacing prior requirements that certain individual officers of the County have separate bonds. The Travelers Crime policy meets the required bond limits for county officers; the full limit of \$2,000,000 is available for loss.

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

(3) The dollar value is stated at 75% of total county and municipal tax levied in 2014 for those districts with tax collectors and is updated annually. Bonds are valid for the tax collector's term, January 2014 - January 2018.



County of Lancaster, Pennsylvania  
 Schedule of Insurance In-Force  
 December 31, 2016

Table 19 (Cont.)

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %		Liability Limit
<b>SAFETY NATIONAL</b> Excess Workers Comp. & Employers Liability	SP4045478	01/01/16-01/01/17	\$ 66,753	Excess Workers Compensation Employers Liability (\$500,000 Cap Loss Limit)	\$ Statutory 1,000,000	Each Accident/Limit Each Employee Per Disease Each Accident/Limit Each Employee Per Disease
<b>Travelers Casualty and Surety Co of America</b>	105562115	02/01/16-02/01/17	\$ 8,872	Public Employees Blanket Bond, Deductible \$2,500	\$ 2,000,000	Per Loss Limit
<b>BROTEMARKLE (1)</b> Foster Parent Liability Ins.	FPL – 132	07/01/16-06/30/17	\$ 12,240	Personal Liability Insurance for foster parents	\$ 300,000	Per Person, Per Occurrence

(1) Contracted directly by Children and Youth Agency

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

**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.

