

# *County of Lancaster*

PENNSYLVANIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2008



COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

For the Year Ended December 31, 2008

PREPARED BY THE CONTROLLER'S OFFICE

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COVER PHOTOGRAPH  
The County's New Administration Building Frames Binn's Park  
Photo By: Walter L. Rogers



COUNTY OF LANCASTER, PENNSYLVANIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the year ended December 31, 2008

TABLE OF CONTENTS

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
GFOA Certificate of Achievement .....	7
Organizational Chart .....	8
List of Principal Officials.....	9
 <b>FINANCIAL SECTION</b>	
Report of Independent Auditors .....	11
Management's Discussion and Analysis .....	13
 <b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets.....	29
Statement of Activities.....	30
Balance Sheet – Governmental Funds .....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	33
Statement of Fiduciary Net Assets – Fiduciary Funds .....	34
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund .....	35
Notes to Financial Statements .....	37
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress - Other Post-Employment Healthcare Benefits .....	89
Schedule of Employer Contributions and Schedule of Funding Progress – Employee Retirement Plan .....	90
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – General Fund .....	91
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Children and Youth Services Fund.....	92
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Mental Health/Mental Retardation Fund .....	93
Notes to Required Supplementary Information .....	94



<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</b>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	97
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Domestic Relations Special Revenue Fund .....	98
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Employment and Training Special Revenue Fund.....	99
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Office of Aging Special Revenue Fund .....	100
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Drug and Alcohol Special Revenue Fund .....	101
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Liquid Fuels Special Revenue Fund.....	102
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	103

**STATISTICAL SECTION**

Net Assets by Component – Table 1.....	106
Changes in Net Assets – Table 2.....	107
Fund Balances of Governmental Funds – Table 3.....	108
Changes in Fund Balances of Governmental Funds – Table 4 .....	109
Assessed and Estimated Actual Value of Taxable Property – Table 5 .....	110
Property Tax Rates, Direct and Overlapping Governments – Table 6.....	111
Principal Property Taxpayers – Table 7.....	113
Property Tax Levies and Collections – Table 8 .....	114
Ratio of Outstanding Debt by Type – Table 9.....	115
Ratios of General and Lease Rental Debt Outstanding – Table 10.....	116
Direct and Overlapping Governmental Activities Debt – Table 11.....	117
Legal Debt Margin Information – Table 12.....	119
Demographic and Economic Statistics – Table 13.....	121
Principal Employers – Table 14 .....	122
Full-time County Government Employees by Function – Table 15.....	123
Operating Indicators by Function – Table 16.....	124
Capital Asset by Function – Table 17 .....	127
Salaries and Surety Bonds of Principal Officials – Table 18.....	128
Schedule of Insurance In-Force – Table 19.....	129





**Walter L. Rogers**  
Acting Controller









**Acting Controller**  
Walter L. Rogers

June 29, 2009

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, 2008, is hereby submitted.

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

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

In addition to meeting the requirements set forth in state statutes, this audit was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The single audit for 2008 will be completed during September 2009. Information related to this single audit, including the supplementary schedule of expenditures of federal awards, findings and recommendations, and independent auditors' reports on internal control and compliance with applicable laws and regulations, and major program requirements, will be included in a separately issued single audit report.



The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of the County's principal officials, the Certificate of Achievement for Excellence in Financial Reporting for the year ended December 31, 2007, and the County's organizational chart. The financial section includes Management's Discussion and Analysis, the basic financial statements, the required supplementary information and notes to the required supplementary information, and the combining and individual fund statements and schedules, as well as the report of independent auditors. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The County's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

## **Profile of the Government**

Home to approximately 502,370 people, Lancaster County is the third fastest growing county in Pennsylvania just behind Chester and York counties. Established in 1729, the county has been a third class county since 1962. It is located in south central Pennsylvania approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. Lancaster County occupies a land area of 946 square miles and consists of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships.

The County of Lancaster acts as an agent for 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. To assist the commissioners with their administrative duties, they appoint a County Administrator who is responsible for the preparation and monitoring of the annual County budget contract negotiations and a Deputy Administrator of Human Services who is responsible for all the County Human service agencies and service providers. They also appoint a Chief Clerk who keeps the books and accounts of the Board of County Commissioners, records and files their proceedings and papers, attests all orders and voucher checks issued by them, and performs all other duties pertaining to the office of Chief Clerk. Also 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.

The annual budget serves as the foundation for the County of Lancaster's financial planning and control. The County Commissioners must adopt an annual budget for the County by December 31 of each year for the subsequent year. The annual budget estimates revenues and expenditures for all governmental funds except the Community Development Block Grant and Agricultural Land Preservation special revenue funds, the debt service fund, and the capital projects funds. The debt service fund is controlled through a general obligation bond indenture provision. Project-length financial plans are adopted for all capital projects. The legal level of budgetary control is established by fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Supplemental appropriations, which alter the total expenditures of any fund, require resolution by the County Commissioners. Appropriations lapse at the end of each year and must be reappropriated.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of Lancaster operates.

**Local Economy.** Lancaster County's economic outlook is better than most of the rest of the Country. The County's diverse economy, which includes manufacturing, agriculture, and tourism, has helped shield the area from some of the effects of the ongoing recession. The close proximity to major metropolitan markets and the Ports of Baltimore, Philadelphia and Wilmington is fundamental to the County's ability to move products to market. More than half the buying power of the nation is within 500 miles of the County and access to these growing markets offers many possibilities. Hundreds of manufacturers in widely diverse fields are located in the County. Many have existed here for at least 50 years and some for more than 100 years. Lancaster County is the third largest industrial area in Pennsylvania, trailing only the metropolitan areas of Philadelphia and Pittsburgh. The County's unemployment rate of 5.3% remains consistently lower than both the state and national averages of 6.4% and 7.2%, respectively. These factors have helped Lancaster County's business and industrial communities remain vibrant as they adapt to an ever-changing market.

The County is home to many agri-businesses which provide the infrastructure necessary to support a prosperous agriculture. The area has the most productive non-irrigated farmland in the United States making it one of the top food producers in the nation. Lancaster County is home to just under 5,300 farms with total cash receipts of \$914 million. Agriculture is responsible for creating one in five jobs in the County and generates almost \$2,000 in sales per acre. For every dollar of agriculture-related products that leave Lancaster County's farms the economy is boosted by \$5.88; a value of more than \$4 billion per year. The County has a strong agricultural preservation effort in place to ensure that farm families have the opportunity to keep their rich and valuable farmland in production for generations to come. This effort has resulted in Lancaster County being first in the nation in number of acres of preserved farmland, with nearly 80,000 acres preserved on nearly 1,000 individual farms. Preservation in the County has been spearheaded by the Lancaster County Agricultural Preservation Board and the Lancaster Farmland Trust.

Lancaster County's lush and productive farmland and the culture it represents are top draws for a dynamic tourism industry which attracts an estimated seven million visitors and brings in approximately \$1.6 billion annually. Only a short drive from Philadelphia, Baltimore and Washington D.C., the County is an ideal destination for day trips, weekend escapes or extended vacations. With its relaxing atmosphere, peaceful scenery, and the variety of the many unique attractions and family activities it is no surprise that Lancaster County topped Yahoo Travel's 2007 top ten list of most-viewed travel Web page rankings. It also explains why many people return year after year to visit Lancaster County.

## **Major Initiatives**

### **For the Year**

- With assistance from consultant Yost, Strodoski and Mears (YSM), the Department of Parks and Recreation completed a joint master plan for Central and Buchmiller Parks. The Department was awarded a 50/50 grant from the Pennsylvania Department of Conservation and Natural Resources (PA-DCNR) for this project. The new master plan replaces its predecessor from 1972 and enables the Parks Department to better manage, develop and protect two of its most heavily used Parks. The plan includes recommendations for development, preservation and management of both facilities.
  
- On November 4, 2008, Lancaster County voters had the opportunity to vote on the home-rule charter proposed by the members of the Government Study Commission in a referendum included on the ballot. The voters overwhelmingly said "no" to home-rule. As a result, the County's form of government, which has remained relatively unchanged for the last 277 years, will remain the same. With the defeat of the home-rule referendum, state law stipulates that the issue cannot be reconsidered in Lancaster County for at least five years.
  
- The Lancaster County Planning Commission (LCPC) and a 120 member task force representing a diverse mix of stakeholders are working together to develop a first of its kind county economic development plan known as "Lancaster County: Our Economic Future-Strategies and Indicators". The goal of the task force is to encourage and advance a common economic agenda; provide a framework for understanding and tracking countywide, city, borough and township economic issues; and develop a comprehensive set of policies and strategies for economic growth and sustainability.

## **For the Future**

- As a result of the crime summit held in June of this year, a new Lancaster County Crime Prevention Task Force will be formed in the spring of 2009. Headed by an assistant district attorney, the 12 member panel will work to stem the tide of juvenile crime by finding proven programs that address the roots of crime, such as mental health and substance abuse problems. The panel will not create new programs but its members hope to find proven programs and compile them on a website that is accessible to schools and other community groups. There is a clear need for a comprehensive list of programs and services that address all aspects of crime and delinquency prevention for the County's youth.
  
- L. Robert Kimbel, Inc. and Carter Gobel Associates conducted a needs assessment and site evaluation of the current Lancaster County Prison. Information on three different options has been presented to the Prison Board and County Commissioners for their evaluation. These options include renovation and expansion of the existing prison, renovation and/or expansion of the existing prison combined with new construction on a selected site or construction of a new facility on a selected site and vacating the existing prison. The needs assessment was done due to prison overcrowding. The current prison is designed to hold 1,100 prisoners and it currently averages 1,200. If nothing changes, the County will need space for an additional 1,000 beds by the year 2025.

## **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, 2007. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report (CAFR), which conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

A handwritten signature in black ink, reading "Walter L. Rogers". The signature is written in a cursive style with a large, prominent initial "W".

Walter L. Rogers  
Acting Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Lancaster  
Pennsylvania

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

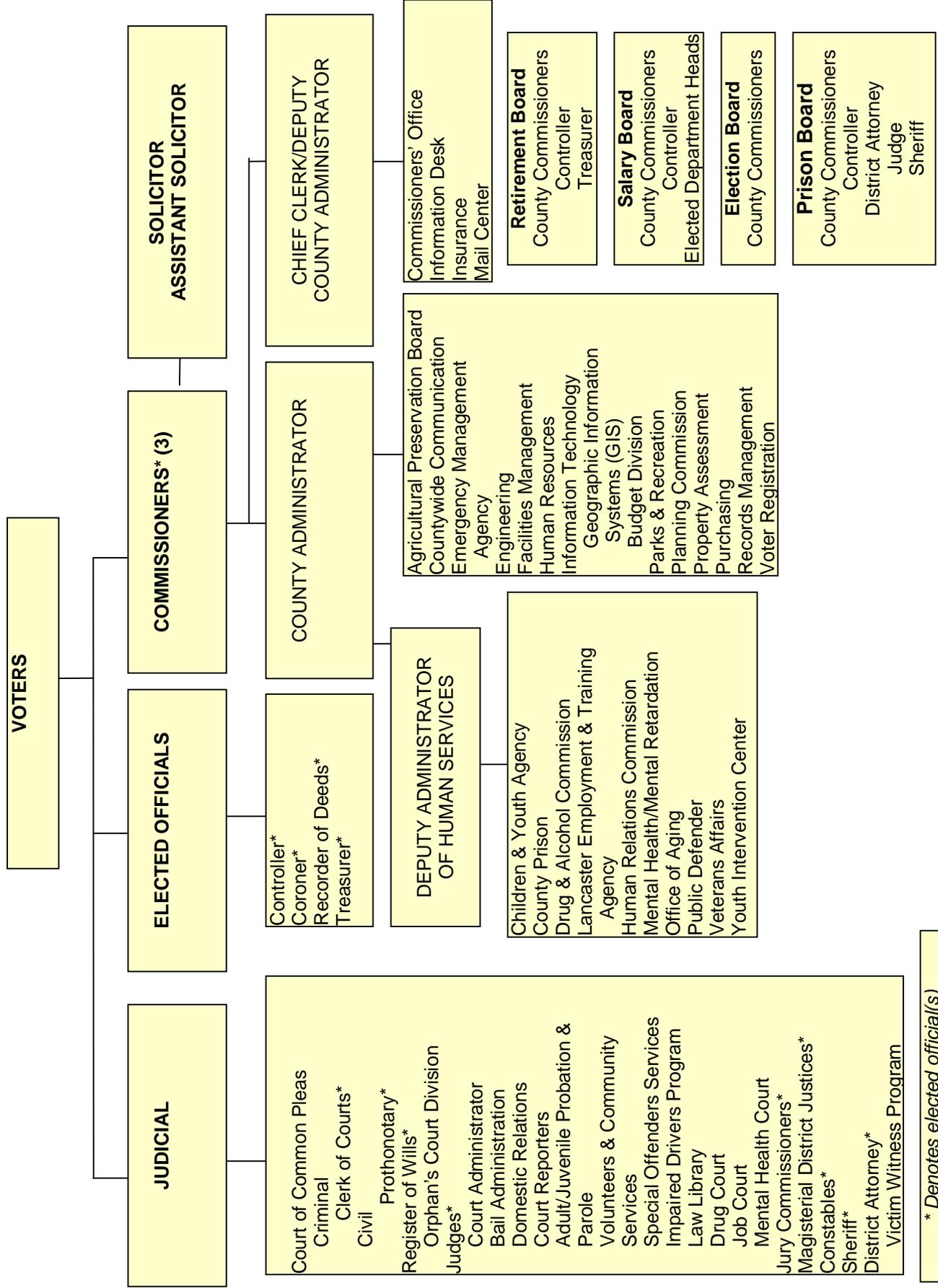
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

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



\* Denotes elected official(s)





**2008**  
**County of Lancaster**  
**Elected Officials**

**COMMISSIONERS**

Dennis P. Stuckey, Chairman  
Scott Martin, Vice Chairman  
Craig Lehman

**PROTHONOTARY**

Randall O. Wenger

**RECORDER OF DEEDS**

Stephen J. McDonald

**CLERK OF COURTS OF COMMON PLEAS**

Ryan P. Aument

**JUDGES OF COURT OF COMMON PLEAS**

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

**CONTROLLER**

Walter L. Rogers, Acting Controller

**TREASURER**

Craig Ebersole

**REGISTER OF WILLS**

Mary Ann Gerber

**JURY COMMISSIONERS**

Judith Saylor  
Diane Collier

**DISTRICT ATTORNEY**

Craig W. Stedman

**SHERIFF**

Terry Bergman

**CORONER**

Steve Diamantoni, MD

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## Report of Independent Auditors

County Commissioners  
County of Lancaster

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. We were not engaged to perform an audit of the County's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with US generally accepted accounting principles.

As discussed in Note 17, the County adopted Government Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, the required supplementary schedules of employer contributions and funding progress for the County of Lancaster, Pennsylvania, Employee Retirement Plan, schedule of funding progress for other postemployment healthcare benefits, and the required supplementary schedules of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis for the General Fund, Children and Youth Services Fund, and Mental Health/Mental Retardation Fund listed in the Table of Contents on pages 13 through 27 and 89 through 94 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

*Ernst & Young LLP*

June 29, 2009

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

This section of the County of Lancaster's (County) comprehensive annual financial report presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2008. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2008.

## FINANCIAL HIGHLIGHTS

- ◆ The County's 2008 real estate property tax rate was 3.416 mills, an increase of 7.1%.
- ◆ Effective January 1, 2008, activities and balances once associated with the 911 Operations Fund are now being included in the General Fund and governmental activities on the modified accrual and full accrual basis of accounting, respectively.
- ◆ As of December 31, 2008, Lancaster County had \$59.2 million invested in capital assets, net of related debt pertaining to easements.
- ◆ The County's governmental activities net assets decreased \$3.2 million in 2008, or 63.5%.
- ◆ The County's governmental activities unrestricted net assets were \$(3.0) million at December 31, 2008 compared to \$1.4 million at December 31, 2007.
- ◆ The County's bond rating is Aa3.
- ◆ At December 31, 2008, the County had \$231.6 million of general obligation debt outstanding. This represents an increase of \$0.4 million, or 0.2%, from the previous year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

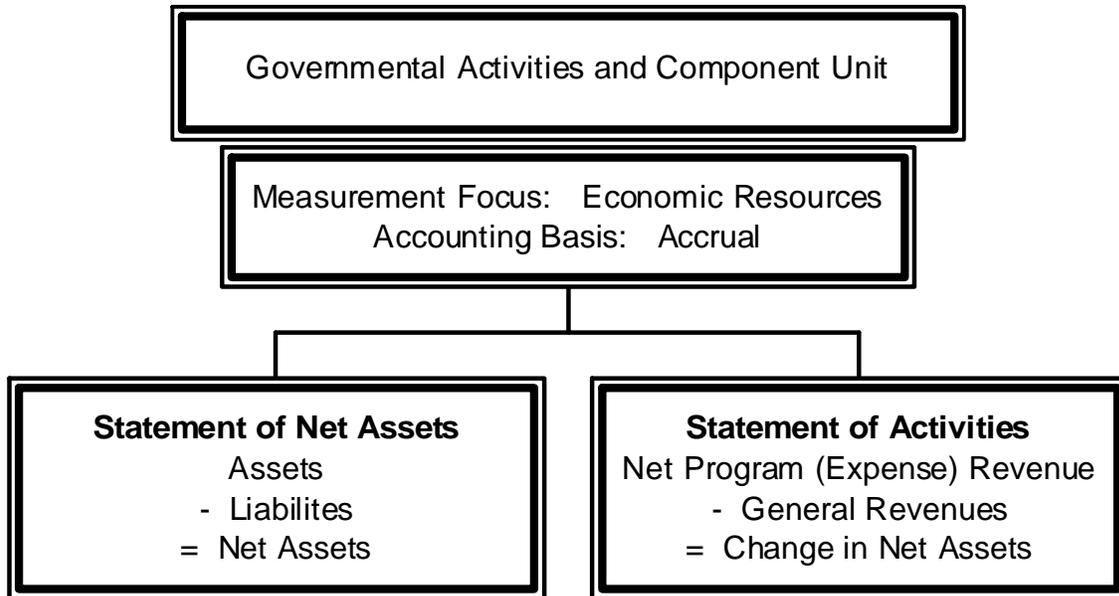
The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding employee pension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

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

### Government-wide Financial Statements



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

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

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

## **FUND FINANCIAL STATEMENTS**

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

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

## Fund Financial Statements

Governmental Funds  
Measurement Focus: Current  
Resources  
Accounting Basis: Modified  
Accrual

Fiduciary Funds  
Measurement Focus:  
Economic Resources  
Accounting Basis: Accrual

Balance Sheet  
Assets  
= Liabilities + Fund Balance

Statement of Net Assets  
Assets - Liabilities  
= Net Assets

Statement of Revenues  
Expenditures and  
Changes  
in Fund Balance  
  
Revenues – Expenditures  
+ (-) Other Financing  
Sources (Uses)  
= Net Change in  
Fund Balance

Statement of Changes  
in Net Assets  
  
Additions – Deletions  
= Changes in Net Assets

The County has two types of funds:

- ◆ *Governmental funds* – Most of the County’s basic services are included in governmental funds, which focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and; (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the County’s programs. The County maintains the following major governmental funds: the General Fund, Mental Health/Mental Retardation special revenue fund, Children and Youth Services special revenue fund and the Capital Projects Fund. The County also maintains seven non-major special revenue funds and the Debt Service Fund that are combined into a single aggregated presentation. Because this information does not encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between the fund and government-wide financial statements.
  
- ◆ *Fiduciary funds* – The County is the trustee, or fiduciary, for its employees’ pension plan. In addition, the County is also responsible for an agency fund, which represents clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in the fund are used for their intended purpose. All of the County’s fiduciary asset and liability balances are reported in the statement of fiduciary net assets. A statement of changes in fiduciary net assets is also presented. All fiduciary activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.

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

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

Effective with the 2008 reporting year, the County no longer reports an enterprise fund. See Note 1 to the financial statements for further details.

## NET ASSETS:

The County's net assets as of December 31, 2008 and 2007 are presented below:

Table A-1				
<b>County Net Assets as of December 31, 2008</b>				
(amounts in millions)				

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Capital assets, net	\$ 208.4	\$ 192.2	\$ -	\$ 1.0
Other assets	78.2	93.4	-	0.4
<b>Total assets</b>	<b>286.6</b>	<b>285.6</b>	<b>-</b>	<b>1.4</b>
Other liabilities	26.6	29.0	-	0.3
Long-term liabilities	258.3	251.7	-	0.7
<b>Total liabilities</b>	<b>284.9</b>	<b>280.7</b>	<b>-</b>	<b>1.0</b>
Net assets:				
Invested in capital assets, net of related debt	(5.4)	(7.0)	-	1.0
Restricted	10.1	10.5	-	-
Unrestricted	(3.0)	1.4	-	(0.6)
<b>Total net assets</b>	<b>\$ 1.7</b>	<b>\$ 4.9</b>	<b>\$ -</b>	<b>\$ 0.4</b>

Net assets of the County's governmental activities decreased by 65.3% to \$1.7 million. This decrease was due to the fact that the County contributed to other post employment benefits (OPEB). Of this amount, \$(5.4) million represents the balance of capital related debt in excess of net capital assets, while \$10.1 million is restricted for various purposes. The County has an unrestricted net assets balance of \$(3.0) million as of the end of the year.

Lancaster County's total assets stand at \$286.6 million as of December 31, 2008. Of this amount, \$208.4 million is accounted for by capital assets, which includes some infrastructure.

The following table presents the County's changes in net assets for the fiscal year ended December 31, 2008 and 2007:

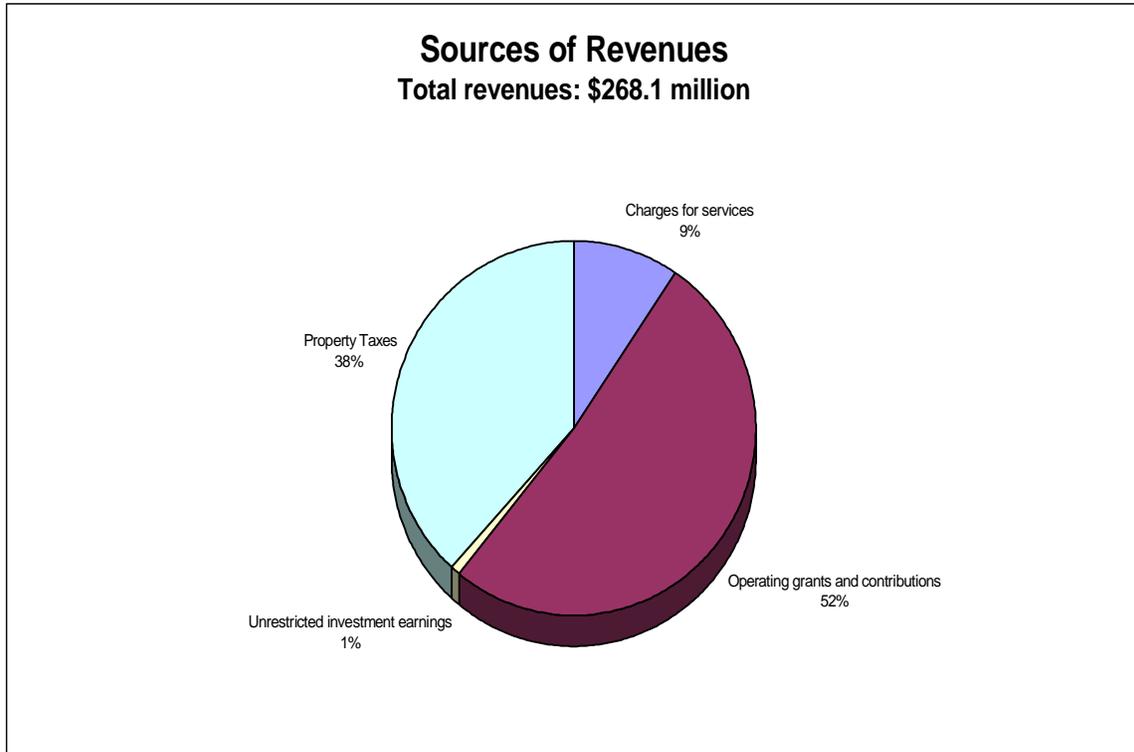
Table A-2 County's Changes in Net Assets as of December 31, 2008 (amounts in millions)				
	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 25.4	\$ 10.2	\$ -	\$ 1.5
Operating grants and Contributions	138.0	124.1	-	-
<b>General revenues:</b>				
Property taxes	102.5	94.7	-	-
Departmental revenues	-	14.5	-	-
Unrestricted investment Earnings	2.2	5.5	-	0.3
<b>Total revenues</b>	<b>268.1</b>	<b>249.0</b>	<b>-</b>	<b>1.8</b>
<b>Expenses:</b>				
General government	56.9	68.6	-	-
Public safety	10.3	2.5	-	-
Roads and bridges	0.4	0.5	-	-
Health, education, and welfare	117.4	113.4	-	-
Judicial	43.6	41.2	-	-
Corrections	23.6	20.5	-	-
Cultural and recreation	3.3	3.0	-	-
Community development	6.8	4.4	-	-
Interest on long-term debt	9.4	9.2	-	-
911 operations	-	-	-	8.7
<b>Total expenses</b>	<b>271.7</b>	<b>263.3</b>	<b>-</b>	<b>8.7</b>
(Decrease) increase in net assets				
before transfers	(3.6)	(14.3)	-	(6.9)
Transfers	-	(1.5)	-	1.5
<b>Change in Net Assets</b>	<b>(3.6)</b>	<b>(15.8)</b>	<b>-</b>	<b>(5.4)</b>
<b>Net assets – beginning</b>	<b>5.3</b>	<b>20.7</b>	<b>-</b>	<b>5.8</b>
<b>Net assets – ending</b>	<b>\$ 1.7</b>	<b>\$ 4.9</b>	<b>\$ -</b>	<b>\$ 0.4</b>

The 2008 governmental activities net assets beginning balance reflects the inclusion of 911 activities previously reported as a business-type activity.

The decrease of \$3.6 million in the governmental activities net assets was the result of the fact that the County contributed to other post employment benefits (OPEB).

**GOVERNMENTAL ACTIVITIES:**

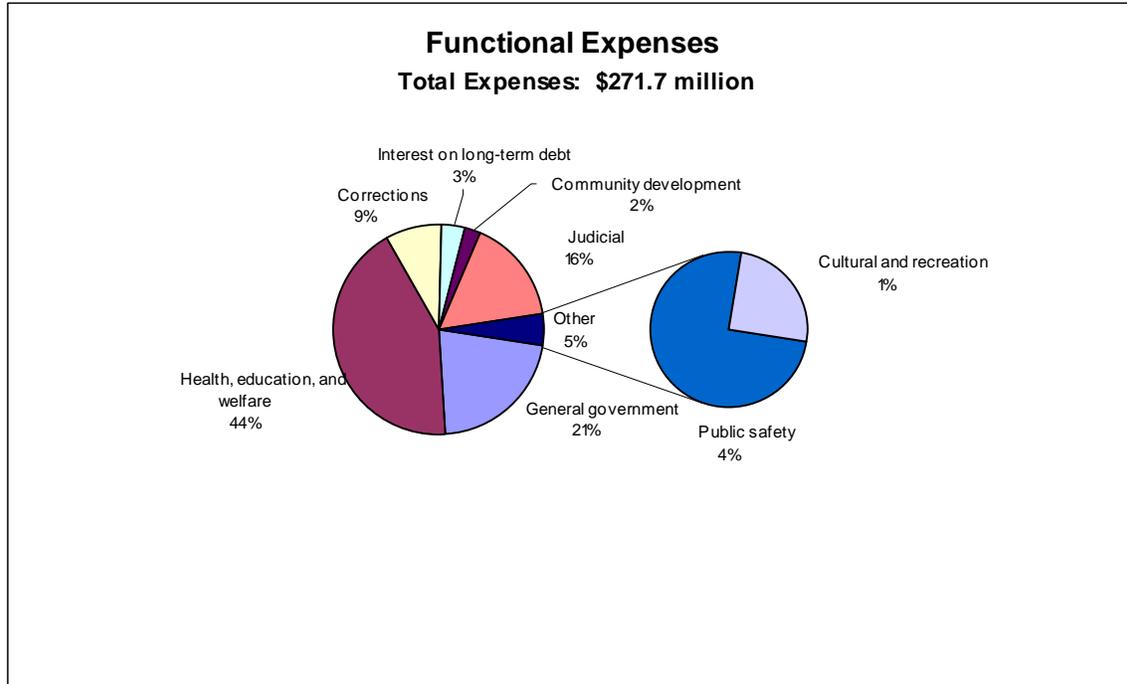
The following chart graphically depicts the sources of revenues for the fiscal year ended December 31, 2008:



Total government-wide revenues of \$268.1 million were derived primarily from operating grants and contributions, representing 52% of the total. Property taxes made up the second largest source of revenue at 38%, followed by charges for services at 9%, and unrestricted investment earnings at 1%.

## GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the fiscal year ended December 31, 2008:



Total expenses for all programs in 2008 were \$271.7 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 44%. The second largest program area was general government at 21%, followed by judicial at 16%, corrections at 9%, other (cultural and recreation and public safety) at 5%, interest on long term debt at 3%, and community development at 2%.

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

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

### **GOVERNMENTAL FUNDS:**

The General Fund, the Children and Youth Services special revenue fund, the Mental Health/Mental Retardation special revenue fund and the Capital Projects Fund make up the County's major governmental funds. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

At December 31, 2008, the General Fund reported a fund balance of \$17.7 million, which was a \$3.4 million or 16.1% decrease over the previous year's balance of \$21.1 million. Revenues increased from \$123.4 million to \$134.8 million, an \$11.4 million or 9.2% increase. Property taxes increased by \$7.5 million as a result of an increase in the millage rate and normal growth in the County's tax base. Expenditures increased from \$107.7 million to \$125.2 million as reported, which was a \$17.5 million or 16.2% increase.

The fund balance in the Children and Youth Services special revenue fund decreased to \$0.7 million at December 31, 2008, from \$1.6 million, a \$0.9 million or 56.3% decrease. Revenues remained unchanged from 2007 at \$31.9 million. Expenditures increased from \$41.6 million to \$42.2 million, an increase of \$0.6 million or 1.4%. The increase in expenditures was the result of normal program growth.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund increased to \$68.2 million from \$62.4 million, an increase of \$5.8 million or 9.3%. Expenditures increased from \$63.7 million to \$69.2 million, a \$5.5 million or 8.6% increase. The increases were the result of normal increases in DPW appropriations.

The fund balance in the Capital Projects Fund at December 31, 2008, was \$12.9 million, down from \$24.6 million the previous year. This represents a decrease of \$11.7 million or 47.6%. Revenues decreased to \$0.7 million from \$2.4 million the previous year, a decrease of \$1.7 million or 70.8%. Expenditures decreased to \$21.2 million, a decrease of \$14.4 million or 40.4% from the amount spent in the previous year of \$35.6 million. The decrease in the fund balance is the result of continued building renovations at 150 North Queen Street.

## **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 \$143.3 million to \$144.1 million, an increase of \$0.8 million or 0.6%. Actual revenues received totaled \$135.0 million or 93.6% of the final budget. Intergovernmental revenues fell \$4.8 million short of the final budgeted amounts as a result of anticipated grants not being received. This amount was also reflected in decreased grant expenditures.

The County's original operating expenditure budget, excluding transfers, increased from \$143.1 million to \$143.9 million, an increase of \$0.8 million or 0.6%. Actual expenditures were \$128.4 million or 89.2% of the final budget due to cost saving measures implemented in 2008.

Differences between the original General Fund budget and the final amended budget were primarily the result of increasing the budget due to an increase in appropriations based on supplemental funding sources.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS:

The County's investment in capital assets at December 31, 2008, net of accumulated depreciation, amounted to \$208.4 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, assets under capital lease, construction in progress, infrastructure and easements. The following is a summary of capital assets at December 31, 2008 and 2007:

#### Summary of Capital Assets

	Governmental		Business-Type		Balance at December 31, 2008	Balance at December 31, 2007
	Activities		Activities			
	2008	2007	2008	2007		
Land and land improvements	\$ 7,053,521	\$ 6,979,648	\$ -	\$ 7,642	\$ 7,053,521	\$ 6,987,290
Buildings and improvements	151,264,308	141,676,717	-	263,513	151,264,308	141,940,230
Furniture and Equipment	34,310,259	26,393,499	-	2,638,633	34,310,259	29,032,132
Assets under Capital lease	-	1,371,165	-	-	-	1,371,165
Infrastructure	8,052,084	6,759,011	-	-	8,052,084	6,759,011
Easements	80,642,184	73,292,872	-	-	80,642,184	73,292,872
Less accumulated Deprec/Amort	<u>(72,944,779)</u>	<u>(64,315,362)</u>	<u>-</u>	<u>(1,915,413)</u>	<u>(72,944,779)</u>	<u>(66,230,775)</u>
Total	<u>\$208,377,577</u>	<u>\$192,157,550</u>	<u>\$ -</u>	<u>\$ 994,375</u>	<u>\$ 208,377,577</u>	<u>\$ 193,151,925</u>

Total capital assets increased from \$193.2 million to \$208.4 million, an overall increase of \$15.2 million or 7.9%. Significant elements of this increase include \$9.3 million in building and improvements and \$5.3 million in furniture and equipment attributed to continuing renovations to the County owned building at 150 North Queen Street.

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, 2008, the County had \$231.6 million of general obligation bonds and notes outstanding. This was an increase of \$0.4 million, or 0.2%, from the previous year. The following details activity related to general obligation bonds and notes during 2008:

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

Beginning balance at 1/1/2008	\$ 231,171,253
Accretion adjustment	960,836
Debt issued	8,800,000
Less principal refunded	-
Less principal payments	<u>(9,340,300)</u>
Ending balance at 12/31/2008	<u>\$ 231,591,789</u>

**BOND RATING:**

The County's general obligation bond Series of 2008 has been rated Aa3 by Moody's Investors Service.

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

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

The key economic factors affecting the County include the following:

- The County's population grew by 3,905 or 0.8% during 2008. The population has consistently grown within this range over the past decade and the vast majority of the County's residents succeed in finding employment.
- The County's unemployment rate stands at 5.3%, which is a 56% increase over the previous year's rate of 3.4%. This rate compares favorably with the State's rate of 6.4% and the national rate of 7.2%.

These factors were considered in preparing the County's 2009 budget. Amounts available for appropriation in the General Fund budget are \$138.4 million, a decrease of 4.0% over the final 2008 budget of \$144.1. Fees and fines were budgeted to decrease by \$6.3 million as the result of a large one time payment for wireless phone fees in 2008.

Budgeted operating expenditures, excluding transfers, have increased 0.3% to \$144.3 million. The largest increments are increased wages and an increase in the County's debt service.

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

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

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

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## **BASIC FINANCIAL STATEMENTS**



County of Lancaster, Pennsylvania

Statement of Net Assets

December 31, 2008

	Primary Government	Component Unit
		Lancaster County Convention Center
	Governmental Activities	Authority as of March 31, 2008
<b>ASSETS</b>		
Cash and temporary investments:		
Operating	\$ 45,172,579	\$ 671,823
Other	1,334,378	-
Investments	546,773	37,566,554
Receivables:		
Room rental tax	-	404,629
Taxes, net of allowance for uncollectibles of \$88,912	2,874,812	-
Fines and costs, net of allowance for uncollectibles of \$20,525,143	8,796,491	-
Accounts	625,358	1,208,755
Due from other governments	14,961,562	7,697,199
Advances to providers and other governments	480,977	-
Other	107,541	154,138
Deferred charges:		
Issuance costs, net of accumulated amortization of \$908,368 and \$57,552, respectively	2,332,978	1,159,275
Prepaid expenses	-	41,256
Restricted cash	971,282	535,584
Capital assets not being depreciated/amortized:		
Land and improvements	7,053,521	1,579,621
Construction in progress	-	29,430,592
Capital assets being depreciated/amortized:		
Buildings and improvements	151,264,308	-
Furniture and equipment	34,310,259	26,906
Infrastructure	8,052,084	-
Easements	80,642,184	-
Less accumulated depreciation/amortization	(72,944,779)	(9,907)
Total capital assets, net	<u>208,377,577</u>	<u>31,027,212</u>
Total assets	<u>286,582,308</u>	<u>80,466,425</u>
<b>LIABILITIES</b>		
Accounts payable	9,263,093	4,347,684
Contracts payable	3,314,779	-
Retainage payable	2,722,040	-
Accrued interest payable	1,082,236	228,686
Unearned income	6,546,955	-
Payroll related accruals	3,287,082	2,266
Other liabilities	380,000	-
Long-term liabilities:		
Due within one year	10,432,041	330,000
Due in more than one year	247,873,146	63,590,000
Total liabilities	<u>284,901,372</u>	<u>68,498,636</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	(5,428,758)	11,197,019
Restricted for:		
Federal and state grant programs	9,461,818	-
Community development	646,548	-
Unrestricted (deficit)	(2,998,672)	770,770
Total net assets	<u>\$ 1,680,936</u>	<u>\$ 11,967,789</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, 2008

	Net (Expense) Revenue and Changes in Net Assets			Component Unit - Lancaster County Convention Center Authority
	Primary Government Center Authority			
	Expenses	Program Revenues	Governmental Activities	
	Charges for Services	Operating Grants and Contributions		
<b><u>Functions/Programs</u></b>				
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 56,939,439	\$ 9,423,946	\$ 4,054,521	\$ (43,460,972)
Public safety	10,277,194	3,307,766	182,036	(6,787,392)
Roads and bridges	446,693	15,630	1,220,200	789,137
Health, education, and welfare:				
Drug and alcohol	3,780,201	84,509	3,814,332	118,640
Employment and training	6,010,380	4,054	6,291,745	285,419
Mental health/mental retardation	67,504,605	1,092,135	66,809,548	397,078
Office of aging	7,309,460	114,724	7,669,513	474,777
Children and Youth	32,329,441	2,044,961	29,884,281	(400,199)
Other	429,908	-	863,138	433,230
Judicial	43,561,664	8,902,090	10,076,920	(24,582,654)
Corrections	23,554,777	162,781	37,905	(23,354,091)
Cultural and recreation	3,298,512	292,330	299,427	(2,706,755)
Community development	6,771,491	-	6,771,491	-
Interest on long-term debt	9,444,280	-	-	(9,444,280)
Total governmental activities	271,658,045	25,444,926	137,975,057	(108,238,062)
<b>Component unit:</b>				
Convention Center	\$ 4,040,190	\$ -	\$ -	(4,040,190)
Total component unit	\$ 4,040,190	\$ -	\$ -	(4,040,190)
General Revenues:				
Property taxes			102,490,521	-
Unrestricted investment earnings			2,172,613	2,456,083
Room rental tax			-	3,783,536
Grant Revenues			-	7,695,731
Gain on sale of capital assets			-	410,924
Total general revenues			104,663,134	14,346,274
Change in net assets			(3,574,928)	10,306,084
Net assets - beginning			5,255,864	1,661,705
Net assets - ending			\$ 1,680,936	\$ 1,967,789

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

County of Lancaster, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2008

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and temporary investments:						
Operating	\$8,903,881	\$ -	\$10,088,074	\$16,277,693	\$9,902,931	\$45,172,579
Other	971,282	6,746	421,010	344,874	561,748	2,305,660
Investments	796	-	-	-	545,977	546,773
Receivables:						
Taxes	2,963,724	-	-	-	-	2,963,724
Less allowance for uncollectible taxes	(88,912)	-	-	-	-	(88,912)
Fines and costs	29,321,634	-	-	-	-	29,321,634
Less allowance for uncollectible fines and costs	(20,525,143)	-	-	-	-	(20,525,143)
Accounts	625,358	-	-	-	-	625,358
Due from other funds	6,817,533	-	-	-	-	6,817,533
Due from other governments	2,890,097	8,569,605	-	-	3,501,860	14,961,562
Advances to providers	-	-	475,835	-	5,142	480,977
Other	-	758	-	-	106,783	107,541
<b>Total assets</b>	<b>\$ 31,880,250</b>	<b>\$ 8,577,109</b>	<b>\$ 10,984,919</b>	<b>\$ 16,622,567</b>	<b>\$ 14,624,441</b>	<b>\$ 82,689,286</b>

**LIABILITIES AND FUND BALANCES**

Liabilities:						
Accounts payable	\$ 1,197,129	\$ 2,161,325	\$ 4,720,251	\$ -	\$ 1,184,388	\$ 9,263,093
Contracts payable	-	-	-	1,070,874	2,243,905	3,314,779
Retainage payable	-	-	-	2,646,086	75,954	2,722,040
Due to other funds	-	5,391,571	-	-	1,425,962	6,817,533
Deferred revenue - taxes, fines and costs receivable	10,251,481	-	-	-	-	10,251,481
Unearned revenue	259,853	-	6,005,194	-	281,908	6,546,955
Payroll related accruals	2,432,889	316,582	259,474	-	278,137	3,287,082
Other liabilities	-	-	-	-	380,000	380,000
<b>Total liabilities</b>	<b>14,141,352</b>	<b>7,869,478</b>	<b>10,984,919</b>	<b>3,716,960</b>	<b>5,870,254</b>	<b>42,582,963</b>

Fund balances:

Unreserved:						
Designated for programmatic expenditures in special revenue funds	-	707,631	-	-	8,754,187	9,461,818
Designated for postemployment benefits	7,700,000	-	-	-	-	7,700,000
Undesignated	10,038,898	-	-	12,905,607	-	22,944,505
<b>Total fund balances</b>	<b>17,738,898</b>	<b>707,631</b>	<b>-</b>	<b>12,905,607</b>	<b>8,754,187</b>	<b>40,106,323</b>
<b>Total liabilities and fund balances</b>	<b>\$ 31,880,250</b>	<b>\$ 8,577,109</b>	<b>\$ 10,984,919</b>	<b>\$ 16,622,567</b>	<b>\$ 14,624,441</b>	<b>\$ 82,689,286</b>

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds.	208,377,577
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,251,481
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.	(257,054,445)
<b>Total net assets of governmental activities</b>	<b>\$1,680,936</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, 2008

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real estate taxes	\$101,960,944	\$ -	\$ -	\$ -	\$ -	\$101,960,944
Intergovernmental	8,454,110	29,884,281	66,809,548	-	29,685,895	134,833,834
Departmental	19,695,318	2,044,961	96,683	-	119,976	21,956,938
Fines and costs	2,877,665	-	-	-	-	2,877,665
Interest	1,062,335	365	328,575	576,430	204,908	2,172,613
Other	731,459	-	3,491	74,990	168,604	978,544
Health Choices revenues	-	-	991,961	-	-	991,961
Total revenues	134,781,831	31,929,607	68,230,258	651,420	30,179,383	265,772,499
<b>EXPENDITURES</b>						
Current:						
General government	29,131,190	-	-	3,686,507	-	32,817,697
Public safety	10,606,865	-	-	-	-	10,606,865
Roads and bridges	-	-	-	-	285,188	285,188
Health, education, and welfare:						
Drug and alcohol	-	-	-	-	4,209,287	4,209,287
Employment and training	-	-	-	-	6,072,669	6,072,669
Mental health/mental retardation	-	-	68,801,623	-	-	68,801,623
Office of aging	-	-	-	-	8,627,476	8,627,476
Children and youth	-	42,184,989	-	-	-	42,184,989
Other	391,230	-	-	-	-	391,230
Judicial	39,920,125	-	-	-	5,316,053	45,236,178
Corrections	22,169,692	-	-	-	-	22,169,692
Cultural and recreation	3,076,031	-	-	-	-	3,076,031
Community development	-	-	-	-	6,771,491	6,771,491
Capital outlay	1,044,682	15,905	379,374	17,342,427	1,011,473	19,793,861
Debt Service:						
Principal retirement	9,340,300	-	-	-	-	9,340,300
Interest and fiscal charges	9,488,089	-	-	-	-	9,488,089
Bond issuance costs	-	-	-	146,729	-	146,729
Total expenditures	125,188,204	42,200,894	69,180,997	21,175,663	32,283,637	290,019,395
Excess (deficiency) of revenues over (under) expenditures	9,613,627	(10,271,287)	(950,739)	(20,524,243)	(2,114,254)	(24,246,896)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	9,365,270	950,739	-	2,658,516	12,974,525
Transfers out	(12,974,525)	-	-	-	-	(12,974,525)
Face amount of bonds issued	-	-	-	8,800,000	-	8,800,000
Total other financing (uses) sources	(12,974,525)	9,365,270	950,739	8,800,000	2,658,516	8,800,000
Net change in fund balances	(3,360,898)	(906,017)	-	(11,724,243)	544,262	(15,446,896)
Fund balances, January 1	21,099,796	1,613,648	-	24,629,850	8,209,925	55,553,219
Fund balances, December 31	\$17,738,898	\$707,631	\$ -	\$12,905,607	\$8,754,187	\$40,106,323

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, 2008

Net change in fund balances - total governmental funds (page 32)	\$ (15,446,896)
The change in net assets reported for <i>governmental activities</i> in the statement of activities is different because:	
Governmental funds report capital outlays (including easements) as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.	15,225,652
Revenues that provide current financial resources in the governmental funds are unearned in the statement of activities.	2,762,461
The issuance of long-term debt (i.e., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assts.	(420,536)
Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	146,729
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(5,842,338)</u>
Change in net assets of governmental activities (page 30)	<u><u>\$(3,574,928)</u></u>

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

County of Lancaster, Pennsylvania

Statement of Fiduciary Net Assets - Fiduciary Funds

December 31, 2008

	Pension Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and temporary investments-operating	\$ 5,297,067	\$ 8,901,363
Accounts receivable	837,925	-
	<u>6,134,992</u>	<u>8,901,363</u>
Investments, at fair value:		
U.S. Government securities	14,113,653	-
U.S. Government agency-mortgage backed securities	17,172,605	-
Domestic corporate bonds	18,775,832	-
Collateralized mortgage obligations	1,390,697	-
Domestic common stock	57,434,542	-
International equity fund	14,113,718	-
Total investments	<u>123,001,047</u>	<u>-</u>
Total assets	129,136,039	8,901,363
<b>LIABILITIES</b>		
Deposits and advances	-	1,526,849
Escrow liability	-	3,038,611
Other liabilities	-	712,144
Due to other governments	-	3,623,759
Total liabilities	<u>-</u>	<u>8,901,363</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 129,136,039</u>	<u>\$ -</u>

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

County of Lancaster, Pennsylvania

Statement of Changes in Fiduciary Net Assets - Pension Trust Fund

For the Year Ended December 31, 2008

**ADDITIONS**

Contributions:

Employer	\$ 4,127,771
Plan members	4,393,000
Total contributions	<u>8,520,771</u>

Investment income:

Net depreciation in fair value of investments	(47,773,810)
Interest and dividends	4,488,936
Less investment expenses	<u>(632,811)</u>
Net investment income	<u>(43,917,685)</u>
Total additions	<u>(35,396,914)</u>

**DEDUCTIONS**

Benefits paid to plan members and beneficiaries	8,260,950
Refunds of contributions paid to plan members and beneficiaries	721,727
Administrative expenses	<u>54,472</u>
Total deductions	<u>9,037,149</u>
Change in net assets	(44,434,063)

Net assets held in trust for pension benefits, January 1	<u>173,570,102</u>
Net assets held in trust for pension benefits, December 31	<u>\$ 129,136,039</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, 2008

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

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

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

#### A. Reporting Entity (continued)

##### *Component Unit*

The Lancaster County Convention Center Authority (the Convention Center Authority) was formed on September 15, 1999 under the Municipal Authority Act of 1945 and the Third Class County Convention Center Authority Act. The purpose of the Convention Center Authority is to provide financing and arrange for the development, construction, and operation of the convention center facility for the public purpose of promoting, attracting, stimulating, developing, and expanding business, industry, commerce, and tourism in the Commonwealth.

The Convention Center Authority is a discretely presented component unit of the County. The County is financially accountable for the Convention Center Authority because the Convention Center Authority is fiscally dependent on the County, based upon the criteria of GASB Statements No. 14 and No. 39. The County has established a hotel room rental tax, applied to all hotel room rentals throughout the County. The revenues derived from this hotel room rental tax provide substantially all operating revenues of the Convention Center Authority.

Complete financial statements of this component unit can be requested from the County Controller's Office of Lancaster County, 150 North Queen Street, Suite 710, Lancaster, Pennsylvania 17603.

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

#### A. Reporting Entity (continued)

##### *Jointly Governed Organization*

Capital Area Behavioral Health Collaborative, Inc is a private, not-for-profit company formed out of the collaboration among Cumberland, Dauphin, Lancaster, Lebanon and Perry Counties' programs of Mental Health and Drug and Alcohol. The Capital Area Behavioral Health Collaborative, Inc.'s mission is to ensure access to and delivery of quality mental health and substance abuse services that reflect the needs of eligible residents throughout the five-county area. The County's Board of Commissioners is responsible for appointing two of the ten board members of this organization, but the County's accountability for this organization does not extend beyond making the appointments.

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

The basic financial statements include both government-wide financial statements, which are based on the County as a whole, and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), the new reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements).

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

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The focus of the government-wide financial statements is more on sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the fiscal period. As a general rule, the effect of interfund activity has been eliminated from these statements. The County's policy is to eliminate internal activity by distinguishing overhead costs, which are eliminated during consolidation from interfund services provided and used, which are not eliminated. The County does not allocate indirect costs on the statement of activities. Governmental activities 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 assets, the governmental activities column is presented on a consolidated basis and is presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets as well as long-term debt and obligations. Interfund balances between governmental funds are not included in the government-wide statement of net assets.

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

With respect to the government-wide financial statements, the County has elected to apply only Financial Accounting Standards Board Statements issued prior to November 30, 1989 that do not conflict with GASB Statements.

##### *Fund Financial Statements*

The financial transactions of the County are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund financial statements are very similar to the financial statements presented in the 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. The availability period for all significant revenue sources in governmental funds is 60 days.

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized as fund liabilities when due. As the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements.

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

# 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)*

Effective January 1, 2008, activities and balances associated with what was previously reported as the 911 Operations Fund, an enterprise fund and the County's only former business-type activity, are now included in the General Fund and governmental activities. Such activities and balances did not meet the criteria that would otherwise require enterprise fund and business-type reporting. This change in the reporting entity increased General Fund fund balance and governmental activities net assets by an insignificant amount as of January 1, 2008, which was offset by an equal reduction to eliminate 911 Fund net assets and business-type activities net assets, resulting in no net effect to the net assets of the primary government.

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

The following major funds are used by the County:

##### *Governmental Funds:*

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

*Governmental Funds (continued)*

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

*Other Funds:*

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

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

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

*Basis of Accounting*

The Convention Center Authority utilizes the accrual basis of accounting.

*Cash and Cash Equivalents*

The Convention Center Authority considers all highly liquid debt instruments with maturities less than three months to be cash equivalents.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

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

##### *Hotel Room Rental Tax*

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

#### D. New Accounting Pronouncements

##### *GASB Statement No. 49*

In November 2006, the GASB issued Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Statement No. 49 had no impact on the 2008 financial statements.

##### *GASB Statement No. 50*

In May 2007, the GASB issued Statement No. 50, “Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27.” This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. Because the disclosures in the notes to the financial statements and RSI contain information from an actuarial valuation dated subsequent to June 15, 2007, the County adopted certain requirements of GASB Statement No. 50 for its 2007 financial statements, as required by the statement. The remaining requirements of GASB Statement No. 50 were implemented for the County’s 2008 financial statements. See Note 17.

##### *GASB Statement No. 51*

In June 2007, the GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This statement clarifies pertinent provisions of GASB Statement No. 34, which address capital asset reporting requirements. The County is required to adopt GASB Statement No. 51 for its 2010 financial statements.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

*GASB Statement No. 52*

In November 2007, the GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The County is required to adopt GASB Statement No. 52 for its 2009 financial statements.

*GASB Statement No. 53*

In June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The County is required to adopt GASB Statement No. 53 for its 2010 financial statements.

*GASB Statement No. 54*

In March 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The County is required to adopt GASB Statement No. 54 for its 2011 financial statements.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **2. Assets, Liabilities, and Net Assets or Equity**

#### **Pooled Cash and Temporary Investments**

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

#### **Investments**

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

Investments that are expected to be realized in cash within twelve months or less are reported as temporary investments. Temporary investments are reported at fair value (typically using published market prices), except for nonparticipating interest-bearing contracts such as repurchase agreements and nonnegotiable certificates of deposit, which are reported at amortized cost. Investments expected to be realized in cash after twelve months are reported as long-term investments. Long-term investments are reported at fair value, except for certain nonparticipating, interest-bearing contracts, which are reported at cost. Fair values are based on published market prices, quotations from national securities exchanges and securities pricing services, or by the respective fund managers for securities which are not actively traded.

In accordance with authorized investment laws, the County invests in various mortgage-backed securities issued by Federal agencies, collateralized mortgage obligations, and U.S. Treasury interest-only strips. These securities are reported at fair value on the balance sheet.

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

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

Amounts "Due from Other Governments" are primarily grants receivable from the Commonwealth of Pennsylvania at December 31, 2008.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

#### **Restricted Assets**

##### *Governmental Activities*

At December 31, 2008, the County had a restricted cash balance of \$646,548 maintained in an escrow account in the name of the County, for the City of Lancaster. This amount satisfies an agreement between the County and the City of Lancaster for required improvements related to the construction of a facility. Disbursement of funds from the account for construction related expenses are subject to City approval. The cash balance in the escrow account is available to the County, subject to a 15% retainage that can be held by the City of Lancaster in order to ensure proper completion of the project and construction of the facility in accordance with all City code building specifications.

The County also had a restricted cash balance of \$324,734 representing amounts deposited in an irrevocable trust to pay future workers compensation claims.

##### *Component Unit*

At December 31, 2008, the Convention Center Authority had \$535,584 in demand deposits, reported as cash, restricted for capital projects.

#### **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 market value as of the date of donation.

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Capital Assets (continued)**

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

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

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

The County has an art collection that is not capitalized because the collection meets the criteria for non-capitalization in accordance with GASB Statement No. 34. Specifically, the collection is held for reasons other than financial gain. The collection is protected, kept unencumbered, cared for, and preserved; 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. Easements are amortized on the straight-line method over a maximum useful life of 40 years.

**Unearned Revenue**

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

**Deferred Revenue**

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

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

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

#### **Risk Management**

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

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

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

The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workman's Compensation Act of 1915 as Reenacted and Amended. The exposure of risk is financed mostly through retention of all liability exposure, with limited purchase of commercial excess insurance. The liability is recorded as estimated by the plan administrator. Claims are paid from the General Fund and the required retention amounts are accrued as a liability of the General Fund. Non-incremental claims adjustment expenses have not been included as part of the self-insurance liabilities.

#### **Fund Equity/Net Assets**

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

#### **Fund Equity/Net Assets (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.

#### **Leases**

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

#### **Intergovernmental Revenues**

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

#### **Departmental Revenues**

Departmental revenues shown in the governmental funds represent revenues that are not considered payment for services and are collected by departments that do not charge for services. Departmental revenues include rent, payments in lieu of taxes, refunds, reimbursement for damages, and contributions.

#### **Interest Revenue**

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

#### **Swaps and Swaptions**

The County enters into various interest rate swaps and swaptions in order to manage risks associated with interest on its bond portfolio. As currently allowed under accounting principles generally accepted in the United States, the County does not record the fair value or changes in the fair value on the face of its financial statements. See Note 18 for the relevant disclosures.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

The governmental fund balance sheet includes a reconciliation between *total fund balance – total governmental funds* and *total net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.” The detail of this \$257,054,445 difference is as follows:

General obligation bonds and notes payable	\$ 231,591,789
Less: Deferred charge on refundings (amortized as expense)	(4,984,240)
Less: Deferred charge for issuance costs (amortized as expense)	(2,332,978)
Plus: Issuance premium (amortized as income)	1,339,847
Claims and judgments	7,800,000
Accrued vacation and sick pay	5,315,685
Net pension obligation	2,915,688
Net OPEB obligation	11,769,276
Accrued interest payable	1,082,236
Unearned revenue on 2002 swap agreement	2,300,000
Unearned revenue on 2003 swap agreement	257,142
Net adjustment to <i>total fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 257,054,445</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays (including easements) as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.” The detail of this \$15,225,652 difference is as follows:

Capital outlay	\$ 21,939,656
Depreciation/amortization expense	<u>(6,714,004)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 15,225,652</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

Another element of that reconciliation states that “the issuance of long-term debt (i.e., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The detail of this \$(420,536) difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (8,800,000)
Amortization of accretion	(960,836)
Principal repayments:	
General obligation debt	9,325,300
Repayment on installment purchase agreement	<u>15,000</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ (420,536)</u>

Another element of that reconciliation states that, “governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.” The detail of this \$146,729 difference is as follows:

Bond issuance costs	<u>\$ 146,729</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 146,729</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

Another element of that reconciliation states that, “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The detail of this \$(5,842,338) difference is as follows:

Accrued vacation and sick pay	\$ (190,320)
Net pension obligation	844,673
Net OPEB obligation	(5,932,371)
Accrued interest payable	43,809
Amortization of deferred amounts on refunding	(435,234)
Amortization of issuance costs	(344,905)
Amortization of net bond premiums	172,010
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ (5,842,338)</u>

**4. Budgets and Budgetary Accounting**

The County adopts budgets for the General Fund and all special revenue funds, except the Community Development Block Grant Fund and the Agricultural Land Preservation Fund. The Debt Service Fund is controlled through a general obligation bond indenture provision. Project-length financial plans are adopted for the Capital Projects Fund.

The legal level of budgetary control is established by fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Appropriations lapse at the end of each year and must be reappropriated.

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

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 5. Deposits and Investments

#### Deposits

At December 31, 2008, the County's bank balances, which include cash and cash equivalents, totaled \$67,321,654. Of the bank balances, \$2,029,820 was covered by Federal depository insurance. The remainder was categorized as uncollateralized (bank balances collateralized with securities held by the pledging financial institution's agent but not in the County's name). Although the County follows the Pennsylvania County Code, the County does not have a formal policy relative to managing custodial credit risk.

#### Non-Pension Investments

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

#### *Custodial Credit Risk*

At December 31, 2008, the County's non-pension investments included \$546,773 invested in U.S. Treasury Strips. These investments are not insured, are not registered in the name of the County, and are held by the counterparty in the counterparty's name. The County limits its exposure to custodial credit risk by maintaining only those non-pension investments required by sinking fund or other similar contractual requirements. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Non-Pension Investments (continued)**

*Interest Rate Risk*

Interest rate risk is the risk associated with changes in interest rates adversely affecting the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. At December 31, 2008, the County's non-pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
U.S. Treasury Strips	<u>\$ 546,773</u>	<u>\$ 796</u>	<u>\$ -</u>	<u>\$ 293,362</u>	<u>\$ 252,615</u>

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

**Pension Investments**

Pension investments by type were as follows at December 31, 2008:

	<u>Fair Value</u>
Investments	
U.S. Government Securities	\$ 14,113,653
U.S. Government Agency Mortgage Backed Securities	17,172,605
Domestic Corporate Bonds	18,775,832
Collateralized Mortgage Obligations	1,390,697
Domestic Common Stock	57,434,542
International Equity Fund	14,113,718
Total Investments	<u>\$ 123,001,047</u>

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, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
Investments			
Domestic Corporate Bonds	\$ 1,257,759	AAA	S&P
Domestic Corporate Bonds	339,398	AA	S&P
Domestic Corporate Bonds	116,900	AA-	S&P
Domestic Corporate Bonds	1,269,622	A+	S&P
Domestic Corporate Bonds	3,031,678	A	S&P
Domestic Corporate Bonds	1,719,644	A-	S&P
Domestic Corporate Bonds	888,746	BBB+	S&P
Domestic Corporate Bonds	533,569	BBB	S&P
Domestic Corporate Bonds	457,736	BBB-	S&P
Domestic Corporate Bonds	235,992	Aaa	Moody's
Domestic Corporate Bonds	2,042,728	Aa	Moody's
Domestic Corporate Bonds	5,553,114	A	Moody's
Domestic Corporate Bonds	<u>1,328,946</u>	Baa	Moody's
Total Domestic Corporate Bonds	\$ 18,775,832		
Collateralized Mortgage Obligations	\$ 546,617	AAA	S&P
Collateralized Mortgage Obligations	<u>844,080</u>	A	Moody's
Total Collateralized Mortgage Obligations	\$ 1,390,697		
U.S. Government Agency Mortgage Backed Securities	\$ 10,790,500	AAA	S&P
U.S. Government Agency Mortgage Backed Securities	<u>6,382,105</u>	Aaa	Moody's
Total U.S. Government Agency Mortgage Backed Securities	\$ 17,172,605		
U.S. Government Securities	14,113,653	N/A	N/A
Domestic Common Stock	57,434,542	N/A	N/A
International Equity Fund	<u>14,113,718</u>	N/A	N/A
Total Investments	<u>\$123,001,047</u>		

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Pension Investments (continued)**

*Custodial Credit Risk*

At December 31, 2008, the County's pension investments were subject to custodial credit risk. All pension investments are held by the counterparty in the counterparty's name and not the name of the County and are recorded by the counterparty in book entry only in the name of the County. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

*Interest Rate Risk*

At December 31, 2008, the County's pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Pension Investments					
U.S. Government Securities	\$ 14,113,653	\$ 1,743,894	\$ 8,476,579	\$ 3,893,180	\$ -
U.S. Government Agency Mortgage Backed Securities	17,172,605	-	6,268,079	2,711,840	8,192,686
Domestic Corporate Bonds	18,775,832	1,332,749	9,422,971	5,904,032	2,116,080
Collateralized Mortgage Obligations	<u>1,390,697</u>	<u>-</u>	<u>-</u>	<u>180,135</u>	<u>1,210,562</u>
Total Pension Investments - Debt Securities	51,452,787	<u>\$ 3,076,643</u>	<u>\$ 24,167,629</u>	<u>\$ 12,689,187</u>	<u>\$ 11,519,328</u>
Domestic Common Stock	57,434,542				
International Equity Fund	<u>14,113,718</u>				
Total Investments	<u>\$123,001,047</u>				

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

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

The County manages its exposure to interest rate risk for pension investments by investing in debt security instruments with fixed interest rates. The County's pension investment policy includes a desired annualized 3.5% real rate of return, though investment objectives are long-term in nature. The County does not have a formal investment policy relative to managing interest rate risk.

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

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

###### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2008, \$14,113,718 of the County's pension investments was held in an international equity fund. More than 80% of the equity securities within this fund are those of companies located outside of the United States, denominated in other than U.S. dollars. The County's pension investment policy limits the County's exposure to foreign currency risk by ensuring that no more than 18% of total pension investments are invested in international equity securities.

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

###### **Deposits**

###### *Custodial Credit Risk*

At March 31, 2008, the Convention Center Authority's bank balance, which included cash, cash equivalents and restricted cash, equaled \$1,233,447. \$200,000 of the bank balance was covered by Federal depository insurance. The remainder, \$1,033,447, was exposed to custodial credit risk and categorized as collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The Convention Center Authority does not have a policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Discretely Presented Component Unit (continued)**

**Investments**

Investments of the Convention Center Authority are subject to the same Pennsylvania statutes and limits as the County's (non-pension) investments. At March 31, 2008, the Convention Center Authority's investments included \$4,160,317 invested in MTB U.S. Government money market funds and \$33,406,237 invested in guaranteed investment contracts.

*Interest Rate Risk*

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Money Market Funds	\$ 4,160,317	\$ 4,160,317	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	<u>33,406,237</u>	<u>29,295,108</u>	<u>-</u>	<u>-</u>	<u>4,111,129</u>
Total Investments	<u>\$ 37,566,554</u>	<u>\$ 33,455,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,111,129</u>

*Credit Risk*

At March 31, 2008, the Convention Center Authority's investment in MTB U.S. Government money market funds were rated AAA and the guaranteed investment contracts were unrated. The Convention Center Authority does not have a formal investment policy relative to managing credit risk.

*Custodial Credit Risk*

At March 31, 2008, the Convention Center Authority's investments were subject to custodial credit risk. All investments are uninsured and held by a trustee in the trustee's name. The Convention Center Authority does not have a formal investment policy relative to managing custodial credit risk.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

**Discretely Presented Component Unit (continued)**

**Investments (continued)**

*Concentration of Credit Risk*

The Convention Center Authority places no limit on the amount it may invest in any one issuer. More than 5% of the Convention Center Authority's investments are held as follows as of March 31, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Guaranteed investment contracts:		
MBIA, Inc.	\$ 29,295,108	77.98%
Citigroup Financial Product	4,111,129	10.94%

**6. Property Taxes**

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

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2008 was 3.416 mills.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated/ amortized:				
Land and improvements	\$ 6,987,290	\$ 66,231	\$ -	\$ 7,053,521
Total capital assets, not being depreciated/amortized	6,987,290	66,231	-	7,053,521
Capital assets, being depreciated/ amortized:				
Buildings and improvements	141,940,230	9,326,725	2,647	151,264,308
Furniture and equipment	29,032,132	6,314,912	1,036,785	34,310,259
Assets under capital lease	1,371,165	-	1,371,165	-
Infrastructure	6,759,011	1,293,073	-	8,052,084
Easements	73,292,872	7,349,312	-	80,642,184
Total capital assets being depreciated/ amortized	252,395,410	24,284,022	2,410,597	274,268,835
Less accumulated depreciation/ amortization for:				
Buildings and improvements	38,392,442	3,877,521	133	42,269,830
Furniture and equipment	14,495,611	1,896,573	591,380	15,800,804
Assets under capital lease	685,582	68,558	754,140	-
Infrastructure	1,239,957	200,950	-	1,440,907
Easements	11,417,183	2,016,055	-	13,433,238
Total accumulated depreciation/ amortization	66,230,775	8,059,657	1,345,653	72,944,779
Total capital assets, being depreciated/ amortized, net	186,164,635	16,224,365	1,064,944	201,324,056
Governmental activities capital assets, net	\$ 193,151,925	\$ 16,290,596	\$ 1,064,944	\$208,377,577

As described in Note 1, balances previously reported in the 911 Operations Fund are now being included in governmental activities; thus, the beginning balances above have been modified to include such amounts.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets (continued)**

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

Governmental activities:	
General government	\$ 4,557,573
Public safety	1,555,264
Roads and bridges	200,950
Health, education, and welfare:	
Other	49,746
Judicial	136,314
Corrections	1,323,272
Cultural and recreation	236,538
Total depreciation/amortization expense – governmental activities	<u>\$ 8,059,657</u>

As of December 31, 2008, the County had \$6,972,531 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**7. Capital Assets (continued)**

**Discretely Presented Component Unit**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated/ amortized:				
Land and improvements	\$ 3,692,769	\$ -	\$ 2,113,148	\$ 1,579,621
Construction in progress	8,555,558	20,875,034	-	29,430,592
Total capital assets, not being depreciated/amortized	12,248,327	20,875,034	2,113,148	31,010,213
Capital assets, being depreciated/ amortized:				
Furniture and equipment	23,856	3,050	-	26,906
Total capital assets being depreciated/ amortized	23,856	3,050	-	26,906
Less accumulated depreciation/ amortization for:				
Furniture and equipment	4,789	5,118	-	9,907
Total accumulated depreciation/ amortization	4,789	5,118	-	9,907
Total capital assets, being depreciated/ amortized, net	19,067	(2,068)	-	16,999
Capital assets, net	\$ 12,267,394	\$ 20,872,966	\$ 2,113,148	\$ 31,027,212

**8. Operating Leases**

The County is committed under various leases for building and office space and data processing and other equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended December 31, 2008 amounted to \$3,170,096. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	\$ 3,225,548
2010	2,144,026
2011	2,121,059
2012	2,116,118
2013	2,165,577
2014-2018	10,433,311
2019-2023	2,329,446
Total	<u>\$ 24,535,085</u>

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 9. Long-Term Liabilities

#### *General Obligation Bonds and Notes*

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

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

As determined under the Commonwealth of Pennsylvania Local Government Unit Debt Act of 1972, the legal debt margin of the County at December 31, 2008 was \$145,389,819.

General obligation bonds and notes consisted of the following at December 31, 2008:

5.35% - 5.45% Current interest bearing General Obligation Bonds, Series A of 2000 in the principal amount of \$32,000,000 to finance the County's capital projects, dated June 15, 2000, principal payable annually, ranging in amounts from \$2,550,000 to \$2,690,000 from May 1, 2009 to May 1, 2010.	\$ 5,240,000
4.00% - 5.50% Interest bearing General Obligation Notes, Series A of 2001 in the principal amount of \$16,430,000 to finance the County's capital projects as well as a partial advance refunding of Series A of 2000, dated December 15, 2001, principal payable annually, ranging in amounts \$5,000 to \$1,765,000 from November 1, 2009 to November 1, 2027.	16,395,000
Capital Appreciation Notes, Series B of 2001 in the principal amount of \$13,344,115 to finance the County's capital projects, dated December 20, 2001, principal payable annually and semi-annually, ranging in amounts from \$15,000 to \$2,815,000 from May 1, 2009 to May 1, 2019.	19,013,089
6.10% Interest bearing installment purchase agreement in the amount of \$363,000, dated January 4, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2016.	363,000
5.00% Interest bearing General Obligation Notes, Series of 2002 in the principal amount of \$3,210,000 to current refund Series A of 1997 and to partially refund Series B of 1997, Series of 1998, and Series of 1999, dated February 1, 2002, principal payable annually in amounts ranging from \$135,000 to \$1,490,000 from November 1, 2009 to November 1, 2010.	1,625,000
Variable rate interest bearing General Obligation Note, Series A of 2002 in the principal amount of \$25,050,000 to current refund Series of 2000, dated September 13, 2002, principal payable annually, varying in amounts from \$5,000 to \$2,439,000 from October 25, 2009 to October 25, 2030. Interest is payable monthly, based upon monthly calculations remitted by the trustee that include amounts sufficient to pay payments and receipts under any interest rate swap agreements, payments due to holders of the note, and monthly finance charges. The interest on the note will never exceed 15%.	25,020,000
4.40% - 4.70% General Obligation Bonds, Series A of 2002 in the principal amount of \$7,345,000 to finance certain capital projects dated December 15, 2002, principal payable annually, varying in amounts from \$5,000 to \$3,700,000 from November 1, 2009 to November 1, 2020.	7,320,000
5.50% Interest bearing installment purchase agreement in the amount of \$210,000, dated December 30, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2022.	210,000
3.50% - 4.75% General Obligation Bonds, Series of 2003 in the principal amount of \$23,305,000 to finance certain capital projects dated January 1, 2003, principal payable annually, varying in amounts from \$520,000 to \$1,395,000 from November 1, 2009 to November 1, 2032.	20,910,000
2.85% - 5.25% General Obligation Bonds, Series A of 2003 in the principal amount of \$23,715,000 to partially refund Series A of 2000, dated October 15, 2003, principal payable annually, varying in amounts from \$320,000 to \$4,930,000 from May 1, 2009 to May 1, 2015.	22,470,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*General Obligation Bonds and Notes (continued)*

<p>Variable rate interest bearing General Obligation Demand Bonds, Series B of 2003 in the principal amount of \$13,945,000 to current refund Series B of 1997 and Series of 1998, dated November 3, 2003, principal payable annually, varying in amounts from \$785,000 to \$1,415,000 from November 1, 2009 to November 1, 2016. Bonds are payable upon demand. The Interest Mode the bonds were issued in was a weekly mode; however, the bonds may be converted to term mode at any time. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. If converted to term mode bonds, interest is payable semiannually and the determination date is a day not more than 15 days preceding or later than the last business day preceding such rate period. The interest on the bonds will never exceed 12%.</p>	8,560,000
<p>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.</p>	226,000
<p>4.40% Interest bearing installment purchase agreement in the amount of \$150,000, dated April 30, 2003, to finance the purchase of an agricultural easement, principal payable annually in the amount of \$15,000 from January 20, 2009 to January 20, 2013.</p>	75,000
<p>3.50% General Obligation Bonds, Series of 2004 in the principal amount of \$5,005,000 to refund Series of 1999, dated August 1, 2004, principal payable annually, varying in amounts from \$460,000 to \$475,000 from November 1, 2009 to November 1, 2010.</p>	935,000
<p>3.35% - 5.00% General Obligation Bonds, Series A of 2004 in the principal amount of \$27,300,000 to finance certain capital projects dated May 1, 2004, principal payable annually, varying in amounts from \$1,120,000 to \$2,110,000 from November 1, 2009 to November 1, 2023.</p>	14,100,000
<p>Variable rate General Obligation Bonds, Series of 2005 in the principal amount of \$23,775,000 to finance certain capital projects dated April 14, 2005, principal payable annually, varying in amounts from \$640,000 to \$1,465,000 from March 1, 2009 to March 1, 2030. The Interest Mode the bonds were issued in was a weekly mode. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. The interest on the bonds will never exceed 25%.</p>	22,000,000
<p>Variable rate interest bearing General Obligation Bonds, Series of 2006 in the principal amount of \$26,285,000 to finance various capital projects and capital grant programs dated March 1, 2006, principal payable annually, varying in amounts from \$670,000 to \$1,635,000 from March 1, 2009 to March 1, 2031. The Interest Mode the bonds were issued in was a weekly mode; however, the bonds may be converted to term mode at any time. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. If converted to term mode bonds, interest is payable semi-annually and the determination date is a day not more than 15 days preceding or later than the last business day preceding such rate period. The interest on the bonds will never exceed 25%.</p>	25,020,000
<p>3.625% - 5.00% General Obligation Bonds, Series A of 2006 in the principal amount of \$25,000,000 to provide funding for both farmland and natural land preservation and projects in the city, boroughs, and urban growth areas of townships of the County dated May 1, 2006, principal payable annually, varying in amounts from \$890,000 to \$1,865,000 from May 1, 2009 to May 1, 2026.</p>	23,310,000
<p>3.77% Interest bearing General Obligation Note, Series of 2007 in the principal amount of \$10,000,000 to partially refund Series A of 2004, dated December 31, 2007, principal payable annually in amounts ranging from \$74,000 to \$1,932,600 from November 1, 2009 to November 1, 2021.</p>	9,999,700
<p>Variable rate interest bearing General Obligation Bonds, Series of 2008 in the principal amount of \$8,800,000 to finance various capital projects dated March 19, 2008, principal payable annually, varying in amounts from \$205,000 to \$555,000 from March 1, 2009 to March 1, 2033. The Interest Mode the bonds were issued in was a weekly mode; however, the bonds may be converted to term mode at any time. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. If converted to term mode bonds, interest is payable semi-annually and the determination date is a day not more than 15 days preceding or later than the last business day preceding such rate period. The interest on the bonds will never exceed 25%.</p>	8,800,000
<p>Total general obligation bonds and notes payable</p>	<u>\$ 231,591,789</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*General Obligation Bonds and Notes (continued)*

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

	Principal	Interest	Total
2009	\$ 10,213,681	\$ 7,389,536	\$ 17,603,217
2010	10,564,388	7,074,928	17,639,316
2011	10,917,862	6,762,477	17,680,339
2012	11,241,263	6,470,834	17,712,097
2013	11,601,520	6,180,640	17,782,160
2014-2018	58,918,478	31,010,736	89,929,214
2019-2023	56,059,597	15,488,963	71,548,560
2024-2028	41,973,000	5,913,708	47,886,708
2029-2033	20,102,000	1,005,180	21,107,180
	<u>\$ 231,591,789</u>	<u>\$ 87,297,002</u>	<u>\$ 318,888,791</u>

On March 19, 2008, the County issued variable rate interest-bearing General Obligation Bonds, Series of 2008, in the amount of \$8,800,000 to finance various capital projects and to pay the costs of issuing the bonds. Principal is payable annually, ranging in amounts from \$205,000 to \$555,000 from March 2009 to March 2033.

The remaining \$960,836 of the 2008 additions to general obligation bonds and notes payable represent 2008 accretion on the capital appreciation general obligation notes dated December 20, 2001.

Proceeds of the General Obligation Bonds, Series A of 2003 were used to advance refund a portion of the County's General Obligation Bonds, Series A of 2000. As of December 31, 2008, \$20,740,000 of these bonds outstanding is classified as defeased.

Proceeds of the General Obligation Note, Series of 2007 were used to advance refund a portion of the County's General Obligation Bonds, Series A of 2004. As of December 31, 2008, \$9,020,000 of these bonds outstanding is classified as defeased.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Changes in Long-Term Liabilities*

During the year ended December 31, 2008, the following changes occurred in long-term liabilities:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 231,171,253	\$ 9,760,836	\$ 9,340,300	\$ 231,591,789	\$ 10,213,681
Deferred amounts on refundings	(5,419,474)	-	(435,234)	(4,984,240)	(435,234)
Net premium on bonds payable	1,511,857	-	172,010	1,339,847	172,010
Claims and judgments	7,800,000	-	-	7,800,000	-
Accrued vacation and sick pay	5,125,365	645,366	455,046	5,315,685	349,441
Net pension obligation	3,760,361	-	844,673	2,915,688	-
Net OPEB obligation	5,836,905	7,721,602	1,789,231	11,769,276	-
Unearned revenue on swap agreement	2,689,285	-	132,143	2,557,142	132,143
Governmental activities long-term liabilities	<u>\$ 252,475,552</u>	<u>\$ 18,127,804</u>	<u>\$ 12,298,169</u>	<u>\$ 258,305,187</u>	<u>\$ 10,432,041</u>

As described in Note 1, balances previously reported in the 911 Operations Fund are now being included in governmental activities; thus, the beginning balances above have been modified to include such amounts.

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### *Discretely Presented Component Unit*

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Discretely Presented Component Unit (continued)*

The amount of outstanding Hotel Room Rental Tax Revenue Bonds, Series of 2003 and Series of 2007 at March 31, 2008 was \$63,920,000. Final maturity is October 1, 2043, for the Series of 2003 and is March 1, 2047, for the Series of 2007.

Minimum annual debt service requirements on the Series of 2003 and 2007 Bonds (based on the fixed rate of 3.65%) are as follows:

	Principal	Interest	Total
2009	\$ 330,000	\$ 2,531,464	\$ 2,861,464
2010	-	2,523,824	2,523,824
2011	545,000	2,514,811	3,059,811
2012	-	2,502,193	2,502,193
2013	795,000	2,489,046	3,284,046
2014 – 2018	2,375,000	12,143,329	14,518,329
2019 – 2023	5,030,000	11,446,804	16,476,804
2024 – 2028	5,025,000	10,435,710	15,460,710
2029 – 2033	9,460,000	9,059,262	18,519,262
2034 – 2038	8,995,000	7,206,084	16,201,084
2039 – 2043	15,855,000	4,809,414	20,664,414
2044 – 2047	15,510,000	1,678,248	17,188,248
	<u>\$ 63,920,000</u>	<u>\$ 69,340,189</u>	<u>\$ 133,260,189</u>

During the year ended March 31, 2008, the following changes occurred in long-term liabilities:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due Within One Year
General obligation bonds and notes payable	\$ 66,470,000	\$ -	\$ 2,550,000	\$ 63,920,000	\$ 330,000
	<u>\$ 66,470,000</u>	<u>\$ -</u>	<u>\$ 2,550,000</u>	<u>\$ 63,920,000</u>	<u>\$ 330,000</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 Workmen's Compensation Act of 1915 as Reenacted and Amended. The liability is recorded as estimated by the plan administrator. The required retention amounts are accrued in a trust fund in accordance with 34 Pa. Code Section 125.10, as a liability of the General Fund. The Bureau of Workers' Compensation uses a loss development analysis system to project a self-insurer's outstanding liability for the purpose of setting the required amount of the self-insurer's security or funding. Loss development analysis is an actuarial technique of projecting the ultimate cost of a group of claims by analyzing the past changes in value of similar claims as they mature. The Bureau issued an exemption permit renewing the County's self-insurance status on February 1, 2008. In addition, the County is in compliance with State requirements that mandate training courses designed to minimize accident-related losses.

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

Changes in the County's self-insurance claims reserves for the years ended December 31, 2008 and 2007 were as follows:

	Reserve Balance as of January 1, 2008	Current Year Claims and Changes in Estimates	Claim Payments	Reserve Balance as of December 31, 2008
Unemployment Compensation	\$ 466,814	\$ 62,401	\$ 160,368	\$ 368,847
Workers' Compensation	1,281,251	600,370	667,286	1,214,335
<b>Total Unemployment Compensation and Workers' Compensation</b>	<b>\$ 1,748,065</b>	<b>\$ 662,771</b>	<b>\$ 827,654</b>	<b>\$ 1,583,182</b>
	Reserve Balance as of January 1, 2007	Current Year Claims and Changes in Estimates	Claim Payments	Reserve Balance as of December 31, 2007
Unemployment Compensation	\$ 564,559	\$ 88,046	\$ 185,791	\$ 466,814
Workers' Compensation	1,405,122	250,143	374,014	1,281,251
<b>Total Unemployment Compensation and Workers' Compensation</b>	<b>\$ 1,969,681</b>	<b>\$ 338,189</b>	<b>\$ 559,805</b>	<b>\$ 1,748,065</b>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**10. Self-Insurance Claims Liability (continued)**

Of the above self-insurance claims liability balances, amounts for the years ended December 31, 2008 and 2007 were reported as payroll related accruals in governmental activities and the General Fund because these liabilities are due and payable and expected to be liquidated with expendable available resources.

**11. Interfund Balances**

Individual fund receivable and payable balances at December 31, 2008 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 6,817,533	\$ -
Children & Youth Services Fund	-	5,391,571
Nonmajor Governmental Funds	-	1,425,962
Total	\$ 6,817,533	\$ 6,817,533

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

**12. Interfund Transfers**

Interfund transfers for the year ended December 31, 2008 consisted of the following:

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ -	\$ 12,974,525
Children and Youth Services Fund	9,365,270	-
Mental Health/Mental Retardation Fund	950,739	-
Nonmajor Governmental Funds	2,658,516	-
Total	\$ 12,974,525	\$ 12,974,525

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

**13. Fines and Costs Receivable**

At December 31, 2008, \$4,831,208 in fines and costs receivable are expected to be collected in more than one year.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

#### **14. Commitments and 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.

In 2005, the County took possession of a building located at 150 North Queen Street, through use of eminent domain, to convert into County office space. The County paid the former owner approximately \$8.3 million as fair market value based upon appraisals. The owner appealed the determination of damages and subsequently was awarded an additional \$6.3 million plus statutory delay damages by a Board of View. Both parties have appealed the award and the matter continues in Federal court, though a motion is pending seeking removal to Commonwealth court. The County has recorded \$7.8 million as a long-term liability in governmental activities to account for any future award and accrued delay charges.

On December 15, 2003, the County guaranteed to replenish annual debt service reserve fund draws of the Convention Center Authority over the life of the Convention Center Authority's debt service reserve fund note. The Convention Center Authority's Note was issued in connection with the Convention Center Authority's Hotel Room Rental Tax Revenue Bonds, Series of 2003, (the Bonds) to prevent a default of the Bonds in the event of an unexpected interruption in the flow of hotel room rental tax revenues that are pledged to pay debt service on the Bonds. The annual replenishment to be paid by the County equals, to the extent the Convention Center Authority has failed to provide necessary funding as required by the Convention Center Authority's debt service reserve fund note, an amount not to exceed the lesser of \$1,506,960 or 50% of the required reserve amount in any fiscal year. At December 31, 2008 the Convention Center Authority debt service reserve fund had a required reserve amount equaling \$2,610,270; thus, the County's replenishment guarantee equaled \$1,305,135 at December 31, 2008. As of December 31, 2008, hotel room rental tax revenues were sufficient to cover the debt service on the Bonds; thus, it was not necessary for the County to replenish the debt service reserve fund.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

On May 15, 2004, the County guaranteed revenue bonds issued by the Redevelopment Authority in the amount of \$13,505,000 to fund the site acquisition, design, construction, and operation of a multi-purpose stadium and related improvements. The bonds are to be repaid by the Redevelopment Authority by receipts and revenues derived from the use of the multi-purpose stadium facilities. At December 31, 2008, \$11,840,000 of the bonds remained outstanding.

On May 12, 2005, the County guaranteed lease rental debt of the Redevelopment Authority to be incurred during the undertaking of the stadium project. At December 31, 2008, the County's guarantee equaled a maximum annual principal amount of \$1,099,996.

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

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

##### *Construction Contracts*

The Convention Center Authority has awarded contracts for the construction of the convention center. At March 31, 2008, there was approximately \$37,396,000 payable under these contracts that was not included in accounts payable. The accounts payable balance at March 31, 2008 included approximately \$2,244,000 of retainage payable under the various construction contracts.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### **15. Gain Contingencies**

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

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

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

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

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

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

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

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

##### *Description*

The County follows the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$11,769,276 and \$5,932,371, respectively, in governmental activities.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

##### *Description (continued)*

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

##### *Funding Policy*

Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the County in accordance with rates established by the County and by the County itself from appropriate governmental funds. For 2008, contribution rates for Plan members under 65 equaled \$60 per participant per month. Contribution rates for Plan members 65 and over equaled \$60 per participant per month from January 1, 2008 through March 31, 2008, but equaled \$0 per participant per month from April 1, 2008 through December 31, 2008. For the year ended December 31, 2008, Plan members receiving benefits paid \$180,420, which was used to offset the County's total outlays to insurance carriers equaling \$1,567,937 for current year premiums due. The net outlay from the County, which equaled \$1,387,517, represents the County's net cost paid for current year premiums due. The Plan is financed on a pay-as-you-go basis.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Annual OPEB Cost and Net OPEB Obligation*

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

Annual required contribution	\$ 7,400,572
Interest on net OPEB obligation	321,030
Adjustment to annual required contribution	<u>(401,714)</u>
Annual OPEB cost	7,319,888
Contributions made	<u>(1,387,517)</u>
Increase in net OPEB obligation	5,932,371
Net OPEB obligation – beginning of year	<u>5,836,905</u>
Net OPEB obligation – end of year	<u><u>\$11,769,276</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 and the previous year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation - End of Year</u>
12/31/07	\$ 7,400,572	21.13%	\$ 5,836,905
12/31/08	\$ 7,319,888	18.96%	\$11,769,276

Because 2007 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of years preceding 2007.

*Funding Status and Funding Progress*

As of January 1, 2007, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$72,012,049, resulting in an unfunded actuarial accrued liability (UAAL) of \$72,012,049. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$78,717,769, and the ratio of the UAAL to the covered payroll equaled 91.5%.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

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

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

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

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable. Additionally, because 2007 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of years preceding 2007.

#### *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, 2007, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 5.5% discount rate, which approximates the expected rate of return on non-pension investments held by the County. Actuarial assumptions also included annual healthcare and prescription drug cost trend rates of 10% and 15%, respectively, initially, reduced by decrements to an ultimate rate of 5% for both healthcare and prescription drug costs after five and ten years, respectively. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

*Description of Plan*

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2008, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	953
Terminated Plan members enrolled but not yet receiving benefits	163
Active Plan members	<u>1,897</u>
Total members	<u><u>3,013</u></u>

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

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

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

Covered employees are required by the Act to contribute to the Plan at a rate of 5% of their gross pay. Employees may contribute up to an additional 10% of gross pay, at their option. The contributions are recorded in an individually identified account which is also credited with interest, calculated to yield 5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$52,434,240 as of December 31, 2008, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Description of Plan (continued)*

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

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

Domestic Equity	54%
International Equity	13%
Fixed Income	33%

Due to economic conditions that existed as of December 31, 2008, the Retirement Board elected to allow asset allocations to fall outside of these normal ranges until such times that markets stabilize.

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

Administrative costs of the Plan, in accordance with a 1991 amendment to the Act, may be paid from Plan assets unless it is determined by the actuary that such payment will impair the actuarial soundness of the Plan. During 2008, all administrative costs totaling \$54,472 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

*Summary of Significant Accounting Policies*

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Summary of Significant Accounting Policies (continued)*

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

The net pension obligation and the annual required contribution were determined as part of an actuarial valuation at December 31, 2008. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5%, (c) 3.0% inflation rate, and (d) no postretirement benefit increases. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes.

*Annual Pension Cost and Net Pension Obligation*

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

Annual required contribution	\$ 3,333,575
Interest on net pension obligation	282,027
Adjustment to annual required contribution	(460,275)
Annual pension cost	<u>3,155,327</u>
Contributions made	4,000,000
Decrease in net pension obligation	(844,673)
Net pension obligation beginning of year	<u>3,760,361</u>
Net pension obligation, end of year	<u>\$ 2,915,688</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

*Available Trend Information*

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 5,394,347	103%	\$ 3,943,390
2007	\$ 4,676,886	104%	\$ 3,760,361
2008	\$ 3,155,327	127%	\$ 2,915,688

*Funded Status and Funding Progress*

As of December 31, 2008, the most recent actuarial valuation date, the Plan was 79.7% funded. The actuarial accrued liability for benefits was \$199,653,516, and the actuarial value of assets was \$159,134,908, resulting in an unfunded actuarial accrued liability (UAAL) of \$40,518,608. The covered payroll (annual payroll of active employees covered by the Plan) was \$78,717,769, and the ratio of the UAAL to the covered payroll was 51.5%.

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

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

*Legally Required Reserves*

At December 31, 2008, the County has a balance of \$52,434,240 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, 2008. Since those accumulations represent the present value of future benefits as of December 31, 2008, the reserve balance and liability are equal and this reserve is fully funded.

## County of Lancaster, Pennsylvania

### Notes to Financial Statements (continued)

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

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

The County has a balance of \$38,086,270 in the County Annuity Reserve Account as of December 31, 2008. 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, 2008 amounted to \$62,317,473.

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

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

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

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

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 18. Derivative Instruments (continued)

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

The terms, fair values and credit ratings of the outstanding swaps and swaptions, as of December 31, 2008, are as follows. The notional amounts of the swaps and swaptions match the principal amounts of the associated debt series. The swap and swaption agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt series. As of December 31, 2008, none of the swaptions have been exercised.

Associated Debt	Swap/ Swaption Notional	Effective	Termination	Fixed or Variable Rate	Fixed or Variable Rate	Cash Received At	Fair Value at	Counterparty Credit Rating
<u>Series</u>	<u>Amounts</u>	<u>Date</u>	<u>Date</u>	<u>Paid</u>	<u>Received</u>	<u>Initiation</u>	<u>12/31/2008*</u>	<u>S&amp;P/Fitch</u>
GON** 2002A	\$25,020,000	1/1/2002	10/25/2030	5.195%	60% LIBOR +30.3bp	\$3,000,000	\$(10,559,248)	AAA / NR
GOB*** 2003B	8,560,000	11/1/2003	11/1/2016	4.730%	60% LIBOR +55.75bp	630,000	(948,853)	AAA / NR
GOB 2008	8,800,000	3/5/2008	3/1/2033	3.844%	68% LIBOR	-	(2,072,171)	AAA / NR
GON 2001A	16,395,000	9/15/2004	11/1/2027	SIFMA	3.904%	870,000	(2,226,858)	AA- / AA-
GOB 2002A	7,320,000	9/15/2004	11/1/2020	SIFMA	3.804%	395,000	(753,360)	AA- / AA-
GOB 2003	20,910,000	9/9/2004	11/1/2032	SIFMA	3.950%	1,150,000	(2,945,054)	AA- / AA

\* - Fair value was calculated using the zero-coupon method, which calculates future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

\*\* - General Obligation Note.

\*\*\* - General Obligation Bond.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

**18. Derivative Instruments (continued)**

*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 swaps expose the County to basis risk, should the relationship between LIBOR, the basis of the swaps' 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, 2008. At December 31, 2008, LIBOR equaled 0.43625% and SIFMA equaled 0.9%.

*Interest Rate Risk*

The County's interest rate swaps serve to guard against a rise in variable interest rates associated with the associated outstanding variable rate debt series. Existing swaptions, if exercised, would result in the County receiving a fixed interest rate in exchange for paying a floating rate equal to the SIFMA Index. The risk that the SIFMA Index rises above the fixed swap rate over the term of the swaptions increases the County's exposure to interest rate risk.

*Termination Risk*

The termination exposure of the County's swap and swaption agreements at December 31, 2008 is limited only to those swaps and swaptions (if exercised) with negative fair values indicated in the above table; the County would have to pay the respective amounts in order to terminate the associated swaps or swaptions (if exercised).

*Swap Payments and Associated Debt*

Using rates as of December 31, 2008, 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		
2009	\$ 1,440,000	\$ 792,279	\$ 1,791,219	\$ 4,023,498
2010	1,505,000	740,603	1,734,960	3,980,563
2011	1,575,000	686,638	1,676,277	3,937,915
2012	1,650,000	630,038	1,614,771	3,894,809
2013	1,151,000	574,873	1,553,779	3,279,652
2014-2033	35,059,000	5,141,417	15,829,852	56,030,269
Total	\$ 42,380,000	\$ 8,565,848	\$ 24,200,858	\$ 75,146,706

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 18. Derivative Instruments (continued)

#### Discretely Presented Component Unit

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

###### *Objective of the Interest Rate Swap*

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

###### *Terms*

The bonds and the related swap agreement mature on October 1, 2043 (Series of 2003) and March 1, 2047 (Series of 2007), and the swap's notional amount of \$63,920,000 equals the total bond issuance. The notional amount of the swap agreement decreases as the outstanding principal amount of the corresponding Series of 2003 and Series of 2007 bonds decrease through maturing principal. The swap agreement was entered into at the same time the bonds were issued, March 2007. Under the swap agreement, the Convention Center Authority pays the counterparty a fixed payment of 3.65% and receives a variable payment computed as 67% of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable rate coupons are based on the weekly rate determined by the remarketing agent.

###### *Fair Value*

Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value is based upon mid-market quotations for the transactions. Mid-market quotations are based on bid/ask quotations shown on reliable electronic information screens as of close of business on the date specified. As of March 31, 2008, it would cost the Convention Center Authority \$4,201,345 to terminate the Series of 2003 swap agreement and \$2,831,773 to terminate the Series of 2007 swap agreement. Such amounts represent the present value difference between the floating rate receipt and fixed rate payment as of March 31, 2008 and the termination value fluctuates as the interest rates fluctuate.

Management has reviewed the mid-market quotations over the last four quarters with their financial advisor. The review showed that at some points during the year the Convention Center Authority was in a positive position when interest rates rose and in other quarters the position was negative with the low point coming near the end of the fiscal year as interest rates dropped.

# County of Lancaster, Pennsylvania

## Notes to Financial Statements (continued)

### 18. Derivative Instruments (continued)

#### Discretely Presented Component Unit (continued)

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

###### *Credit Risk*

As of March 31, 2008, the Convention Center Authority's swap agreements were not exposed to credit risk, because they had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Convention Center Authority would be exposed to credit risk in the amount of the swap agreement's fair value. The swap agreement contains a collateral agreement with the counterparty. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

###### *Basis Risk*

Basis risk is the risk that the interest rate paid by the Convention Center Authority on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Convention Center Authority bears basis risk on its swap. The swap has basis risk since the Convention Center Authority receives a percentage of LIBOR to offset the actual variable bond rate the Convention Center Authority pays on its bonds. The Convention Center Authority is exposed to basis risk, should the floating rate that it receives on a swap be less than the actual variable rate the Convention Center Authority pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary. At March 31, 2008, the weekly rate on the Series 2003 and 2007 Hotel Room Rental Tax Revenue Bonds was 2.13%, whereas 67% of one-month LIBOR was 1.81%.

###### *Tax Risk*

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

###### *Termination Risk*

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

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## **REQUIRED SUPPLEMENTARY INFORMATION**



County of Lancaster, Pennsylvania

Schedule of Funding Progress - Other Post-Employment Healthcare Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2007	\$ -	\$ 72,012,049	\$ 72,012,049	0%	\$ 78,717,769	91.5%

Because 2007 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of years preceding 2007.

County of Lancaster, Pennsylvania

Employee Retirement Plan

Schedule of Employer Contributions

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 4,775,487	115%
2004	5,827,903	94%
2005	7,534,558	98%
2006	5,578,535	100%
2007	4,859,915	100%
2008	3,333,575	120%

Schedule of Funding Progress \*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2007	\$ 175,412,278	\$ 185,818,519	\$ 10,406,241	94.4%	\$ 73,915,189	14.1%
12/31/2008	\$ 159,134,908	\$ 199,653,516	\$ 40,518,608	79.7%	\$ 78,717,769	51.5%

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

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$11,121,906	\$11,903,147	\$7,124,509	(\$4,778,638)
Real estate taxes	101,957,266	101,957,266	102,034,213	76,947
Departmental	23,783,335	23,808,335	19,229,219	(4,579,116)
Fines and costs	2,575,700	2,575,700	2,888,169	312,469
Interest	1,420,000	1,420,000	1,066,342	(353,658)
Indirect reimbursement	2,037,594	2,037,594	2,003,147	(34,447)
Other	446,889	446,889	693,617	246,728
Total revenues	<u>143,342,690</u>	<u>144,148,931</u>	<u>135,039,216</u>	<u>(9,109,715)</u>
<b>EXPENDITURES</b>				
Current:				
General government	47,336,432	47,966,170	33,167,285	14,798,885
Public safety	10,998,097	10,968,300	10,411,556	556,744
Health, education, and welfare:				
Other	520,262	460,262	459,645	617
Judicial	38,251,179	38,359,075	39,583,938	(1,224,863)
Corrections	22,445,443	22,446,343	21,884,672	561,671
Cultural and recreation	3,539,890	3,445,041	3,048,828	396,213
Capital outlay	999,682	1,274,393	1,044,682	229,711
Debt service:				
Principal retirement	9,325,300	9,325,300	9,340,300	(15,000)
Interest and fiscal charges	9,657,445	9,657,445	9,488,089	169,356
Total expenditures	<u>143,073,730</u>	<u>143,902,329</u>	<u>128,428,995</u>	<u>15,473,334</u>
Excess of revenues over expenditures	268,960	246,602	6,610,221	6,363,619
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(13,023,017)	(13,023,017)	(12,974,525)	48,492
Total other financing uses	<u>(13,023,017)</u>	<u>(13,023,017)</u>	<u>(12,974,525)</u>	<u>48,492</u>
Net change in fund balances	<u>\$ (12,754,057)</u>	<u>\$ (12,776,415)</u>	<u>(6,364,304)</u>	<u>\$6,412,111</u>
Net increase in due from other funds			(5,989,904)	
Fund balances, January 1, cash basis			<u>22,230,167</u>	
Fund balance, December 31, cash basis			<u>9,875,959</u>	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			2,874,811	
Fines and costs, net			8,796,491	
Accounts			625,358	
Due from other funds			6,817,533	
Due from other governments			2,890,097	
Accounts payable			(1,197,128)	
Deferred revenue - taxes, fines and costs receivable			(10,511,334)	
Payroll related accruals			<u>(2,432,889)</u>	
Fund balances at December 31, modified accrual basis			<u>\$17,738,898</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$27,909,542	\$27,919,542	\$18,986,224	\$ (8,933,318)
Departmental	3,278,322	3,278,322	2,152,349	(1,125,973)
Interest	350	350	365	15
Total revenues	<u>31,188,214</u>	<u>31,198,214</u>	<u>21,138,938</u>	<u>(10,059,276)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Children and youth	40,625,439	40,647,294	37,824,049	2,823,245
Capital outlay	30,102	18,247	15,905	2,342
Total expenditures	<u>40,655,541</u>	<u>40,665,541</u>	<u>37,839,954</u>	<u>2,825,587</u>
Deficiency of revenues under expenditures	(9,467,327)	(9,467,327)	(16,701,016)	(7,233,689)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	9,415,031	9,415,031	9,148,572	(266,459)
Net change in fund balances	<u>\$ (52,296)</u>	<u>\$ (52,296)</u>	<u>(7,552,444)</u>	<u>\$ (7,500,148)</u>
Net increase in due to other funds			5,391,571	
Fund balances, January 1, cash basis			<u>2,167,619</u>	
Fund balance, December 31, cash basis			<u>6,746</u>	
Differences from modified accrual basis:				
Other receivables			758	
Due from other governments			8,569,605	
Accounts payable			(2,161,325)	
Payroll related accruals			(316,582)	
Due to other funds			<u>(5,391,571)</u>	
Fund balances at December 31, modified accrual basis			<u>\$707,631</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$62,756,530	\$66,256,530	\$66,356,035	\$99,505
Departmental	1,330,370	1,330,370	1,088,644	(241,726)
Interest	345,000	345,000	328,576	(16,424)
Other	-	-	7,555	7,555
Total revenues	<u>64,431,900</u>	<u>67,931,900</u>	<u>67,780,810</u>	<u>(151,090)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	65,926,832	68,797,218	67,071,593	1,725,625
Capital outlay	2,099	631,713	379,374	252,339
Total expenditures	<u>65,928,931</u>	<u>69,428,931</u>	<u>67,450,967</u>	<u>1,977,964</u>
(Deficiency) excess of revenues (under) over expenditures	(1,497,031)	(1,497,031)	329,843	1,826,874
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,448,894	1,448,894	950,739	(498,155)
Net change in fund balances	<u>\$ (48,137)</u>	<u>\$ (48,137)</u>	1,280,582	<u>\$ 1,328,719</u>
Fund balances, January 1, cash basis			<u>9,228,502</u>	
Fund balance, December 31, cash basis			<u>10,509,084</u>	
Differences from modified accrual basis:				
Advances to providers			475,835	
Accounts payable			(4,720,251)	
Unearned revenue			(6,005,194)	
Payroll related accruals			<u>(259,474)</u>	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

Notes to Required Supplementary Information

**1. Budgetary Basis of Accounting**

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

**2. Budgetary Perspective Differences**

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

General Fund revenues per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - General Fund	\$135,039,216
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	<u>(257,385)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$134,781,831</u></u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - General Fund	\$128,428,995
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	<u>(3,260,791)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$125,168,204</u></u>

## County of Lancaster, Pennsylvania

### Combining and Individual Fund Statements and Schedules

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

#### **Domestic Relations Fund**

This fund is used to account for amounts received from various Federal and local sources. These funds are restricted to enforce the support obligations owed by absent parents, locate absent parents, and establish paternity to obtain child and spousal support.

#### **Employment and Training Fund**

This fund is used to account for amounts received from various federal and state sources. These funds are restricted to operate programs wherein job training and employment opportunities are provided for the economically disadvantaged, unemployed, or under employed citizens of Lancaster County.

#### **Office of Aging Fund**

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

#### **Drug and Alcohol Fund**

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

#### **Liquid Fuels Fund**

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

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

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

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

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

#### **Debt Service Fund**

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

County of Lancaster, Pennsylvania

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2008

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
\$ 4,269,223	\$ -	\$ 121,315	\$ -	\$ 3,829,249	\$ 1,683,144	\$ -	\$ -	\$ -	\$ 9,902,931
-	-	181,748	-	-	-	-	380,000	-	561,748
-	-	-	-	-	545,977	-	-	-	545,977
2,865	52,214	23,807	-	13,113	14,784	-	-	-	106,783
686,898	1,646,420	351,301	540,146	277,095	-	-	-	-	3,501,860
-	-	5,142	-	-	-	-	-	-	5,142
<u>\$ 4,958,986</u>	<u>\$ 1,698,634</u>	<u>\$ 683,313</u>	<u>\$ 540,146</u>	<u>\$ 4,119,457</u>	<u>\$ 2,243,905</u>	<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,624,441</u>

**ASSETS**

Cash and temporary investments:

- Operating
- Other
- Investments
- Other receivables
- Due from other governments
- Advances to providers
- Total assets

**LIABILITIES**

Liabilities:

- Accounts payable
- Contracts payable
- Retainage payable
- Due to other funds
- Unearned revenue
- Payroll related accruals
- Other liabilities
- Total liabilities

**FUND BALANCES**

Unreserved:

- Designated for programmatic expenditures in special revenue funds
- Total fund balances
- Total liabilities and fund balances

\$ 7,337	\$ 428,698	\$ 297,105	\$ 329,764	\$ 121,484	\$ -	\$ -	\$ -	\$ -	\$ 1,184,388
-	-	-	-	-	2,243,905	-	-	-	2,243,905
-	-	-	-	75,954	-	-	-	-	75,954
-	1,232,051	-	193,911	-	-	-	-	-	1,425,962
-	-	275,445	-	6,463	-	-	-	-	281,908
113,018	37,885	110,763	16,471	-	-	-	-	-	278,137
-	-	-	-	-	-	-	380,000	-	380,000
<u>120,355</u>	<u>1,698,634</u>	<u>683,313</u>	<u>540,146</u>	<u>203,901</u>	<u>2,243,905</u>	<u>380,000</u>	<u>-</u>	<u>-</u>	<u>5,870,254</u>

4,838,631	-	-	-	3,915,556	-	-	-	-	8,754,187
4,838,631	-	-	-	3,915,556	-	-	-	-	8,754,187
<u>\$ 4,958,986</u>	<u>\$ 1,698,634</u>	<u>\$ 683,313</u>	<u>\$ 540,146</u>	<u>\$ 4,119,457</u>	<u>\$ 2,243,905</u>	<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,624,441</u>

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2008

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
<b>REVENUES</b>									
Intergovernmental	\$ 3,918,614	\$ 6,291,745	\$ 7,669,513	\$ 3,814,332	\$ 1,220,200	\$ -	\$ -	\$ 6,771,491	\$ 29,685,895
Departmental	96,613	-	23,363	-	-	-	-	-	119,976
Interest	107,168	-	-	2,271	95,469	-	-	-	204,908
Other	-	4,054	64,411	84,509	15,630	-	-	-	168,604
Total revenues	4,122,395	6,295,799	7,757,287	3,901,112	1,331,299	-	-	6,771,491	30,179,383
<b>EXPENDITURES</b>									
Current:									
Roads and bridges	-	-	-	-	285,188	-	-	-	285,188
Health, education, and welfare:									
Drug and alcohol	-	-	-	4,209,287	-	-	-	-	4,209,287
Employment and training	-	6,072,669	-	-	-	-	-	-	6,072,669
Office of aging	-	-	8,627,476	-	-	-	-	-	8,627,476
Judicial	5,316,053	-	-	-	-	-	-	-	5,316,053
Community development	-	-	-	-	-	-	-	6,771,491	6,771,491
Capital outlay	7,136	223,130	21,668	-	759,539	-	-	-	1,011,473
Total expenditures	5,323,189	6,295,799	8,649,144	4,209,287	1,044,727	-	-	6,771,491	32,293,637
(Deficiency) excess of revenues (under) over expenditures	(1,200,794)	-	(891,857)	(308,175)	286,572	-	-	-	(2,114,254)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	1,606,800	-	743,541	308,175	-	-	-	-	2,658,516
Total other financing (uses) sources	1,606,800	-	743,541	308,175	-	-	-	-	2,658,516
Net change in fund balances	406,006	-	(148,316)	-	286,572	-	-	-	544,262
Fund balances, January 1	4,432,625	-	148,316	-	3,628,984	-	-	-	8,209,925
Fund balances, December 31	\$ 4,838,631	\$ -	\$ -	\$ -	\$ 3,915,556	\$ -	\$ -	\$ -	\$ 8,754,187

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$3,623,294	\$3,623,294	\$3,920,328	\$297,034
Departmental	80,000	80,000	96,613	16,613
Interest	50,000	50,000	107,168	57,168
Total revenues	<u>3,753,294</u>	<u>3,753,294</u>	<u>4,124,109</u>	<u>370,815</u>
<b>EXPENDITURES</b>				
Current:				
Judicial	5,837,239	5,857,239	5,309,711	547,528
Capital outlay	61,415	41,415	7,136	34,279
Total expenditures	<u>5,898,654</u>	<u>5,898,654</u>	<u>5,316,847</u>	<u>581,807</u>
Deficiency of revenues under expenditures	(2,145,360)	(2,145,360)	(1,192,738)	952,622
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,988,809	1,988,809	1,606,800	(382,009)
Net change in fund balances	<u>\$ (156,551)</u>	<u>\$ (156,551)</u>	<u>414,062</u>	<u>\$570,613</u>
Fund balances, January 1, cash basis			<u>3,855,161</u>	
Fund balance, December 31, cash basis			<u>4,269,223</u>	
Differences from modified accrual basis:				
Due from other governments			686,898	
Other receivables			2,865	
Accounts payable			(7,337)	
Payroll related accruals			<u>(113,018)</u>	
Fund balances at December 31, modified accrual basis			<u>\$4,838,631</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$7,135,672	\$7,135,672	\$5,749,842	\$ (1,385,830)
Other revenues	-	-	\$4,054	\$4,054
Total revenues	<u>7,135,672</u>	<u>7,135,672</u>	<u>5,753,896</u>	<u>(1,381,776)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Employment and training	7,108,446	6,848,665	6,023,679	824,986
Capital outlay	57,924	317,705	223,130	94,575
Total expenditures	<u>7,166,370</u>	<u>7,166,370</u>	<u>6,246,809</u>	<u>919,561</u>
Net change in fund balances	<u>\$ (30,698)</u>	<u>\$ (30,698)</u>	<u>(492,913)</u>	<u>\$ (462,215)</u>
Net decrease in due to other funds			492,913	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Other receivables			52,214	
Due from other governments			1,646,420	
Accounts payable			(428,698)	
Due to other funds			(1,232,051)	
Payroll related accruals			(37,885)	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$8,580,734	\$8,580,734	\$8,018,524	\$ (562,210)
Departmental	99,689	99,689	13,251	(86,438)
Other	118,601	118,601	-	(118,601)
Total revenues	<u>8,799,024</u>	<u>8,799,024</u>	<u>8,031,775</u>	<u>(767,249)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Office of Aging	9,377,318	9,355,650	8,666,513	689,137
Capital outlay	-	21,668	21,668	-
Total expenditures	<u>9,377,318</u>	<u>9,377,318</u>	<u>8,688,181</u>	<u>689,137</u>
Deficiency of revenues under expenditures	(578,294)	(578,294)	(656,406)	(78,112)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	573,696	573,696	743,541	169,845
Net change in fund balances	<u>\$ (4,598)</u>	<u>\$ (4,598)</u>	<u>87,135</u>	<u>\$ 91,733</u>
Fund balances, January 1, cash basis			<u>215,928</u>	
Fund balance, December 31, cash basis			<u>303,063</u>	
Differences from modified accrual basis:				
Other receivables			23,807	
Due from other governments			351,301	
Advances to providers			5,142	
Accounts payable			(297,105)	
Deferred revenue			(275,445)	
Payroll related accruals			(110,763)	
Due to other funds			-	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$3,797,190	\$3,797,190	\$3,767,812	\$ (29,378)
Departmental	173,659	173,659	84,508	(89,151)
Interest	5,405	5,405	2,271	(3,134)
Total revenues	<u>3,976,254</u>	<u>3,976,254</u>	<u>3,854,591</u>	<u>(121,663)</u>
<b>EXPENDITURES</b>				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,330,369	4,330,369	4,319,020	11,349
Total expenditures	<u>4,330,369</u>	<u>4,330,369</u>	<u>4,319,020</u>	<u>11,349</u>
Deficiency of revenues under expenditures	(354,115)	(354,115)	(464,429)	(110,314)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	343,355	343,355	308,175	(35,180)
Net change in fund balances	<u>\$ (10,760)</u>	<u>\$ (10,760)</u>	<u>(156,254)</u>	<u>\$ (145,494)</u>
Net decrease in due to other funds			156,254	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Due from other governments			540,146	
Accounts payable			(329,764)	
Payroll related accruals			(16,471)	
Due to other funds			(193,911)	
Fund balances at December 31, modified accrual basis			<u>\$ -</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget -- Positive
<b>REVENUES</b>				
Intergovernmental	\$850,000	\$850,000	\$943,105	\$93,105
Interest	165,000	165,000	95,469	(69,531)
Other	-	-	8,980	8,980
Total revenues	<u>1,015,000</u>	<u>1,015,000</u>	<u>1,047,554</u>	<u>32,554</u>
<b>EXPENDITURES</b>				
Current:				
Roads and bridges	949,476	847,976	170,826	677,150
Capital outlay	901,000	1,002,500	683,585	318,915
Total expenditures	<u>1,850,476</u>	<u>1,850,476</u>	<u>854,411</u>	<u>996,065</u>
Net change in fund balances	<u>\$ (835,476)</u>	<u>\$ (835,476)</u>	<u>193,143</u>	<u>\$ 1,028,619</u>
Net increase in due to other funds			(119)	
Fund balances, January 1, cash basis			<u>3,636,225</u>	
Fund balance, December 31, cash basis			<u>3,829,249</u>	
Differences from modified accrual basis:				
Notes receivable			8,113	
Other receivables			5,000	
Due from other governments			277,095	
Accounts payable			(121,484)	
Retainage payable			(75,954)	
Deferred revenue			(6,463)	
Fund balances at December 31, modified accrual basis			<u>\$3,915,556</u>	

County of Lancaster, Pennsylvania

Combining Statement of Changes in Assets and Liabilities -  
Agency Funds

For the Year Ended December 31, 2008

	Balance, January 1, 2008	Additions	Deletions	Balance, December 31, 2008
<b>ASSETS</b>				
Cash and temporary investments - operating	\$ 9,582,866	\$ 140,909,074	\$ 141,590,577	\$ 8,901,363
Total assets	<u>\$ 9,582,866</u>	<u>\$ 140,909,074</u>	<u>\$ 141,590,577</u>	<u>\$ 8,901,363</u>
<b>LIABILITIES</b>				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	434,167	834,019	859,497	408,689
Civil debt held	-	16,217	16,217	-
Sheriff's office	1,230,042	9,213,683	9,340,043	1,103,682
All others	15,543	4,379	5,444	14,478
Total deposits and advances	<u>1,679,752</u>	<u>10,068,298</u>	<u>10,221,201</u>	<u>1,526,849</u>
Escrow liability:				
Bail escrow	616,818	184,466	369,551	431,733
Child support	18,593	1,349,671	1,354,024	14,240
County prison	598,889	3,247,649	2,812,576	1,033,962
Court, restitution	1,432,055	7,642,848	8,006,685	1,068,218
All others	540,905	210,083	260,530	490,458
Total escrow	<u>3,207,260</u>	<u>12,634,717</u>	<u>12,803,366</u>	<u>3,038,611</u>
Other:				
All others	1,009,200	8,389,447	8,686,503	712,144
Total other	<u>1,009,200</u>	<u>8,389,447</u>	<u>8,686,503</u>	<u>712,144</u>
Due to other governments:				
Fines and costs	3,630,488	78,387,217	78,440,839	3,576,866
All others	56,166	31,429,395	31,438,668	46,893
Total due to other governments	<u>3,686,654</u>	<u>109,816,612</u>	<u>109,879,507</u>	<u>3,623,759</u>
Total liabilities	<u>\$ 9,582,866</u>	<u>\$ 140,909,074</u>	<u>\$ 141,590,577</u>	<u>\$ 8,901,363</u>

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## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	106
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	110
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	115
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	121
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<b>Operating Information</b>	123
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
<b>Miscellaneous Information</b>	128
These schedules contain principal officials, salaries, amounts of surety bonds and insurance information.	

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

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

Table 1

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

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

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

Table 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>							
Governmental activities:							
General government	\$ 50,532,411	\$ 51,126,152	\$ 41,754,884	\$ 51,954,353	\$ 52,426,879	\$ 68,609,628	\$ 56,939,439
Public Safety	581,174	1,469,344	1,795,340	2,201,133	2,360,548	2,536,633	10,277,194
Roads and bridges	137,182	-	513,691	167,029	623,252	493,225	446,693
Health, education, and welfare	88,706,421	97,528,144	100,939,636	107,626,232	104,177,809	113,385,735	117,363,995
Judicial	28,051,821	28,218,966	31,308,099	33,702,922	35,604,068	41,188,766	43,561,664
Corrections	15,398,863	15,493,466	16,780,827	17,648,560	18,730,110	20,515,725	23,554,777
Cultural and recreation	2,235,843	2,227,827	2,824,566	2,735,472	3,073,281	3,063,646	3,298,512
Community development	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491
Interest on long-term debt	2,803,356	4,605,619	5,609,294	6,751,272	8,916,410	9,163,174	9,444,280
Total governmental activities expenses	<u>193,283,647</u>	<u>205,879,951</u>	<u>207,239,195</u>	<u>228,623,392</u>	<u>231,776,989</u>	<u>263,334,682</u>	<u>271,658,045</u>
Business-type activities:							
Conestoga View (1)	29,480,306	32,127,025	32,802,281	21,980,881	-	-	-
911 Operations (2)	6,573,322	7,094,938	7,269,133	7,676,205	8,210,597	8,663,494	-
Total business-type activities expenses	<u>36,053,628</u>	<u>39,221,963</u>	<u>40,071,414</u>	<u>29,657,086</u>	<u>8,210,597</u>	<u>8,663,494</u>	<u>-</u>
Total primary government expenses	<u>\$ 229,337,275</u>	<u>\$ 245,101,914</u>	<u>\$ 247,310,609</u>	<u>\$ 258,280,478</u>	<u>\$ 239,987,586</u>	<u>\$ 271,998,176</u>	<u>\$ 271,658,045</u>
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$ 3,637,670	\$ 4,522,798	\$ 4,119,087	\$ 5,697,547	\$ 6,340,408	\$ 3,228,878	\$ 9,423,946
Public Safety	90,218	52,102	114,912	498,421	244,403	191,522	3,307,766
Roads and bridges	-	-	-	-	-	-	15,630
Health, education, and welfare	-	-	-	-	-	-	3,340,383
Judicial	7,877,017	7,439,657	5,652,376	7,054,409	8,094,287	6,463,143	8,902,080
Corrections	334,116	133,682	93,158	79,513	78,224	95,800	162,781
Cultural and recreation	258,041	254,042	449,495	272,849	261,701	245,924	292,330
Operating grants and contributions:							
General government	3,565,740	236,193	1,756,407	3,101,614	4,552,280	2,817,224	4,054,521
Public Safety	77,236	296,731	221,398	206,750	100,646	175,821	182,036
Roads and bridges	859,969	837,765	840,401	856,450	770,553	917,389	1,220,200
Health, education, and welfare	86,438,124	96,322,725	100,036,433	105,469,003	102,399,525	109,220,515	115,332,557
Judicial	5,080,469	7,049,416	7,686,720	7,510,499	7,867,386	6,399,328	10,076,920
Corrections	86,207	30,406	31,580	33,611	1,093	88,113	37,905
Cultural and recreation	422,760	4,000	26,837	1,440	2,560	122,981	299,427
Community development	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632	4,378,150	6,771,491
Capital grants and contributions	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>113,564,143</u>	<u>122,389,950</u>	<u>126,741,662</u>	<u>136,618,525</u>	<u>136,577,698</u>	<u>134,344,788</u>	<u>163,419,983</u>
Business-type activities:							
Charges for services:							
Conestoga View (1)	29,315,165	30,592,095	32,297,938	21,845,148	-	-	-
911 Operations (2)	4,127,764	4,143,411	4,057,163	3,838,005	13,031,358	1,492,312	-
Total business-type activities program revenues	<u>33,442,929</u>	<u>34,735,506</u>	<u>36,355,101</u>	<u>25,683,153</u>	<u>13,031,358</u>	<u>1,492,312</u>	<u>-</u>
Total primary government program revenues	<u>\$ 147,007,072</u>	<u>\$ 157,125,456</u>	<u>\$ 163,096,763</u>	<u>\$ 162,301,678</u>	<u>\$ 149,609,056</u>	<u>\$ 135,837,100</u>	<u>\$ 163,419,983</u>
Net (expense) revenue							
Governmental activities	\$ (79,719,504)	\$ (83,490,001)	\$ (80,497,533)	\$ (92,004,867)	\$ (95,199,291)	\$ (128,989,894)	\$ (108,238,062)
Business-type activities	(2,610,699)	(4,486,457)	(3,716,313)	(3,973,933)	4,820,761	(7,171,182)	-
Total primary government net expense	<u>\$ (82,330,203)</u>	<u>\$ (87,976,458)</u>	<u>\$ (84,213,846)</u>	<u>\$ (95,978,800)</u>	<u>\$ (90,378,530)</u>	<u>\$ (136,161,076)</u>	<u>\$ (108,238,062)</u>
<b>General Revenues and Other</b>							
<b>Changes in Net Assets</b>							
Governmental activities:							
Property taxes	\$ 61,239,937	\$ 66,630,867	\$ 76,856,854	\$ 84,055,960	\$ 86,237,553	\$ 94,673,936	\$ 102,490,521
Departmental revenues	5,104,104	6,095,325	7,506,553	5,603,378	8,995,014	14,546,868	-
Unrestricted investment earnings	1,755,276	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613
Transfers	(1,338,163)	(2,458,876)	(3,756,622)	4,892,962	-	(1,531,737)	-
Total governmental activities	<u>66,761,154</u>	<u>71,595,602</u>	<u>81,941,986</u>	<u>97,172,181</u>	<u>100,888,077</u>	<u>113,126,448</u>	<u>104,663,134</u>
Business-type activities:							
Unrestricted investment earnings	10,525	6,450	7,635	14,302	95,040	254,769	-
Transfers	1,338,163	2,458,876	3,756,622	(4,892,962)	-	1,531,737	-
Gain on sale of capital assets	-	-	-	1,504,546	-	-	-
Total business-type activities	<u>1,348,688</u>	<u>2,465,326</u>	<u>3,764,257</u>	<u>(3,374,114)</u>	<u>95,040</u>	<u>1,786,506</u>	<u>-</u>
Total primary government	<u>\$ 68,109,842</u>	<u>\$ 74,060,928</u>	<u>\$ 85,706,243</u>	<u>\$ 93,798,067</u>	<u>\$ 100,983,117</u>	<u>\$ 114,912,954</u>	<u>\$ 104,663,134</u>
<b>Change in Net Assets</b>							
Governmental activities	(12,958,350)	(11,894,399)	1,444,453	5,167,314	5,688,786	(15,863,446)	(3,574,928)
Business-type activities	(1,262,011)	(2,021,131)	47,944	(7,348,047)	4,915,801	(5,384,676)	-
Total primary government	<u>\$ (14,220,361)</u>	<u>\$ (13,915,530)</u>	<u>\$ 1,492,397</u>	<u>\$ (2,180,733)</u>	<u>\$ 10,604,587</u>	<u>\$ (21,248,122)</u>	<u>\$ (3,574,928)</u>

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

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

(2) Effective January 1, 2008, activities and balances once associated with the 911 Operations Fund are now being 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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 1,293,016	\$ 1,265,572	\$ 1,228,659	\$ 1,189,348	\$ 1,25,895	\$ 97,911	\$ 67,667	\$ 35,097	\$ -	\$ -
Unreserved	9,534,281	11,498,241	5,424,400	7,844,605	9,047,754	10,913,739	17,143,130	18,820,499	21,099,796	17,738,898
Total general fund	<u>\$10,827,297</u>	<u>\$12,763,813</u>	<u>\$ 6,653,059</u>	<u>\$ 9,033,953</u>	<u>\$ 9,173,649</u>	<u>\$11,011,650</u>	<u>\$17,210,797</u>	<u>\$18,855,596</u>	<u>\$21,099,796</u>	<u>\$17,738,898</u>
All other governmental funds										
Reserved	\$ 7,286,001	\$ 8,136,843	\$ 8,846,710	\$ 2,089,178	\$ 1,721,796	\$ 3,426,433	\$ 4,676	\$ 7,334	\$ 5,041	\$ -
Unreserved:										
Special revenue funds	7,164,014	7,332,842	7,828,487	15,750,826	13,454,145	10,354,642	12,522,948	13,329,552	9,818,532	9,461,818
Capital projects funds	270,095	31,942,096	23,768,693	8,968,283	5,113,875	23,906,508	24,706,125	57,830,187	24,629,850	12,905,607
Total all other governmental funds	<u>\$14,720,110</u>	<u>\$47,411,781</u>	<u>\$40,443,890</u>	<u>\$26,808,287</u>	<u>\$20,289,816</u>	<u>\$37,687,583</u>	<u>\$37,233,749</u>	<u>\$71,167,073</u>	<u>\$34,453,423</u>	<u>\$22,367,425</u>
Total fund balances of all governmental funds	<u>\$25,547,407</u>	<u>\$60,175,594</u>	<u>\$47,096,949</u>	<u>\$35,842,240</u>	<u>\$29,463,465</u>	<u>\$48,699,233</u>	<u>\$54,444,546</u>	<u>\$90,022,669</u>	<u>\$55,553,219</u>	<u>\$40,106,323</u>

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

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

Table 4

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Taxes	\$ 54,265,591	\$ 56,347,904	\$ 57,902,496	\$ 60,953,442	\$ 67,106,816	\$ 75,693,294	\$ 83,776,893	\$ 86,408,680	\$ 94,489,341	\$ 101,960,944
Intergovernmental	69,668,080	84,176,629	92,023,376	101,367,081	109,987,669	116,312,634	123,015,786	121,558,675	124,119,521	134,833,834
Departmental	13,043,400	12,844,848	13,865,686	15,494,862	14,186,879	13,767,339	14,367,287	18,495,875	20,103,239	21,986,938
Fines and costs	2,961,714	3,121,137	3,957,438	3,532,836	3,610,638	3,423,118	2,727,025	2,566,259	2,697,688	2,877,665
Interest	1,966,978	4,885,056	3,622,738	1,755,276	1,328,286	1,335,201	2,619,881	5,655,510	5,437,381	2,172,613
Other	1,616,854	802,947	697,691	932,256	581,403	674,277	962,363	221,893	547,399	978,544
Health Choices revenues	-	-	-	72,421	168,922	734,008	793,991	868,381	1,047,296	991,961
Total revenues	<u>143,522,617</u>	<u>162,178,521</u>	<u>172,069,425</u>	<u>184,108,174</u>	<u>196,970,613</u>	<u>211,939,871</u>	<u>228,263,226</u>	<u>235,765,273</u>	<u>248,441,865</u>	<u>265,772,499</u>
<b>Expenditures</b>										
General government	21,518,895	25,892,225	41,587,893	39,542,400	38,000,997	33,486,730	45,348,382	34,278,385	31,244,732	32,817,697
Public safety (1)	5,206,259	5,971,456	6,241,998	254,174	647,582	769,267	1,100,204	1,234,268	1,366,272	10,606,865
Roads and bridges	560,989	-	433,594	205,939	520,417	486,841	-	498,963	409,115	285,188
Health, education and welfare	66,239,229	78,419,782	88,810,489	96,783,827	106,647,314	110,168,966	117,227,436	114,611,618	125,716,956	130,287,274
Judicial	23,284,151	24,527,754	26,919,414	28,803,044	29,933,955	32,874,042	34,996,763	37,036,579	42,402,361	45,236,178
Corrections	11,721,069	12,567,146	13,082,682	14,041,578	14,118,091	15,459,196	16,640,060	17,407,351	19,225,889	22,169,692
Cultural and recreation	1,881,487	2,016,937	2,263,339	2,117,355	2,112,098	2,702,712	2,486,594	2,850,927	2,845,631	3,076,031
Community development	3,965,971	5,133,874	4,561,550	4,836,576	5,210,433	5,712,868	5,836,419	5,864,632	4,378,150	6,771,491
Depreciation in fair value of investments	210,073	-	-	-	-	-	-	-	-	-
Capital outlay	6,535,965	22,364,395	16,934,114	9,955,828	17,264,521	4,361,693	12,958,119	20,910,986	35,371,682	19,793,861
Capital lease	-	-	-	-	-	-	-	-	-	-
Debt service (2):										
Principal	4,360,000	4,810,000	4,495,000	1,920,000	4,745,000	5,855,000	7,575,944	7,815,000	9,105,000	9,340,300
Interest and fiscal charges	1,875,940	3,198,789	4,114,619	2,700,128	4,505,001	5,154,688	6,663,917	8,657,602	9,313,790	9,488,089
Bond issuance costs	-	-	-	288,909	684,877	460,269	352,037	611,008	48,179	146,729
Total expenditures	<u>147,360,028</u>	<u>184,902,358</u>	<u>209,444,692</u>	<u>201,449,758</u>	<u>224,390,286</u>	<u>217,492,262</u>	<u>251,185,875</u>	<u>251,777,319</u>	<u>281,427,757</u>	<u>290,019,395</u>
Excess of revenues over (under) expenditures	(3,837,411)	(22,723,837)	(37,375,267)	(17,341,584)	(27,419,673)	(5,552,391)	(22,922,649)	(16,012,046)	(32,985,892)	(24,246,896)
<b>Other financing sources (uses)</b>										
Transfers in	6,254,615	8,602,159	10,185,986	9,553,080	11,640,302	10,995,250	19,538,119	13,013,439	16,017,815	12,974,525
Transfers out	(6,254,615)	(8,602,159)	(9,925,986)	(10,891,243)	(14,099,178)	(14,751,872)	(14,645,157)	(13,013,439)	(17,549,552)	(12,974,525)
Refunding bonds issued	9,573,225	-	5,734,900	28,260,000	37,660,000	5,005,000	-	-	10,000,000	-
Payment to refunded bond escrow agent	(9,573,225)	-	(5,734,900)	(28,245,174)	(37,581,596)	(5,160,255)	-	-	(9,951,821)	-
Premium on refunding bonds issued	-	-	-	181,626	318,760	1,400,036	-	-	-	-
Bonds issued	-	57,352,014	24,036,622	7,345,000	23,305,000	27,300,000	23,775,000	51,590,169	-	8,800,000
Bond discount	-	-	-	(116,414)	(202,390)	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>57,352,014</u>	<u>24,296,622</u>	<u>6,086,875</u>	<u>21,040,898</u>	<u>24,788,159</u>	<u>28,667,962</u>	<u>51,590,169</u>	<u>(1,483,558)</u>	<u>8,800,000</u>
Net change in fund balances	<u>\$ (3,837,411)</u>	<u>\$ 34,628,177</u>	<u>\$ (13,078,645)</u>	<u>\$ (11,254,709)</u>	<u>\$ (6,378,775)</u>	<u>\$ 19,235,768</u>	<u>\$ 5,745,313</u>	<u>\$ 35,578,123</u>	<u>\$ (34,469,450)</u>	<u>\$ (15,446,896)</u>
Debt service as a percentage of noncapital expenditures	4.4%	4.5%	4.3%	2.5%	4.6%	5.6%	6.2%	7.3%	7.0%	7.0%

(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.

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

Table 5

Year	Assessed Value	Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value As A Percentage of Actual Value
		Tax Exempt Property					
1999	\$ 22,561,137,200	\$ 1,886,548,300		\$ 20,674,588,900	2.515	\$ 20,674,588,900	100%
2000	25,267,114,100	2,403,532,000		22,863,582,100	2.515	22,863,582,100	100%
2001	25,773,667,700	2,486,052,200		23,287,615,500	2.613	23,287,615,500	100%
2002	25,908,504,500	2,534,790,200		23,373,714,300	2.613	23,373,714,300	100%
2003	26,407,814,800	2,544,307,300		23,863,507,500	2.847	23,863,507,500	100%
2004	31,214,117,500	2,964,915,500		28,249,202,000	3.205	28,249,202,000	100%
2005	32,157,858,100	3,051,498,400		29,106,359,700	2.962	29,106,359,700	100%
2006	32,751,399,500	3,087,810,600		29,663,588,900	2.962	29,663,588,900	100%
2007	33,344,251,500	3,190,080,200		30,154,171,300	3.189	30,154,171,300	100%
2008	33,808,345,300	3,334,971,300		30,473,374,000	3.416	30,473,374,000	100%

Source: County of Lancaster, Assesment Office

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

Note: Assessed value by major component not available.

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

Table 6

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>City:</b>										
Lancaster	26.455	26.455	26.5530	28.6730	29.5570	29.9150	30.0120	31.5720	32.4490	33.0360
<b>Borough:</b>										
Adamstown	18.555	18.555	19.1530	20.1530	20.3870	20.7450	21.3820	21.9620	23.1190	24.3260
Akron	16.205	17.205	18.3030	19.9530	20.1870	22.1450	19.9770	21.4920	22.3890	23.5060
Christiana	19.485	21.075	21.9830	25.4630	27.1470	27.6250	26.9010	29.8910	30.1180	35.2860
Columbia	23.091	23.675	23.7730	24.2730	27.9970	29.3550	27.4920	27.9920	30.1090	34.1660
Denver	18.375	18.375	18.7230	19.7230	20.1370	21.0650	21.5670	22.1470	23.5190	24.8460
East Petersburg	16.457	17.757	18.4050	19.2250	19.9590	20.9500	19.6530	20.1490	20.8989	20.2974
Elizabethtown	17.265	17.265	18.2130	18.7130	18.9470	20.1050	18.1760	20.8920	22.3584	23.4276
Ephrata	16.142	17.142	18.2400	19.8900	20.1240	22.0820	19.9960	20.9960	22.2690	23.3860
Litz	16.74	16.74	16.8380	18.7130	20.4470	22.4050	19.5220	20.1220	20.5890	21.7160
Manheim	18.815	19.385	19.9830	20.7330	20.9670	22.0450	19.8720	20.8020	21.0290	21.5060
Marietta	17.975	18.205	19.5230	20.2230	20.8770	22.6050	20.5720	23.4120	23.6390	26.6460
Millersville	19.493	19.635	19.7330	20.2830	20.5170	22.3750	21.3620	22.2920	23.1490	24.1760
Mount Joy	16.725	17.105	18.5230	19.2230	19.9770	20.7050	19.1720	22.2620	22.4890	25.4460
Mountville	15.855	16.355	17.0030	18.0530	18.7870	19.5450	18.2510	19.5800	20.5299	22.7974
New Holland	15.355	15.355	15.6230	15.6230	16.9970	17.3550	15.9720	16.3620	17.1532	17.8802
Quarryville	11.995	11.995	12.4130	13.7630	13.9970	14.7050	13.9595	14.3471	14.9886	16.8038
Strasburg	17.005	17.465	18.1130	19.6530	20.4870	21.8450	19.7720	20.8520	21.8190	22.8760
Terre Hill	16.325	16.825	16.9230	16.9230	17.7970	19.5550	17.2220	17.3120	18.6032	19.3302
<b>Townships:</b>										
Bart	10.895	10.845	17.5130	17.8630	11.7970	12.5050	11.8095	12.1971	12.8386	13.6538
Brecknock	14.325	14.325	14.4230	14.4230	15.3303	15.6883	14.2910	14.3810	15.1722	15.8992
Caernarvon	14.225	14.225	14.3230	14.3230	15.1970	15.5550	14.1720	14.2120	15.0032	15.7052
Clay	15.1898	16.1898	17.2878	18.9378	19.1718	21.1298	19.0140	20.2489	21.1459	22.8060
Colerain	10.495	10.495	11.1130	11.4630	11.6970	12.4050	11.7665	12.2091	12.8506	13.6658
Conestoga	17.132	17.442	17.5400	18.0900	18.3240	18.6820	17.7250	18.3850	19.1920	20.0190
Conoy	14.665	14.665	15.1130	15.6130	15.8470	16.7050	15.0960	17.3120	18.5284	19.5976
Drumore	10.095	10.095	10.5130	11.0630	11.2970	12.0050	12.2095	12.5971	13.2386	14.0538

(Continued)

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

Table 6 (Cont.)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Earl	15.025	15.025	15.1230	15.1230	15.9970	16.3550	15.0220	15.1120	15.9032	16.6302
East Cocalico	17.675	17.625	18.2230	19.2230	19.4570	20.0650	20.7570	21.3370	22.7440	23.9510
East Donegal	15.875	16.105	17.5230	18.2230	19.1270	20.3550	18.7190	21.5590	21.7860	24.8460
East Drumore	10.495	10.495	10.9130	11.2630	11.4970	12.2050	11.5995	11.9871	12.6286	13.4438
East Earl	14.565	14.825	14.9230	14.9230	15.7970	16.3550	14.9020	15.1120	16.2032	17.0302
East Hempfield	16.135	16.635	17.2830	18.1030	18.8370	19.4950	18.1410	18.8900	19.6399	21.1174
East Lampeter	14.625	14.755	14.8530	15.2530	16.2570	17.0150	15.2940	15.8670	16.6960	17.4050
Eden	10.165	10.165	10.5830	10.9330	11.1670	11.8750	11.8095	12.1971	12.8386	13.6538
Elizabeth	15.615	15.615	15.7130	17.2130	18.9470	20.9050	18.1620	18.7620	18.9890	20.1160
Ephrata	16.055	17.055	18.1530	19.8030	20.0370	21.9950	19.7620	20.7620	21.6590	22.7760
Fulton	10.315	10.315	10.7330	11.0830	11.3170	12.0250	11.4195	11.8071	12.4486	13.2638
Lancaster	20.015	20.015	20.1130	21.4830	21.7170	22.3750	22.9420	24.0020	24.2290	24.4560
Leacock	15.215	15.415	15.9130	17.0130	17.8470	18.7050	16.5920	17.9920	18.7190	19.5890
Little Britain	10.515	10.515	10.9330	11.2830	11.5170	12.2250	11.5995	11.9871	12.6286	13.4438
Manheim	16.765	17.165	17.7530	18.7430	19.9270	21.0250	18.9620	19.5920	20.3190	21.2160
Manor	17.225	17.535	17.6330	18.1830	18.4170	18.7750	17.8120	18.4720	19.2790	20.1060
Martic	16.325	16.635	16.7330	17.2830	17.5170	17.8750	17.0320	17.6920	18.4990	19.3260
Mount Joy Part (2)	15.375	15.855	17.1480	18.1730	18.8270	19.5550	17.7920	20.2437	20.4720	23.2270
Mount Joy Part (3)	15.165	15.415	16.2380	17.0630	17.2970	18.1550	16.3160	18.3937	19.6114	20.6786
Paradise	15.665	15.865	16.9130	18.0130	18.8470	19.7050	17.4820	18.8820	19.6090	20.4790
Penn	17.565	18.135	18.2330	18.9830	19.2170	20.2950	18.3320	19.0140	19.2410	19.4680
Pequea	17.4487	17.7587	17.8566	18.8930	19.2170	19.5750	18.5820	19.2420	20.0490	20.8760
Providence	10.315	10.315	10.7330	11.0830	11.3170	12.0250	11.4025	11.7901	12.4316	13.2468
Rapho	16.815	17.385	17.4830	18.2330	18.4670	19.2950	17.5220	18.2020	18.4290	18.6560
Sadsbury	17.735	19.325	20.2330	22.2130	23.8970	24.4750	23.8820	26.8720	27.0990	31.5860
Salisbury	14.945	15.145	15.6430	16.7430	17.5770	18.4350	16.3420	17.7420	18.4690	19.3390
Strasburg	15.805	16.065	16.5130	18.1530	18.9870	20.2450	18.4820	19.3620	20.2290	21.1860
Upper Leacock	14.665	14.925	15.2230	15.7330	16.6170	17.5650	15.7720	16.2220	16.8560	17.5650
Warwick	15.9454	15.9454	16.0434	17.5434	19.2774	21.2354	18.4360	19.0360	19.2630	20.3900
West Cocalico	17.125	17.625	18.4730	19.4730	19.7070	20.1650	20.8150	21.3950	22.5520	23.8260
West Donegal	16.165	16.165	16.6130	17.1130	17.3470	18.2050	16.4463	18.6623	19.8787	20.9479
West Earl	14.295	14.925	15.0230	15.4230	16.3070	17.0650	15.8620	16.3120	16.9460	17.6550
West Hempfield	15.135	15.635	16.2830	17.1030	17.8370	18.4950	17.3010	18.5600	19.3099	20.4774
West Lampeter	15.6988	16.1057	16.5537	18.3530	19.1870	20.4450	18.6410	19.5210	20.3880	21.3450

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

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

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

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

County of Lancaster, Pennsylvania  
Principal Property Taxpayers  
December 31, 2008

Table 7

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Spitzer James Et Al (Park City)	\$ 129,942,300	1	0.43%	\$ 150,320,900	2	0.73%
High Properties	125,341,500	2	0.41%	183,761,600	1	0.89%
Willow Valley Retirement	108,792,500	3	0.36%	113,845,000	3	0.55%
Lancaster General Foundation	104,001,900	4	0.34%			
Willow Valley Manor	84,501,400	5	0.28%			
High Properties Et Al	77,644,600	6	0.25%			
Granite Properties	65,946,600	7	0.22%			
Dart Container Corp of PA	65,466,600	8	0.21%			
Rockvale Group	58,186,700	9	0.19%			
ASP Realty Inc	50,996,100	10	0.17%			
Armstrong World Industries Inc				96,177,700	4	0.47%
Willow Valley Assoc Inc				39,942,700	5	0.19%
New Holland Inc				34,598,700	6	0.17%
R.R. Donnelley Printing				34,593,200	7	0.17%
American Stores				28,931,600	8	0.14%
Warner-Lambert Co				26,090,700	9	0.13%
Howmet Aluminum Corp (Alumax)				23,548,600	10	0.11%
Total	<u>\$ 870,820,200</u>		<u>2.86%</u>	<u>\$ 731,810,700</u>		<u>3.54%</u>

Source: County of Lancaster, Assessment Office

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

Table 8

Year	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (2)	Ratio of Delinquent Taxes to Total Tax Levy
1999	\$ 55,167,820	\$ 52,320,144	94.84%	\$ 1,996,662	\$ 54,316,806	98.46%	\$ 1,075,483	1.95%
2000	56,401,307	55,125,390	97.74%	1,176,172	56,301,562	99.82%	618,847	1.10%
2001	59,742,551	56,713,662	94.93%	1,195,523	57,909,185	96.93%	825,459	1.38%
2002	60,580,539	59,551,180	98.30%	1,657,148	61,208,328	101.04%	858,099	1.42%
2003	66,544,976	65,227,229	98.02%	1,472,215	66,699,444	100.23%	787,401	1.18%
2004	76,404,957	74,129,754	97.02%	1,549,926	75,679,680	99.05%	563,158	0.74%
2005	83,612,635	82,200,782	98.31%	1,509,305	83,710,087	100.12%	635,982	0.76%
2006	86,161,049	84,398,755	97.95%	1,839,425	86,238,180	100.09%	722,830	0.84%
2007	94,514,982	92,719,914	98.10%	1,822,994	94,542,908	100.03%	650,329	0.69%
2008	103,006,648	100,146,553	97.22%	1,887,440	102,033,993	99.06%	771,502	0.75%

Source: County of Lancaster, Controller's Office, unless otherwise stated

(1) County of Lancaster, Assessment Office

(2) County of Lancaster, Tax Bureau

Note: Total tax collections include penalties and interest.

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	Lease Rental Bond Debt	Capital Equipment Lease					
1999	\$ 45,745,234	\$ -	\$ 822,699		\$ 46,567,933	0.37%	\$ 99.53	
2000	98,605,913	-	548,466		99,154,379	0.73%	210.17	
2001	122,326,369	-	274,233		122,600,602	0.91%	258.47	
2002	129,684,581	573,000	664,945		130,922,526	0.96%	273.94	
2003	151,950,075	949,000	392,401		153,291,476	1.08%	318.30	
2004	174,728,072	934,000	102,939		175,765,011	1.16%	362.10	
2005	192,883,456	919,000	94,200		193,896,656	1.23%	396.61	
2006	237,706,173	904,000	86,245		238,696,418	1.45%	483.86	
2007	230,282,253	889,000	922,876		232,094,129	1.35%	466.09	
2008	230,717,789	874,000	1,118,669		232,710,458	*	463.23	

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

(1) See the 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.

\* Information not available for this year.

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

Table 10

Year	General Obligation Bonds	Lease Rental Bond Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Debt Per Capita (2)
1999	\$ 45,745,234	\$ -	\$ 7,286,011	\$ 38,459,223	0.19%	\$ 82.20
2000	98,605,913	-	8,136,843	90,469,070	0.40%	191.76
2001	122,326,369	-	8,846,710	113,479,659	0.49%	239.24
2002	129,684,581	573,000	9,391,894	120,865,687	0.52%	252.90
2003	151,950,075	949,000	6,778,720	146,120,355	0.61%	303.41
2004	174,728,072	934,000	3,986,246	171,675,826	0.61%	353.68
2005	192,883,456	919,000	1,796,517	192,005,939	0.66%	392.74
2006	237,706,173	904,000	850,916	237,759,257	0.80%	481.96
2007	230,282,253	889,000	-	231,171,253	0.77%	464.24
2008	230,717,789	874,000	-	231,591,789	0.76%	461.00

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, 2008

Table 11

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Lancaster	\$ 231,591,789	100%	\$ 231,591,789
Overlapping:			
City of Lancaster	\$ 189,049,865	100%	\$ 189,049,865
School Districts:			
Cocalico	\$ 29,332,256	100%	\$ 29,332,256
Columbia Borough	14,975,727	100%	14,975,727
Conestoga Valley	44,683,992	100%	44,683,992
Donegal	16,514,068	100%	16,514,068
Eastern Lancaster County	23,263,791	100%	23,263,791
Elizabethtown Area	19,871,038	100%	19,871,038
Ephrata Area	67,920,000	100%	67,920,000
Hempfield	78,038,325	100%	78,038,325
Lampeter-Strasburg	57,285,000	100%	57,285,000
Lancaster	98,527,482	100%	98,527,482
Manheim Central	49,400,429	100%	49,400,429
Manheim Township	110,178,852	100%	110,178,852
Octorara	64,920,000	100%	64,920,000
Penn Manor	44,148,978	100%	44,148,978
Pequea Valley	35,938,926	100%	35,938,926
Solanco	16,280,000	100%	16,280,000
Warwick	86,250,000	100%	86,250,000
Total School Districts			\$ 857,528,864
Municipal Authorities:			
Adamstown Borough	\$ 923,800	100%	\$ 923,800
Akron Borough	488,126	100%	488,126
Bainbridge Water Authority	160,000	100%	160,000
Blue Ball Water Authority	-	100%	-
Christiana Borough Authority	370,857	100%	370,857
Columbia Borough	3,432,747	100%	3,432,747
Columbia Municipal Authority	1,097,286	100%	1,097,286
Denver Borough	-	100%	-
Earl Township Sewer Authority	2,365,000	100%	2,365,000
East Cocalico Township Water & Sewer Authority	3,610,000	100%	3,610,000
East Donegal Township Sewer Authority	-	100%	-
East Donegal Township Water Authority	649,531	100%	649,531
East Earl Sewer Authority	650,000	100%	650,000
East Hempfield Municipal Authority	-	100%	-
East Lampeter Sewer Authority	7,274,000	100%	7,274,000
East Lampeter Township	8,705,000	100%	8,705,000
Elizabethtown Area Regional Authority	1,579,000	100%	1,579,000
Ephrata Area Joint Authority	5,205,000	100%	5,205,000
Ephrata Borough Authority	16,060,000	100%	16,060,000
Ephrata Township Sewer Authority	1,884,924	100%	1,884,924
Georgetown Area Sewer Authority	281,451	100%	281,451
Lancaster Airport Authority	567,039	100%	567,039
Lancaster Area Sewer Authority	75,810,000	100%	75,810,000
Lancaster County Hospital Authority	678,680,133	100%	678,680,133
Lancaster County Solid Waste Management Authority	98,846,454	100%	98,846,454

(Continued)

County of Lancaster, Pennsylvania  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2008

Table 11 (Cont.)

Jurisdiction:	(1) Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lancaster County Vo-Tech School Authority	\$ 3,675,000	100%	\$ 3,675,000
Lancaster Downtown Investment District Authority	-	100%	-
Lancaster-Lebanon Joint Authority	3,408,392	100%	3,408,392
Lancaster Municipal Authority	-	100%	-
Lancaster Parking Authority	55,095,382	100%	55,095,382
Leacock Township Sewer Authority	2,864,722	100%	2,864,722
Leola Sewer Authority	855,751	100%	855,751
Lititz Sewer Authority	705,121	100%	705,121
Manheim Borough Authority	11,432,774	100%	11,432,774
Manheim Township Authority	1,310,000	100%	1,310,000
Marietta Borough	-	100%	-
Marietta-Donegal Joint Authority	5,789,580	100%	5,789,580
Mount Joy Borough Authority	17,050,000	100%	17,050,000
Mount Joy Township Authority	10,206,594	100%	10,206,594
Mountville Borough Authority	210,000	100%	210,000
New Holland Borough Authority	1,343,460	100%	1,343,460
Northern Lancaster County Sewer Authority	1,660,764	100%	1,660,764
Northwestern Lancaster Co Water & Sewer Authority	8,686,700	100%	8,686,700
Paradise Township Sewer Authority	2,252,394	100%	2,252,394
Quarryville Borough	-	100%	-
Quarryville Borough Authority	-	100%	-
Redevelopment Authority	18,799,790	100%	18,799,790
Red Rose Transit Authority	-	100%	-
Sadsbury Township Municipal Authority	1,462,841	100%	1,462,841
Suburban Lancaster Sewer Authority	17,746,852	100%	17,746,852
Warwick Township Municipal Authority	8,092,739	100%	8,092,739
West Cocalico Township Authority	1,393,995	100%	1,393,995
West Donegal Township Authority	5,579,878	100%	5,579,878
West Earl Sewer Authority	6,100,000	100%	6,100,000
West Earl Water Authority	1,891,190	100%	1,891,190
Western Heights Water Authority	-	100%	-
Total Municipalities			<u>\$ 1,096,254,267</u>
Total Overlapping Debt			<u>\$ 2,142,832,996</u>
Total direct and overlapping debt			<u>\$ 2,374,424,785</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

	Fiscal Year			
	1999	2000	2001	2002
Borrowing base revenues (1):				
Two years prior				
Prior year	\$ 80,864,860	\$ 94,431,590	\$ 97,623,975	\$ 100,212,634
Current year	94,431,590	97,623,975	100,212,634	105,046,643
Total borrowing base revenues	<u>\$ 272,920,425</u>	<u>\$ 292,268,199</u>	<u>\$ 302,883,252</u>	<u>\$ 320,248,112</u>
Average borrowing base revenues	\$ 90,973,475	\$ 97,422,733	\$ 100,961,084	\$ 106,749,371
Net Nonelectoral Debt Limit:				
Average borrowing base revenues	\$ 90,973,475	\$ 97,422,733	\$ 100,961,084	\$ 106,749,371
Debt limit percentage	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>272,920,425</u>	<u>292,268,199</u>	<u>302,883,252</u>	<u>320,248,112</u>
Total amount of debt applicable to debt limit	<u>45,745,234</u>	<u>98,605,913</u>	<u>122,326,369</u>	<u>130,257,581</u>
Total Remaining Nonelectoral Debt Capacity	<u>\$ 227,175,191</u>	<u>\$ 193,662,286</u>	<u>\$ 180,556,883</u>	<u>\$ 189,990,531</u>
Total net debt applicable to the limit as a percentage of debt limit	16.76%	33.74%	40.39%	40.67%

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.)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Borrowing base revenues (1):	\$ 105,046,643	\$ 114,988,835	\$ 126,410,082	\$ 131,266,881	\$ 129,499,678	\$ 123,748,612
	114,988,835	126,410,082	131,266,881	129,499,678	123,748,612	122,530,609
	126,410,082	131,266,881	129,499,678	123,748,612	122,530,609	129,828,387
Total borrowing base revenues	<u>\$ 346,445,560</u>	<u>\$ 372,665,798</u>	<u>\$ 387,176,641</u>	<u>\$ 384,515,171</u>	<u>\$ 375,778,899</u>	<u>\$ 376,107,608</u>
Average borrowing base revenues	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203
Net Nonelectoral Debt Limit:						
Average borrowing base revenues	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203
Debt limit percentage	300%	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>346,445,558</u>	<u>372,665,798</u>	<u>387,176,641</u>	<u>384,515,171</u>	<u>375,778,899</u>	<u>376,107,608</u>
Total amount of debt applicable to debt limit	151,950,075	174,728,072	192,883,456	237,706,173	230,282,253	230,717,789
Total Remaining Nonelectoral Debt Capacity	<u>\$ 194,495,483</u>	<u>\$ 197,937,726</u>	<u>\$ 194,293,185</u>	<u>\$ 146,808,998</u>	<u>\$ 145,496,646</u>	<u>\$ 145,389,819</u>
Total net debt applicable to the limit as a percentage of debt limit	43.86%	46.89%	49.82%	61.82%	61.28%	61.34%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit						
Average borrowing base revenues	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880	\$ 128,171,724	\$ 125,259,633	\$ 125,369,203
Debt limit percentage	400%	400%	400%	400%	400%	400%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	<u>461,927,413</u>	<u>496,887,732</u>	<u>516,235,520</u>	<u>512,686,895</u>	<u>501,038,532</u>	<u>501,476,811</u>
Less: Non-electoral Debt and Lease Rental Debt	152,899,075	175,662,072	193,802,456	238,610,173	231,171,253	231,591,789
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 309,028,338</u>	<u>\$ 321,225,660</u>	<u>\$ 322,433,064</u>	<u>\$ 274,076,722</u>	<u>\$ 269,867,279</u>	<u>\$ 269,885,022</u>
Total net debt applicable to the limit as a percentage of debt limit	33.10%	35.35%	37.54%	46.54%	46.14%	46.18%

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

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

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

County of Lancaster, Pennsylvania  
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)
1999	467,879	\$ 12,519,977	\$ 26,759	34.8	85,647	2.2%
2000	471,776	13,569,528	28,763	36.1	85,569	2.5%
2001	474,337	13,528,256	28,520	36.5	85,571	3.4%
2002	477,927	13,669,563	28,602	36.8	85,836	3.8%
2003	481,595	14,247,926	29,585	37.0	86,364	3.5%
2004	485,401	15,121,762	31,153	37.1	85,996	3.4%
2005	488,884	15,775,543	32,268	37.3	86,471	3.3%
2006	493,321	16,415,933	33,276	37.5	87,209	3.0%
2007	497,955	17,238,949	34,619	37.5	87,480	3.3%
2008	502,370	*	*	*	87,909	5.3%

Sources:

- (1) Population: 1999 - 2007 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce  
2008 - Estimate provided by U.S. Census Bureau and is based on Fiscal Year
- (2) Personal Income: 1999 - 2007 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
- (3) Per Capita Personal Income: 1999 - 2007 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
- (4) Median Age: Population Estimates, US Census Bureau; based on Fiscal Year
- (5) School Enrollment: PA Department of Education
- (6) Local Unemployment Rate: U.S. Department of Labor, Bureau of Labor Statistics

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

\* Information not available for this year.

County of Lancaster, Pennsylvania  
Principal Employers  
December 31, 2008

Table 14

Employer (1)	2008			1999		
	Employees (2)	Rank (1)	Percentage of Total County Employment	Employees (2)	Rank (1)	Percentage of Total County Employment
Lancaster General Hospital	7,251	1	3.15%	4,393	2	2.20%
R.R. Donnelley & Sons Company	2,894	2	1.26%	*	1	*
Manheim Auto Auction Inc	2,523	3	1.10%	*	7	*
Lancaster County	2,145	4	0.93%	2,483	4	1.25%
Ephrata Community Hospital Inc	1,923	5	0.84%			
Armstrong World Industries Inc	1,725	6	0.75%	*	3	*
Dart Container Corporation	1,700	7	0.74%			
School District of Lancaster	1,647	8	0.72%	1,359	10	0.68%
Turkey Hill LP	1,409	9	0.61%			
Tyson Foods Inc	1,404	10	0.61%			
Masonic Homes				*	5	*
High Industries Inc				*	8	*
Weis Markets Inc				*	6	*
New Holland North America Inc				*	9	*
Tyson Foods Inc				*	9	*
Total	<u>24,621</u>			*		
Total Employees in County	<u>230,049 (1)</u>			<u>199,300 (1)</u>		

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

\* Data not available

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

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

Table 15

Function/Program:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Governmental Activities</b>										
General government	253	254	265	263	269	261	264	266	262	275
Public safety	5	5	5	6	6	6	7	8	9	104
Roads and bridges	-	-	-	-	3	3	4	4	-	-
Health, education, and welfare	323	317	332	347	363	379	378	387	392	403
Judicial	467	497	529	541	545	556	556	576	584	609
Corrections	241	237	257	306	300	306	295	303	292	304
Cultural and recreation	30	31	31	32	32	33	35	35	34	32
<b>Total governmental activities</b>	<b>1,319</b>	<b>1,341</b>	<b>1,419</b>	<b>1,495</b>	<b>1,518</b>	<b>1,544</b>	<b>1,539</b>	<b>1,579</b>	<b>1,573</b>	<b>1,727</b>
<b>Business-type activities</b>										
Conestoga View	440	424	460	466	475	472	-	-	-	-
911 Operations	77	89	91	91	92	93	93	93	93	-
<b>Total business type activities</b>	<b>517</b>	<b>513</b>	<b>551</b>	<b>557</b>	<b>567</b>	<b>565</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>-</b>
<b>Total</b>	<b>1,836</b>	<b>1,854</b>	<b>1,970</b>	<b>2,052</b>	<b>2,085</b>	<b>2,109</b>	<b>1,632</b>	<b>1,672</b>	<b>1,666</b>	<b>1,727</b>

Source: County of Lancaster, Controller's Office

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

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

Table 16

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Government</b>										
General Election Information:										
Registered voters	249,173	265,877	269,273	274,270	278,540	311,934	293,329	299,412	303,184	326,501
Votes cast	62,968	180,098	64,573	127,765	76,609	221,251	72,708	151,843	71,099	228,857
Percent of votes cast	25.27%	67.74%	23.98%	46.58%	27.50%	70.93%	24.79%	50.71%	23.45%	70.09%
Property transfers recorded	13,883	12,911	13,843	14,584	16,499	15,708	15,445	14,643	13,370	11,334
9-1-1 calls	****	****	****	****	****	****	****	****	****	214,723
County ordinances approved	125	84	76	96	83	76	99	92	115	124
Municipal ordinances reviewed	379	394	386	392	394	410	387	384	397	345
<b>Judicial</b>										
Estates and wills probated	1,658	1,737	1,712	1,747	1,654	1,685	1,764	1,716	1,650	1,784
Marriage licenses issued	3,376	3,281	3,280	3,313	3,155	3,131	3,098	3,235	3,254	3,215
Child adoptions	155	157	163	202	199	199	206	265	243	254
Child relinquishments	70	59	81	93	111	105	101	128	151	139
Criminal cases filed	5,390	5,512	5,500	5,999	5,972	5,999	5,975	6,027	6,105	6,004
Criminal cases disposed **	5,256	5,088	5,551	4,470	4,883	4,548	4,204	4,827	5,053	4,985
Civil suits filed	6,443	6,432	6,808	6,727	7,118	7,051	6,428	8,732	8,851	10,093
Civil judgments filed	4,266	2,823	3,122	3,418	3,405	3,861	3,776	3,999	4,216	4,661
Divorces filed	1,321	1,328	1,289	1,330	1,219	1,257	1,268	1,299	1,280	1,207
Protection from abuse cases filed	1,281	1,229	1,179	1,223	1,255	1,141	1,161	1,239	1,372	1,265
Naturalizations	196	241	201	217	201	205	279	290	255	288
Real estate executions										
(mortgage foreclosures) filed	580	583	755	730	702	796	764	779	685	702
District judge case filings	104,286	114,192	116,191	117,549	107,174	117,162	106,307	108,947	114,071	118,566
Domestic relations active cases	*	*	*	19,570	20,136	19,523	18,935	18,477	18,439	18,004
New juvenile probation cases	1,744	1,808	1,301	1,809	1,967	1,865	1,783	1,822	1,853	1,692
Juvenile probation placement days	*	*	*	77,194	71,951	75,142	70,574	64,278	61,395	56,796
New adult probation and parole cases	*	*	*	3,320	*	3,256	3,049	2,850	2,276	2,977
<b>Corrections</b>										
Average daily population	945	943	985	1,012	1,097	1,078	1,141	1,200	1,186	1,156
Annual admissions	5,406	5,281	5,333	5,336	5,641	5,793	5,888	6,169	6,137	6,040
<b>Culture and Recreation</b>										
Park attendance/reservations	*	*	*	*	*	*	*	721,558	949,649	804,682

Note: \* data not available.

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

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

(Continued)

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

Table 16 (Cont.)

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Health, education, and welfare</b>										
Employment and Training	*	*	415	772	907	1,874	2,078	2,341	5,573	5,549
Drug and Alcohol:										
Information and referral contacts	*	*	*	*	544	581	604	796	1,009	946
Inpatient non-hospital detox clients	*	667	698	732	584	607	482	341	340	366
Inpatient non-hospital rehab clients	*	379	412	334	396	418	435	385	373	406
Inpatient non-hospital halfway house clients	*	141	114	78	102	103	87	69	73	38
Inpatient hospital detox clients	*	2	7	1	3	3	6	2	3	2
Partial hospitalization clients	*	98	64	76	55	56	53	33	26	24
Outpatient drug free clients	*	1,463	1,713	1,679	1,521	1,388	1,645	1,869	1,902	2,009
Methadone maintenance clients	*	2	15	16	14	14	14	17	21	24
Intensive outpatient clients	*	29	32	38	87	105	134	169	163	223
Website visitors	*	*	*	*	*	*	45,168	46,428	114,065	198,017
<b>Mental Health:</b>										
Emergency/crisis intervention hours	*	*	*	*	*	1,728	2,832	3,276	7,974	8,771
Community residential days	*	*	24,347	*	*	24,614	28,385	26,933	27,135	29,487
Community employment hours	*	*	36,670	*	*	41,283	40,131	39,116	38,444	38,009
Service case management clients	*	*	*	*	*	1,552	1,888	2,114	4,185	3,026
Day treatment hours	*	*	5,547	*	*	4,144	4,774	5,235	5,083	4,804
Outpatient hours	*	*	2,299	*	*	2,691	2,919	3,384	3,730	3,708
Family based hours	*	*	1,056	*	*	879	996	747	795	825
Psychiatric rehab hours	*	*	42,759	*	*	37,928	33,578	37,611	35,569	34,413
Social rehab hours	*	*	21,462	*	*	28,311	29,000	30,008	28,338	29,183
Drop-in-Center hours	*	*	*	*	*	*	31,759	44,112	43,413	32,739
Host home days	*	*	*	*	*	338	397	282	359	184
Supported housing hours	*	*	10,915	*	*	7,682	7,907	6,705	6,789	6,635
<b>Mental Retardation:</b>										
Specialized support hours	*	*	3,933	*	*	7,719	6,550	13,300	14,907	17,034
Transportation trips	*	*	83,915	*	*	92,401	109,435	109,160	101,621	112,938
Employment hours	71,233	99,801	101,106	90,560	11,914	85,134	69,639	59,408	54,581	54,417
Residential services clients	*	*	355	*	*	317	364	367	372	382
Early intervention clients	*	*	949	*	*	767	1,068	1,092	1,092	1,137
Pre-Vocational hours	173,431	65,801	256,754	284,107	340,400	312,215	326,325	344,844	28,514	362,132
Respite clients	*	*	*	*	182	249	227	251	381	370
Home & community service hours	*	*	*	*	69,085	75,410	143,152	171,516	57,140	119,447
Family driven clients	405	436	348	305	268	120	63	86	96	122
Community habilitation hours	139,704	140,887	142,685	148,269	204,729	183,061	189,866	191,311	14,655	184,147
Adult day services hours	*	*	*	*	*	6,414	14,664	14,854	1,332	17,692
Community habilitation hours	*	*	*	*	*	176,647	175,202	176,457	13,323	166,455

Note: \* data not available.

(Continued)

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

Table 16 (Cont.)

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Health Choices ***										
Inpatient psychiatric:										
Members served	-	-	-	375	726	823	860	942	920	881
Days of service	-	-	-	3,655	8,928	10,318	9,044	9,693	10,914	13,013
Outpatient psychiatric:										
Members served	-	-	-	2,472	4,148	4,998	6,036	7,012	7,342	7,942
Units of service	-	-	-	22,456	56,394	74,581	98,508	94,869	99,492	168,441
Inpatient drug and alcohol:										
Members served	-	-	-	48	52	29	15	29	24	34
Days of service	-	-	-	427	388	310	121	256	154	230
Non-hospital drug and alcohol:										
Members served	-	-	-	99	275	322	402	552	545	683
Days of service	-	-	-	2,811	8,509	10,556	14,021	21,878	25,469	27,905
Outpatient drug and alcohol:										
Members served	-	-	-	377	695	888	1,033	1,171	1,180	1,283
Units of service	-	-	-	15,844	17,903	21,789	22,966	24,567	25,860	82,681
Behavioral health rehabilitation:										
Members served	-	-	-	580	856	905	1,186	1,171	1,530	1,863
Units of service	-	-	-	240,334	482,221	510,494	531,850	973,211	1,213,010	1,532,542
Residential treatment facility:										
JCAHO:										
Members served	-	-	-	88	161	168	139	131	117	121
Days of service	-	-	-	7,831	33,325	32,042	24,150	21,787	22,753	24,531
Non JCAHO:										
Members served	-	-	-	2	5	7	7	9	5	9
Days of service	-	-	-	122	713	1,226	721	953	1,046	1,014
Office of Aging:										
Case management clients	1,863	1,929	1,745	1,476	1,275	1,262	539	897	935	1,030
Protective services clients	340	427	539	642	745	784	470	506	617	735
Transportation clients	2,111	2,122	2,113	1,597	722	702	752	713	732	700
Meals provided	154,719	159,121	185,482	172,174	153,679	158,138	155,805	161,850	163,813	157,551
In-home services clients	600	748	843	623	530	569	498	547	561	612
Adult day care clients	101	146	175	105	111	122	102	137	130	76
PDA Waiver clients	34	29	49	62	75	118	152	165	162	161
Children and Youth:										
Children served	*	*	*	3,928	4,833	5,231	5,035	4,585	4,825	4,408
Placement days	*	*	*	193,563	199,417	190,920	201,963	180,047	173,186	164,437
Child abuse reports	*	*	*	680	650	682	632	649	797	845
Intake reports	*	*	*	819	845	1,124	1,103	910	996	1,206
<b>Business-type</b>										
911 Operations	164,995	173,150	182,376	192,877	204,603	204,604	210,518	217,333	217,895	****
9-1-1 calls										

Sources: various county departments.

Note: \* data not available.

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

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

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

Table 17

Function/Program:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Governmental Activities</b>										
<b>General government</b>										
Motor vehicles	1	2	3	4	4	5	5	5	5	5
Office buildings	4	4	4	4	4	5	4	4	4	2
<b>Public safety</b>										
Motor vehicles	3	3	4	4	4	4	6	7	7	20
Office buildings	-	-	-	-	1	1	1	1	1	1
<b>Roads and bridges</b>										
County-owned bridges	64	64	64	64	64	64	64	64	64	64
Motor vehicles	6	6	6	7	7	9	9	9	9	9
<b>Health, education, and welfare</b>										
Motor vehicles	3	5	6	7	7	7	8	7	8	8
Office buildings	1	1	1	1	1	1	-	-	-	-
<b>Judicial</b>										
Motor vehicles	22	30	34	39	43	50	56	62	63	70
Office buildings	1	1	1	1	1	1	1	1	1	3
<b>Corrections</b>										
Motor vehicles	6	6	6	6	6	7	8	9	5	4
Office buildings	2	2	2	3	3	3	2	2	2	2
<b>Cultural and recreation</b>										
Number of parks	8	8	8	8	8	8	8	8	8	8
Park acreage	1,880	2,003	2,003	2,003	2,028	2,028	2,028	2,028	2,053	2,053
Pavilions	11	12	12	12	12	12	12	12	12	12
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Environmental/Educational Buildings	1	1	1	1	1	1	1	1	1	1
Motor vehicles	30	31	36	36	38	38	39	44	42	45
Office buildings	4	4	4	4	4	4	4	4	4	4
Storage buildings	6	6	6	6	6	6	7	7	7	8
Tenant Properties	4	4	4	4	4	4	4	4	4	5
<b>Business-type Activities</b>										
Conestoga View (1)	*	*	20	21	22	21	-	-	-	-
Motor vehicles	1	1	1	1	1	1	-	-	-	-
Office buildings										
911 Operations (2)										
Motor vehicles	1	2	3	4	3	7	6	6	7	-

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

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

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

\* Data not available.

County of Lancaster, Pennsylvania  
Salaries and Surety Bonds of Principal Officials  
For the year ended December 31, 2008

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Dennis P. Stuckey, Commissioner	\$ 87,359	\$ 7,500
Scott F. Martin, Commissioner	86,359	7,500
Craig E. Lehman, Commissioner	86,359	7,500
Ryan P. Aument, Clerk of Courts	75,168	11,000
Vacant, Controller		100,000
Dr. Stephen Diamantoni, Coroner	75,168	15,000
Charles E. Douts Jr., Administrator	105,000	7,500
Andrea McCue, Chief Clerk	88,856	7,500
Craig W. Stedman, District Attorney	156,441	(1)
Judith Saylor, Jury Commissioner	7,444	(1)
Diane M. Collier, Jury Commissioner	7,444	(1)
Randall O. Wenger, Prothonotary	75,168	200,000
Stephen J. McDonald, Recorder of Deeds	75,168	385,000
MaryAnn Gerber, Register of Wills	77,168	25,000
Terry Bergman, Sheriff	75,168	60,000
Craig A. Ebersole, Treasurer	75,168	627,000
33 bonded tax collectors	\$ .75 per parcel collected	43,083,243 (2)

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

(2) The dollar value is stated at 75% of total county and municipal tax levied in 2005. Bonds are valid for the tax collector's term, 2006-2009.

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit
<b>St. Paul/Travelers Insurance Company</b>	GP09311966	02/01/08-02/01/09	\$ 160,315	General Liability	General Total Limit 2,000,000 Products And Completed Work Total Limit 2,000,000 Personal Injury Each Person Limit 1,000,000 Advertising Injury Each Person Limit 1,000,000 Each Event Limit 1,000,000 Premises Damage Limit 100,000 Sexual Abuse Total Limit 250,000 Sexual Abuse Each Person Limit 50,000 Total Limit 1,000,000 Each Wrongful Act Limit 1,000,000 Each Wrongful Act Total Limit 3,000,000 Each Wrongful Act Limit Total Limit 2,000,000 4,000,000 Combined Single Limit Uninsured/Underinsured Motorists 35,000 General Aggregate Each Occurrence 10,000,000 10,000,000 Each Wrongful Act Total Limit 2,000,000 4,000,000
			incl \$ 154,256	Sexual Abuse Liability Law Enforcement Liability Law Enforcement Deductible - \$25,000	
			\$ 428	Employee Benefit Plans Administration Liability Employee Benefit Plans Administration Liability Ded. - \$1,000	
			\$ 25,805	Public Entity Management Liability - Claims Made Public Entity Management Liability Deductible - \$25,000	
			\$ 47,638	Commercial Auto	
			\$ 116,193	Umbrella Excess Liability Umbrella Excess Liability Deductible - \$10,000	
			\$ 126,038	Employment Practices Liability - Claims Made Each Wrongful Employment Practice Offense Limit Total Limit	
<b>St. Paul/Travelers Insurance Company</b>	GP09311966	02/01/08-02/01/09	Included in GL	(NOT Included under the Umbrella) Skateboard Park General Liability	
<b>Chubb Insurance Company</b> Building and Contents	35683193PHL	02/01/08-02/01/09	\$ 184,052	Special Form: \$25,000 deductible, Locations with values in excess of \$500,000 Locations with values of \$500,000 or less Boiler & Machinery	195,553,286 Limit 60,000 Limit 500,000 Limit 195,553,286
Boiler & Machinery				Flood \$50,000 Deductible Flood \$50,000 Deductible Earthquake \$50,000 deductible Earthquake \$50,000 deductible	Per Occurrence Limit 2,500,000 Annual Aggregate Limit 15,000,000 Per Occurrence Limit 15,000,000 Annual Aggregate
Commercial Property Coverages				Hardware: \$1,000 deductible Software: \$1,000 deductible	18,418,903 Included in Hardware
Computers				Fine Arts Floater; \$1,000 deductible Radio & Television Broadcasters - Transmission Towers - Replacement Cost; deductible \$25,000 Voting Machines; deductible \$1,000 Other Scheduled Equipment; deductible \$1,000	232,725 \$ 8,977,426 \$ 3,210,000 \$ 1,252,100 \$

Note: Safety Training Facility General Liability and Umbrella included in St. Paul/Travelers Package

County of Lancaster, Pennsylvania - Children and Youth Agency  
 Schedule of Insurance In-Force  
 December 31, 2008

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	SP6529PA	01/01/08-01/01/09	\$ 50,523	Excess Workers Compensation Employers Liability (\$500,000 Cap Loss Limit)	Statutory Each Accident/Limit Each Employee Per Disease 1,000,000
<b>ENVIRONMENTAL COMPLIANCE SERVICES</b> Pollution Liability	PEC0005845	08/22/00-06/30/09	\$ 29,601	Pollution insurance for the Training Facility location	Each Loss, Remediation Expense or Legal Defense Expense
<b>Chubb Covered Bridge Policy</b>	6636577	02/01/08-02/01/09	\$ 39,820	Bridge Property Damage, Deductible \$25,000	Total Limit, Schedule Of Bridges On File With Carrier
<b>HARTFORD</b> <b>BROTEMARKLE INS. (1):</b> Foster Parent Liability Ins.	103269075 FPL - 124	02/01/08-02/01/09 07/01/08-06/30/09	\$ 6,590 \$ 13,320	Public Employees Blanket Bond, Deductible \$2,500 Personal Liability Insurance for foster parents	Per Loss Limit Per Person, Per Occurrence

(1) Contracted directly by Children and Youth Agency

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