

COUNTY OF LANCASTER, PENNSYLVANIA

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the Year Ended December 31, 2004

PREPARED BY THE CONTROLLER'S OFFICE

**Dennis P. Stuckey, Controller
Walter L. Rogers, Deputy Controller
Darlene T. Davis, Assistant Deputy Controller
Andrew D. Sapovchak, CPA, Accounting/Auditing Supervisor
Kathryn B. Kunkel, Accounts Payable/Payroll Supervisor
Rebecca M. Dittenhafer, Systems Administrator**

**INDEPENDENT AUDITORS
Ernst & Young LLP**

**CONTROLLER'S SOLICITOR
George D. Alspach**

**COVER PHOTOGRAPH
Rotary Clock, Mount Joy, PA
Photo by: Jennifer M-J. Luciani**

COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2004

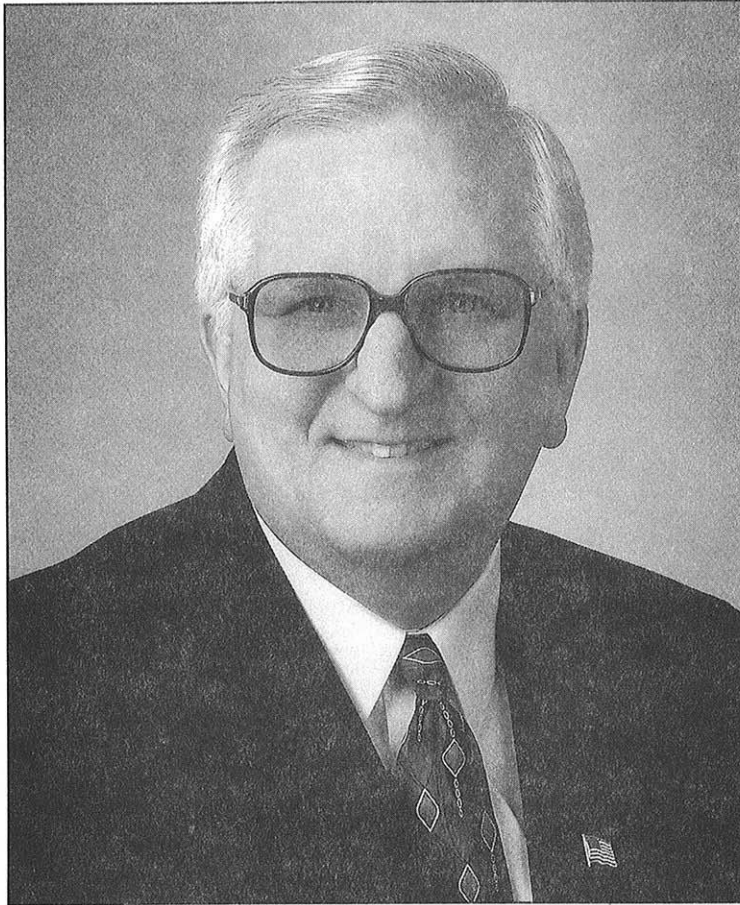
TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organizational Chart	8
List of Principal Officials	9
FINANCIAL SECTION	
Report of Independent Auditors	11
Management's Discussion and Analysis	13
Basic Financial Statements	29
Statement of Net Assets	30
Statement of Activities	31
Balance Sheet – Governmental Funds	32
Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Fund Net Assets – Enterprise Funds	35
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	36
Statement of Cash Flows – Enterprise Funds	37
Statement of Fiduciary Net Assets – Fiduciary Funds	38
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	39
Notes to Financial Statements	41
Required Supplementary Information	85
Schedule of Employer Contributions	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – General Fund	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Children and Youth Services Fund	88
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Mental Health/Mental Retardation Fund	89
Notes to Required Supplementary Information	90

COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2004

TABLE OF CONTENTS (Continued)

	<u>Page No.</u>
Combining and Individual Fund Statements and Schedules	91
Combining Balance Sheet – Nonmajor Governmental Funds	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Domestic Relations Special Revenue Fund	94
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Employment and Training Special Revenue Fund	95
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Office of Aging Special Revenue Fund	96
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Drug and Alcohol Special Revenue Fund	97
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Liquid Fuels Special Revenue Fund	98
Combining Statement of Changes in Assets and Liabilities – Agency Funds	99
 STATISTICAL SECTION	
General Governmental Expenditures by Function – Table 1	102
General Governmental Revenues by Source – Table 2	103
Property Tax Levies and Collections – Table 3	104
Assessed and Estimated Actual Value of Taxable Property – Table 4	105
Property Tax Rates, Direct and Overlapping Governments – Table 5	106
Principal Taxpayers – Table 6	108
Computation of Legal Debt Margin – Table 7	109
Ratio of General Obligation Bonded Debt to Assessed Value and General Obligation Bonded Debt Per Capita – Table 8	110
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Table 9	111
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds – Table 10	112
Demographic Statistics – Table 11	114
Property Value, Construction, and Bank Deposits – Table 12	116
Salaries and Surety Bonds of Principal Officials – Table 13	117
Miscellaneous Statistics – Table 14	118
Schedule of Insurance In-Force – Table 15	119



DENNIS STUCKEY
Controller

LANCASTER COUNTY

CONTROLLER'S OFFICE

50 NORTH DUKE STREET
PO BOX 83480
LANCASTER, PA 17608-3480
TELEPHONE: 717-299-8262

DENNIS P. STUCKEY
Controller



June 16, 2005

To the Citizens of the County of Lancaster, Pennsylvania:

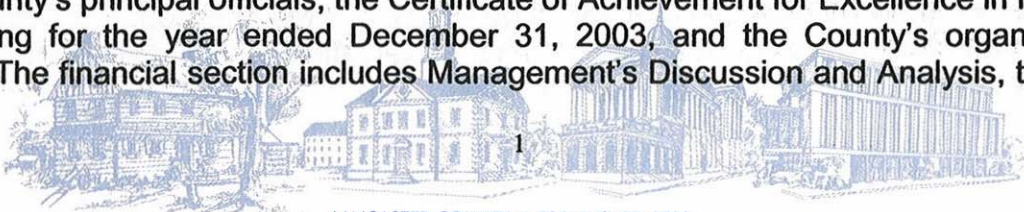
The comprehensive annual financial report of the County of Lancaster, Pennsylvania, for the year ended December 31, 2004, is hereby submitted.

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 2004 will be completed during September 2005. 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, 2003, 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

Lancaster County is located in south central Pennsylvania, approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. The County occupies a land area of 946 square miles and is comprised of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships. Lancaster County was incorporated in 1729 and became a third class county in 1962. Today, an estimated 487,332 people make it their home.

The County of Lancaster operates under the elected board of commissioners form of government. Three county commissioners are elected every four years and may be reelected. County Code stipulates that each party may put up no more than two candidates and that each voter may cast a ballot for only two commissioner candidates. The three receiving the highest number of votes are elected. This ensures that the commissioners are not all from the same political party. In addition to having some policy-making powers, the commissioners serve as the managers and administrators of county government, award contracts, determine the rate for any salary increases for county officials, and name residents to boards, commissions, and authorities. The commissioners appoint a Chief Administrative Officer, who is responsible for the preparation and monitoring of the annual County budget contract negotiations and a Chief Services Officer, 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 are a number of officials elected for four-year terms, who fill the so-called row offices, and numerous appointed administrators, deputies, and directors.

The annual budget serves as the foundation for the County of Lancaster's financial planning and control. The County Commissioners must adopt an annual budget for the County by December 31 of each year for the subsequent year. The annual budget estimates revenues and expenditures for all governmental funds except the Community Development Block Grant and Agricultural Land Preservation special revenue funds, the debt service fund, and the capital projects funds. The debt service fund is controlled

through a general obligation bond indenture provision. Project-length financial plans are adopted for all capital projects. The legal level of budgetary control is established by fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Supplemental appropriations, which alter the total expenditures of any fund, require resolution by the County Commissioners. Appropriations lapse at the end of each year and must be reappropriated.

Factors Affecting Financial Condition

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

Local Economy. Lancaster County is home to more than 11,000 companies representing every economic sector. With an even mix of manufacturing and service and retail, our corporate community continues to prosper, grow, and diversify. The County's unemployment rate of 3.8% remains consistently lower than both the state and national averages of 5.2% and 5.1%, respectively. With its convenient access to major East Coast markets, competitive utility rates, low cost of living, and highly diversified industry, Lancaster County is a desirable place to locate and expand a business. In addition, agriculture and tourism play significant roles in the diversity and durability of Lancaster's economy.

Distinguished as the most productive non-irrigated agricultural county in the United States, Lancaster County's 5,293 farms provide food for much of the nation. While dairy is the leading agriculture sector, Lancaster County agriculture is noted as having a well diversified farm economy that is not solely dependent on any one sector to assure its success. Lancaster County farmers have maintained a strong work ethic and a long-standing commitment to not just working the land, but working with the land. Preservation and conservation are as important as production to the agricultural community, as they work to ensure the Lancaster County farming tradition survives in years to come.

Lancaster County has a diverse mixture of cultures and ethnic backgrounds and is best known for the simplistic lifestyles of its Plain Sect communities – Amish, Brethren, and Mennonite faiths. Over seven million tourists visit the area each year not only to study such lifestyles, but to experience life on an operating farm; tour numerous historic sites dating back to the 1700's; purchase heirloom quilts, or finely handcrafted wood and leather products; cruise endless numbers of antique shops, over 240 factory outlet stores, or quaint farmers markets; take covered bridge bike tours or horse and buggy rides through Amish country. Visitors to the county spend about \$1.6 billion and generate \$238 million in tax revenues annually.

Major Initiatives

For the Year

- ◆ The Lancaster County Public Safety Training Center held its grand opening on April 23rd. Since that time, more than 13,000 emergency personnel have used the center. On this 24-acre site, emergency personnel can learn how to fight a kitchen fire in the burn building, shoot from a moving vehicle in an enclosed firing range, or rescue

someone trapped in a "burning" vehicle. The site also includes a motorcycle safety course, an indoor driving simulation room, a smoke maze with more than 100 possible variations in layout, a simulated silo to reproduce farm fires, and much more.

- ◆ Through a grant from the County Commissioners Association and the Department of Public Welfare, Conestoga View, the County's nursing home, was able to undergo construction and renovation of current space. In exchange for the money required to complete the renovations, the facility permanently removed 8 beds from the license. Integral changes were made to improve the services offered to the residents. The project included a complete redesign and relocation of the therapy department allowing better access and state-of-the-art design to meet the needs of the residents and improve the services they receive. The second phase involved the addition of resident living/dining space in the Alzheimer unit. This addition provides a more comfortable and accommodating environment for the residents who live there. In addition, a conference room dedicated to resident care conferences was built to provide privacy for the residents and their families to discuss and review their care with team members.

For the Future

- ◆ The County Commissioners solved the long-term space needs for County departments by purchasing a building at 150 North Queen Street in the City of Lancaster. The County took possession of the building in January 2005. The building has seven floors in the main building plus a basement and two floors in the annex consisting of approximately 260,000 square feet. Plans are being made to move various departments out of the main courthouse into the new building. The purchase of this site keeps 400 employees downtown in addition to supporting the downtown revitalization effort.
- ◆ In coordination with the Commissioner's office, the Parks department will continue to work on preserving the Enola Rail corridor that traverses the southern end of Lancaster County. Work has begun to establish a recreational trail along this line. Actions have already been taken to preserve the corridor and should be finalized in 2005. This project will not only protect an important historical feature within the County, but it will also preserve more than 900 acres of open space and create a unique recreational opportunity for the public.
- ◆ After surviving a vendor bankruptcy, Lancaster County Wide Communications will resume work on the installation of the long-awaited 800 MHz radio system. In addition to voice communications, this system will support data, allowing agencies that could not afford to pay for wireless data communications to participate in the mobile applications.
- ◆ In an effort to manage the growing prison population, the County will implement its "transition to community" re-entry management program to reduce the rate of recidivism. This will create a continuum of care and accountability, keeping in mind our public safety.

Cash Management Policies and Practices. Temporarily idle cash was invested by the Treasurer in repurchase agreements and certificates of deposit using numerous competitive agents, including banks and brokerage houses in the state, to actively maximize the County's rate of return.

Risk Management. The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workmen's Compensation Act of 1915 as Reenacted and Amended. The liability is recorded as estimated by the plan administrator. The required retention amounts are accrued in a trust fund in accordance with 34 Pa. Code Section 125.10, as a liability of the general fund. The Bureau of Workers' Compensation uses a loss development analysis system to project a self-insurer's outstanding liability for the purpose of setting the required amount of the self-insurer's security or funding. Loss development analysis is an actuarial technique of projecting the ultimate cost of a group of claims by analyzing the past changes in value of similar claims as they mature. The Bureau issued an exemption permit renewing the County's self-insurance status on May 23, 2003. In addition, the County is in compliance with state requirements that mandate training courses designed to minimize accident-related losses.

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

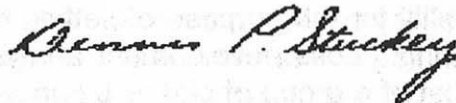
Pension and Other Postemployment Benefits. The County maintains a single-employer contributory defined benefit pension plan with mandatory membership for all full-time County employees. Participants in the Plan contribute 5 percent of their gross pay, with an option of an additional contribution of up to 10 percent of their gross pay. On December 31, 2004, total membership of the Lancaster County Employees' Retirement System was 3,075. The funding policy of this system provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate enough assets to pay benefits when due. During 2004, the County contributed \$5,500,000. Additional information on the County of Lancaster's pension arrangements and postemployment benefits can be found in Note 18 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Lancaster for its comprehensive annual financial report for the year ended December 31, 2003. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report (CAFR), which conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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



Dennis P. Stuckey

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Lancaster,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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.



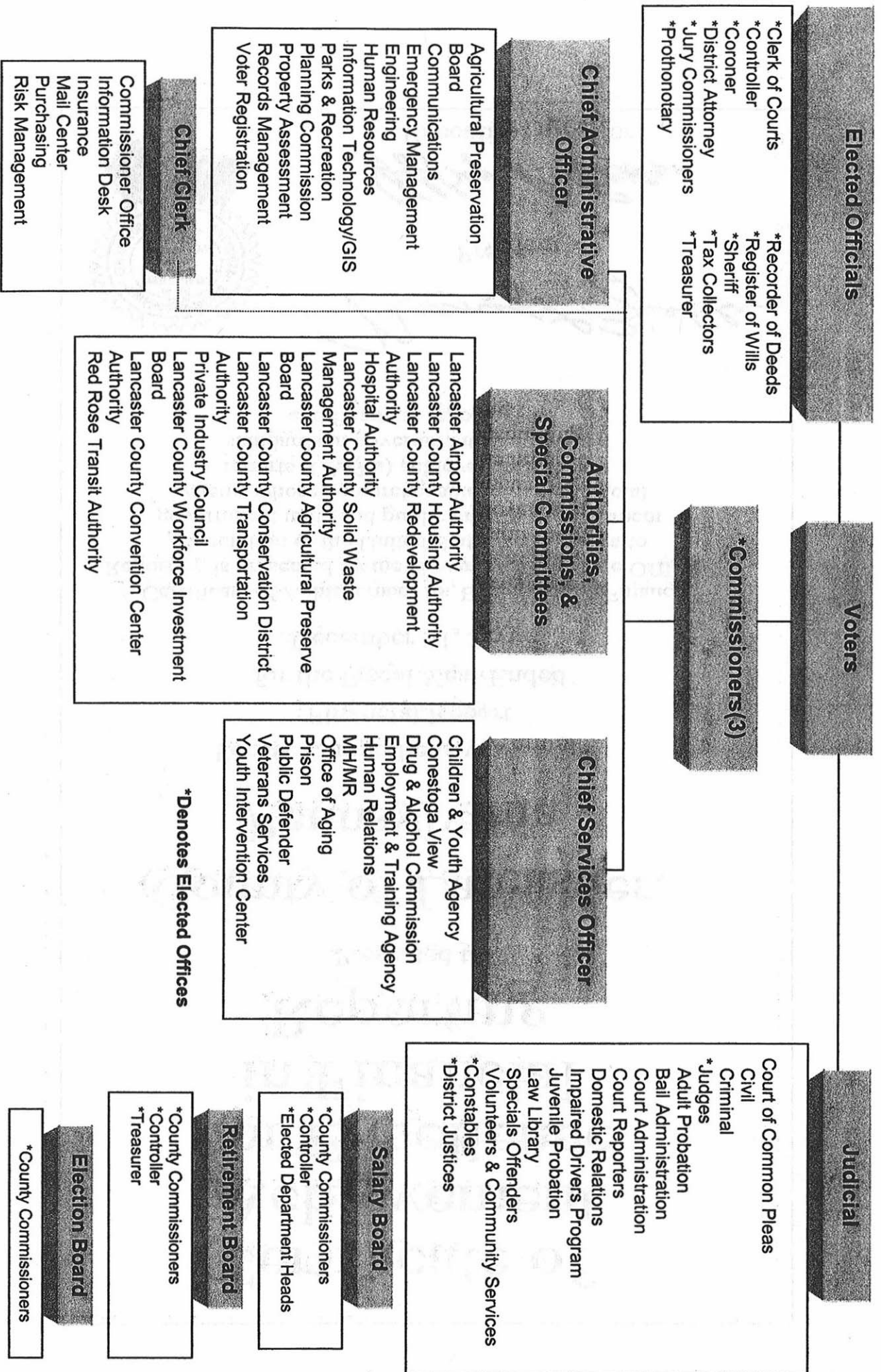
Nancy L. Zelle

President

Jeffrey R. Egan

Executive Director

LANCASTER COUNTY ORGANIZATIONAL CHART 3RD CLASS COUNTY



***Denotes Elected Offices**

2004
County of Lancaster
Elected Officials

JUDGES OF THE COURT OF COMMON PLEAS

Michael A. Georgelis, President Judge

Paul K. Allison
David L. Ashworth
James P. Cullen
Louis J. Farina
Leslie Gorbey

Jay Hoberg
Wayne G. Hummer, Jr.
Henry S. Kenderdine, Jr.
Joseph C. Madenspacher
Michael J. Perezous

BOARD OF COMMISSIONERS

Dick Shellenberger, Chairman

Howard "Pete" Shaub

Molly S. Henderson

DISTRICT ATTORNEY

Donald R. Totaro

CONTROLLER

Dennis P. Stuckey

TREASURER

Craig Ebersole

REGISTER OF WILLS

Donna S. Reinaker

SHERIFF

Terry Bergman

RECORDER OF DEEDS

Stephen J. McDonald

PROTHONOTARY

Randall O. Wenger

CORONER

Gary Kirchner, MD

CLERK OF COURTS OF COMMON PLEAS

Dale Denlinger

JURY COMMISSIONERS

Judith Saylor

Linda Schwanger

(This page intentionally left blank)

Report of Independent Auditors

County Commissioners
County of Lancaster

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Lancaster's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority discretely presented component unit is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. 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 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster, as of

December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2005, 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 schedule of employer contributions for the County of Lancaster, Pennsylvania, Employee Retirement Plan, and the required supplementary schedules of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis for the General Fund, Children and Youth Services Fund, and Mental Health/Mental Retardation Fund as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We and the other auditor have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Ernst & Young LLP

June 7, 2005

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, 2004. 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, 2004.

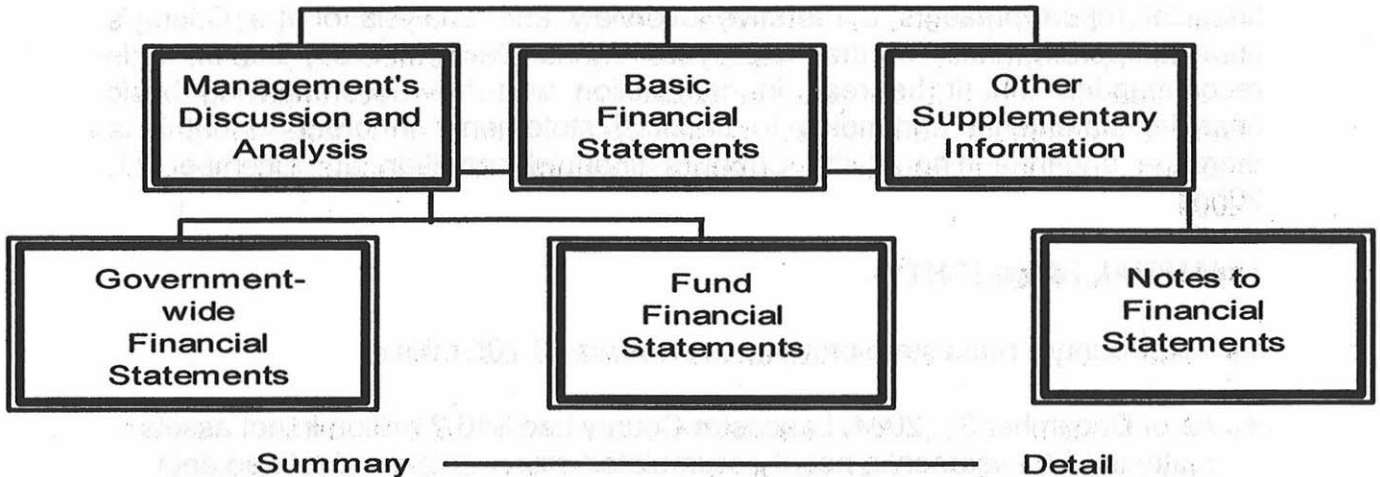
FINANCIAL HIGHLIGHTS

- ◆ The County's real estate property tax rate was 3.205 mills.
- ◆ As of December 31, 2004, Lancaster County had \$16.2 million in net assets restricted for easements, net of accumulated amortization and related debt.
- ◆ The County's net assets increased \$1.5 million in 2004, or 17.8%.
- ◆ The County's unrestricted net assets were \$3.6 million at December 31, 2004.
- ◆ The County's bond rating is Aaa
- ◆ At December 31, 2004, the County had \$175.7 million of general obligation debt outstanding. This represents an increase of \$22.8 million, or 14.9%, from the previous year.
- ◆ Construction in progress saw a sharp decrease due to the completion of the Lancaster County Public Safety Training Center.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT - FINANCIAL SECTION



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

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

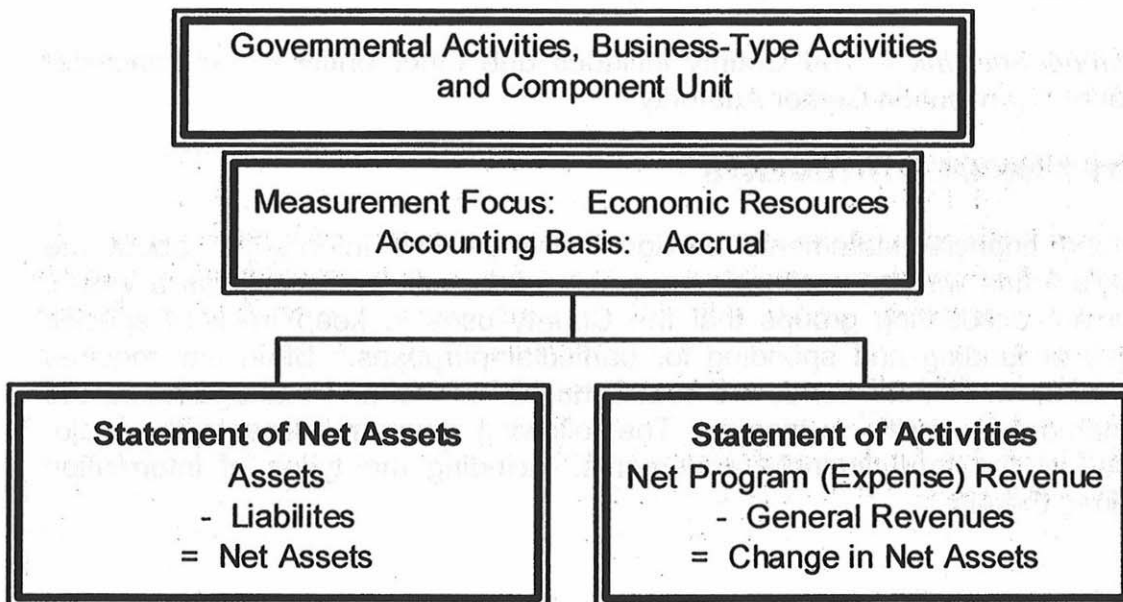
The basic financial statements also include notes to the financial statements that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding employee pension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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Government-wide Financial Statements



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

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

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

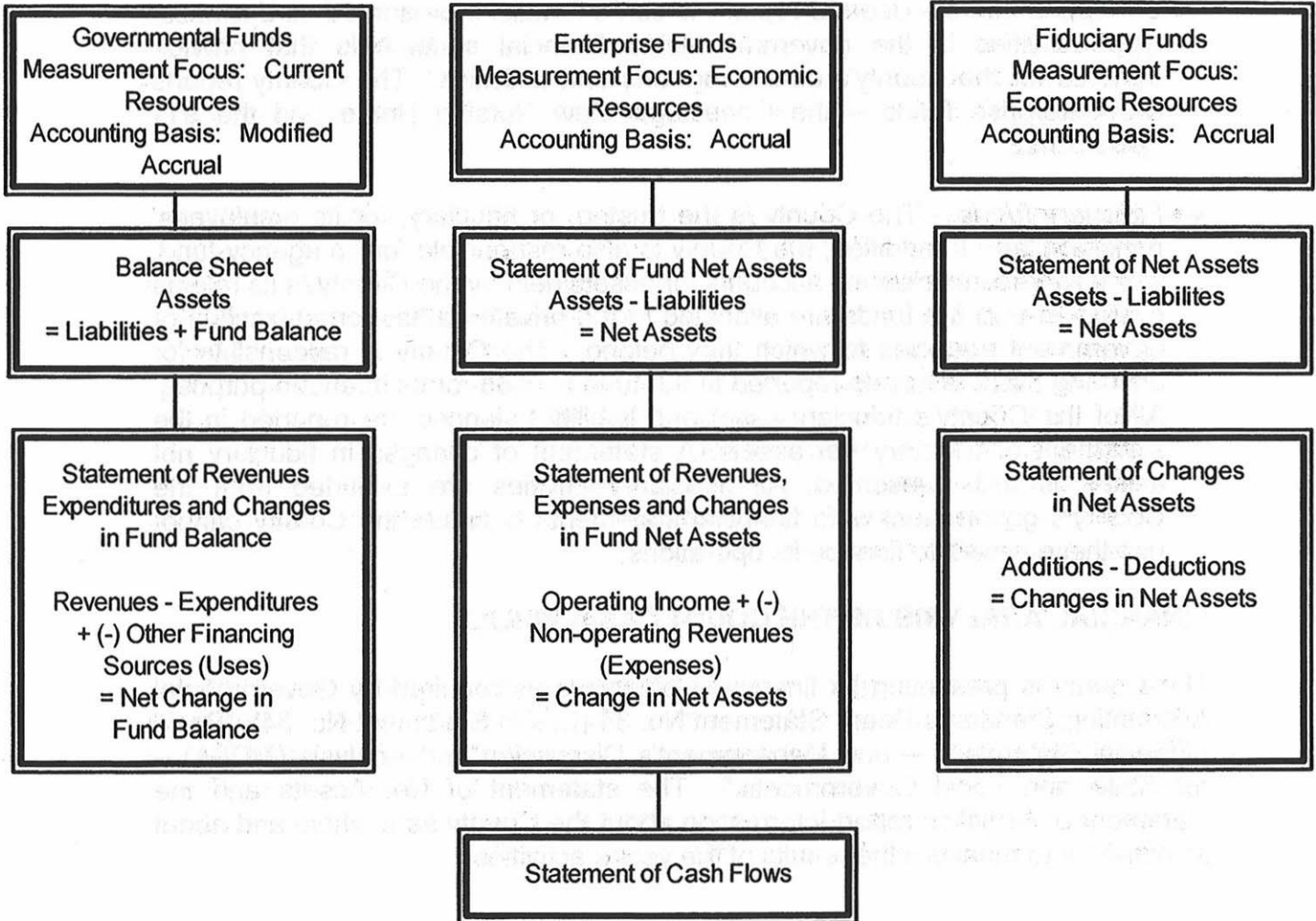
- ◆ *Governmental activities* – Most of the County's basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Business-type activities* – The County charges fees to customers to help cover the costs of certain services it provides.
- ◆ *Component Unit* – The County includes one other entity – the Lancaster County Convention Center Authority. *

FUND FINANCIAL STATEMENTS

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

* See separate report as mentioned in the footnotes.

Fund Financial Statements



The County has three 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, Agricultural Land Preservation special revenue fund and capital projects fund. The County also maintains seven non-major special revenue funds that are combined into a single aggregated presentation. Because this information does not

encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between fund and government-wide financial statements.

- ◆ *Enterprise funds* – Used to report the same functions presented as business-type activities in the government-wide financial statements that provide services for the County's other programs and activities. The County reports two enterprise funds – the Conestoga View Nursing Home and the 911 operations.
- ◆ *Fiduciary funds* – The County is the trustee, or fiduciary, for its employees' pension plan. In addition, the County is also responsible for an agency fund, which represents clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in the fund is used for its intended purpose. All of the County's fiduciary asset and liability balances are reported in the statement of fiduciary net assets. A statement of changes in fiduciary net assets is also presented. All fiduciary activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

NET ASSETS:

The County's net assets as of December 31, 2004 and 2003 are presented below:

<p>Table A-1 County Net Assets as of December 31, 2004 (amounts in millions)</p>

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Capital assets, net	\$ 99.4	93.7	\$ 8.3	8.6
Other assets	117.8	98.3	3.6	4.4
Total assets	217.2	192.0	11.9	13.0
Other liabilities	23.9	24.3	1.2	2.4
Long-term liabilities	183.4	159.3	2.5	2.4
Total liabilities	207.3	183.6	3.7	4.8
Net assets:				
Invested in capital assets, net of related debt	(20.3)	(34.2)	8.3	8.6
Restricted	26.6	29.7	-	-
Unrestricted	3.6	12.9	(0.1)	(0.4)
Total net assets	\$ 9.9	8.4	\$ 8.2	8.2

Net assets of the County's governmental activities increased by 17.8% to \$9.9 million, mainly the result of an increase in revenues of \$15.9 million. Of this amount, \$(20.3) million represents the balance of capital related debt in excess of net capital assets, while \$26.6 million is restricted for various purposes. The County has an unrestricted net assets balance of \$3.6 million as of the end of the year.

Net assets of the business-type activities remained the same at \$8.2 million. Of this amount, \$8.3 million represents the net balance of long-term capital assets, net of related debt. The unrestricted net assets balance as of the end of the year is \$(0.1) million.

INFRASTRUCTURE ASSETS:

Lancaster County's total assets stand at \$229.6 million as of December 31, 2004. Of this amount, \$107.7 million is accounted for by capital assets, which includes some infrastructure.

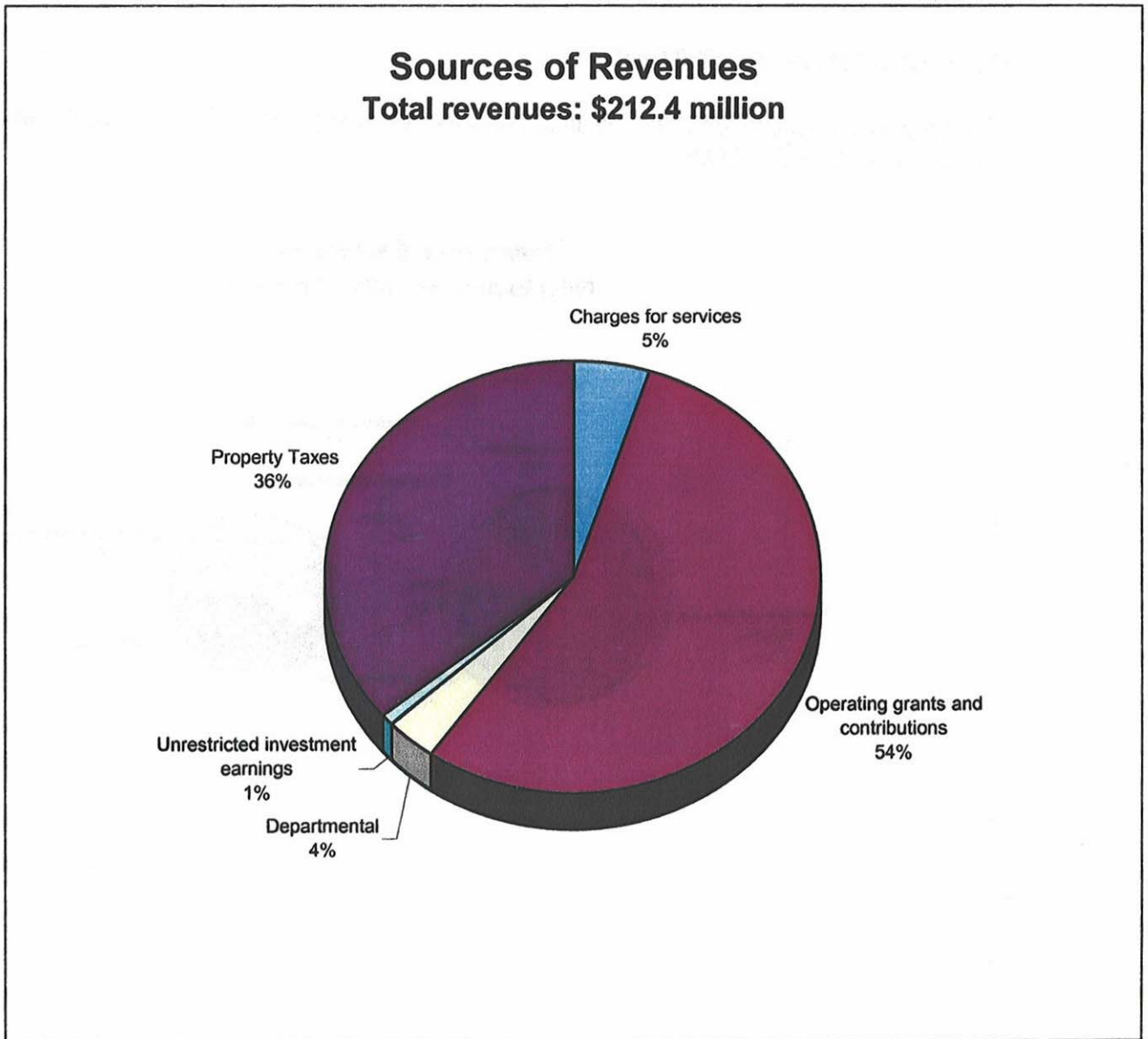
The following table presents the County's changes in net assets for the fiscal year ended December 31, 2004 and 2003:

Table A-2 County's Changes in Net Assets as of December 31, 2004 (amounts in millions)				
	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Revenues:				
Program revenues:				
Charges for services	\$ 10.4	12.4	\$ 36.3	34.7
Operating grants and Contributions	116.3	110.0	-	-
General revenues:				
Property taxes	76.9	66.6	-	-
Departmental revenues	7.5	6.1	-	-
Unrestricted investment Earnings	1.3	1.3	-	-
Total revenues	212.4	196.4	36.3	34.7
Expenses:				
General government	41.8	51.1	-	-
Public safety	1.8	1.5	-	-
Roads and bridges	0.5	-	-	-
Health, education, and welfare	100.9	97.5	-	-
Judicial	31.3	28.2	-	-
Corrections	16.8	15.5	-	-
Cultural and recreation	2.8	2.2	-	-
Community development	5.7	5.2	-	-
Interest on long-term debt	5.6	4.6	-	-
Conestoga View	-	-	32.8	32.1
911 operations	-	-	7.3	7.1
Total expenses	207.2	205.8	40.1	39.2
Increase in net assets				
before transfers	5.3	(9.4)	(3.8)	(4.5)
Transfers	(3.8)	(2.5)	3.8	2.5
Change in Net Assets	1.5	(11.9)	0.0	(2.0)
Net assets - beginning	8.4	20.3	8.2	10.2
Net assets - ending	\$ 9.9	8.4	\$ 8.2	8.2

The increase in the governmental activities net assets was mainly the result of an increase in revenues of \$15.9 million. The business-type activities net assets were unchanged for 2004.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the sources of revenues for the fiscal year ended December 31, 2004:



Total government-wide revenues of \$212.4 million were derived primarily from operating grants and contributions, representing 54% of the total. Property taxes made up the second largest source of revenue at 36%, followed by charges for

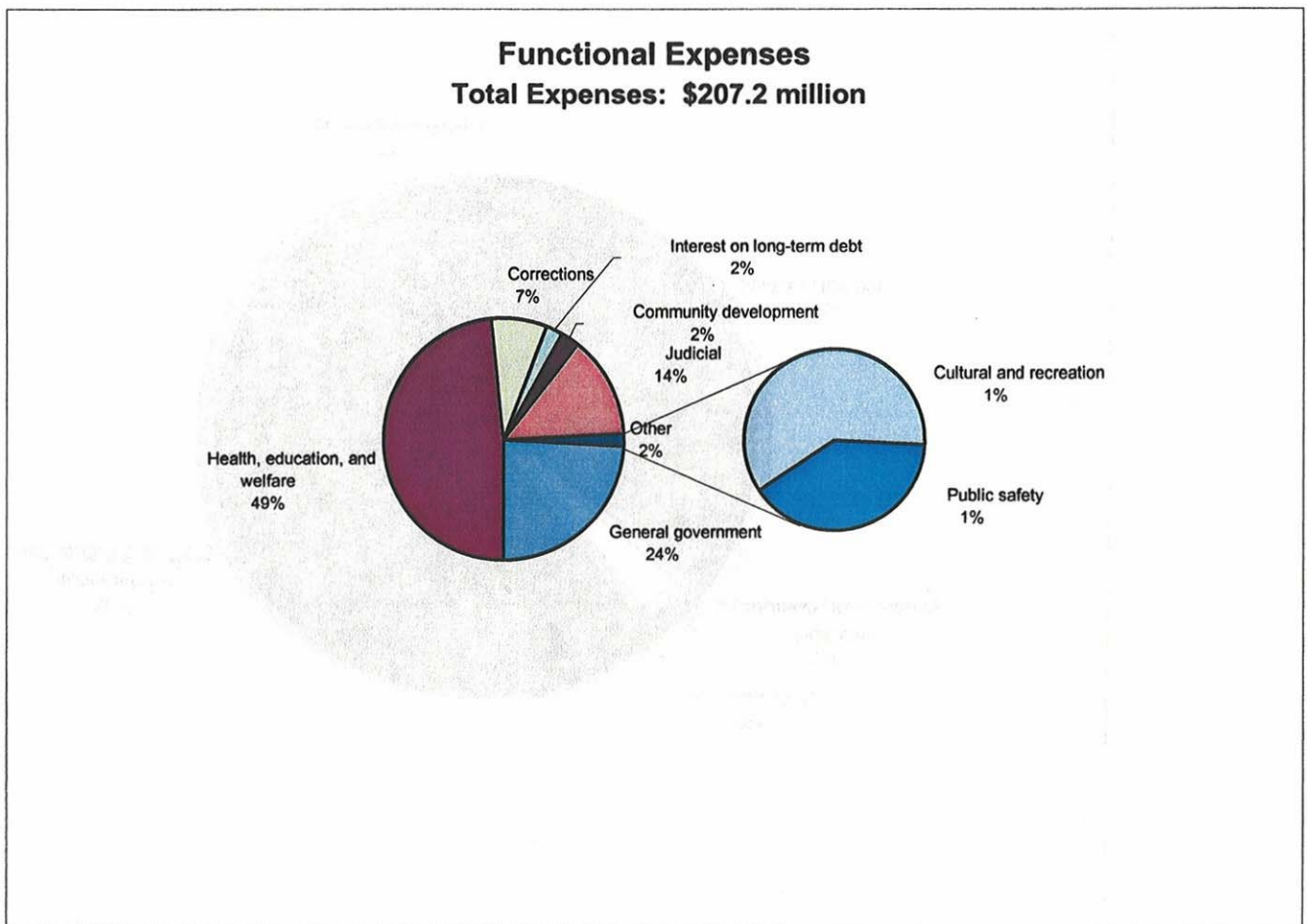
services at 5%, departmental revenue at 4%, and unrestricted investment earnings at 1%.

BUSINESS-TYPE ACTIVITIES:

Total business-type revenues of \$36,355,101 were derived from charges for sales and services, \$32,297,938 coming from Conestoga View, and \$4,057,163 coming from 911 operations.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the fiscal year ended December 31, 2004:



Total expenses for all programs in 2004 were \$207.2 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 49.0%. The second largest program area was general government at 24.0%, followed by judicial at 14.0%, corrections at 7.0%, community

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

BUSINESS-TYPE ACTIVITIES:

Total expenses in 2004 were \$40,071,414. Conestoga View comprised \$32,802,281 or 81.9% of the total, incurring depreciation expense of \$824,101. The balance of \$31,978,180 was spent on nursing home operations. 911 operations comprised \$7,269,133 or 18.1% of the total, incurring depreciation expense of \$175,179. The balance of \$7,093,954 was spent on public safety operations.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

GOVERNMENTAL FUNDS:

The General Fund, Children and Youth Services special revenue fund, Mental Health/Mental Retardation special revenue fund, Agricultural Land Preservation special revenue fund, and 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, 2004, the General Fund reported a fund balance of \$11.0 million, which was a \$1.8 million or 19.6% increase over the previous year's balance of \$9.2 million. Revenues increased from \$88.3 million to \$99.7 million, an \$11.4 million or 12.9% increase. Property taxes increased by \$8.6 million as a result of an increase in the millage rate and normal growth in the County's tax base. Expenditures increased from \$78.4 million to \$84.9 million as reported, which was a \$6.5 million or 8.3% increase. Interest and fiscal charges increased by \$.7 million due to new bond issuances in 2004.

The fund balance in Children and Youth Services special revenue fund increased to \$2.3 million at December 31, 2004, from \$2.0 million, a \$.3 million or 15.0% increase. Revenues increased from \$32.8 million to \$34.2 million, an increase of \$1.4 million or 4.3%. Expenditures increased from \$39.1 million to \$40.8 million, a \$1.7 million or 4.3% increase. All of these increases were the result of normal growth within the fund's programs.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund increased to \$50.9 million from \$50.5 million, an increase of \$.4 million or .8%. Expenditures increased from \$51.5 million to \$51.8 million, a \$.3 million or .6% increase. The increases were the result of increased funding within existing grants.

The Agricultural Land Preservation special revenue fund became a major fund in 2003. There is no fund balance to report for the Agricultural Land Preservation special revenue fund as of December 31, 2004.

The fund balance in the Capital Projects fund at December 31, 2004, was \$23.9 million, up from \$5.1 million the previous year. This represents an increase of \$18.8 million or 368.6%. Revenues decreased to \$.5 million from \$.6 million the previous year, a decrease of \$.1 million or 16.7%. Expenditures decreased to \$9.3 million, a decrease of \$16.3 million or 63.7% from the amount spent in the previous year of \$25.6 million. The increase in the fund balance is the result of new bonds being issued during the year. As a result of a lower average balance in the fund throughout the year, interest earnings were lower which resulted in a decrease in revenues. Expenditures also decreased due to the completion of the Public Safety Training Center.

ENTERPRISE FUNDS:

The County's enterprise funds provide the same type of information found in the government-wide financial statements but in more detail.

Net assets of Conestoga View, the County's nursing home, at the end of the year amounted to \$7.0 million and those for the 911 emergency telephone operations amounted to \$1.2 million. The change in net assets for each fund was (\$.5) million and \$.6 million respectively. Other factors concerning the finances of these two funds mirror those highlighted in the analysis of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County Board of Commissioners revised the County budget several times. These budget amendments fall into two categories:

- Amendments to appropriations approved shortly after the beginning of the year to reflect budget carryovers from the prior year.
- Increases in appropriations based on supplemental funding sources.

The County's original revenue budget increased from \$101.8 million to \$106.9 million, an increase of \$5.1 million or 5.0%. Actual revenues received totaled \$105.4 million or 98.6% of the final budget. Intergovernmental revenues fell \$1.2 million short of the final budgeted amounts.

The County's original operating expenditure budget, excluding transfers, increased from \$101.8 million to \$106.9 million, an increase of \$5.1 million or 5.0%. Actual expenditures were \$95.1 million or 89.0% of the final budget due to cost saving measures implemented in 2004.

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, 2004, net of accumulated depreciation, amounted to \$107.6 million. This represented an increase of \$5.3 million or 5.2% over the previous years total of \$102.3 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, assets under capital lease, construction in progress, and infrastructure. The following is a summary of capital assets at December 31, 2004 and 2003:

Summary of Capital Assets

	Governmental		Business-Type		Balance at December 31, 2004	Balance at December 31, 2003
	Activities		Activities			
	2004	2003	2004	2003		
Land and land improvements	\$5,786,227	\$5,782,108	\$589,530	\$574,655	\$6,375,757	\$6,356,763
Buildings and improvements	104,461,393	83,832,657	6,852,203	6,688,313	111,313,596	90,520,970
Furniture and equipment	22,409,585	21,011,795	14,522,331	14,133,284	36,931,916	35,145,079
Assets under capital lease	1,371,165	1,371,165			1,371,165	1,371,165
Construction in progress		13,561,745				13,561,745
Infrastructure	5,480,543	4,980,807			5,480,543	4,980,807
Less accumulated depreciation	<u>(40,137,082)</u>	<u>(36,792,799)</u>	<u>(13,694,048)</u>	<u>(12,792,083)</u>	<u>(53,831,130)</u>	<u>(49,584,882)</u>
Total	<u>\$99,371,831</u>	<u>\$93,747,478</u>	<u>\$8,270,016</u>	<u>\$8,604,169</u>	<u>\$107,641,847</u>	<u>\$102,351,647</u>

In the governmental activities, buildings and improvements increased by \$20.7 million. This is the result of the completion of the County's Public Safety Training Center which meant that the construction in progress balance was transferred to building and improvements. The Lancaster County Public Safety Training Center had its grand opening in April 2004.

The total capital assets for the governmental activities and business-type activities increased from \$102.3 million to \$107.6 million, an overall increase of \$5.3 million or 5.2%. Of this increase, \$5.6 million occurred within governmental activities and (\$.3) million occurred within business-type activities.

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

LONG-TERM DEBT:

At December 31, 2004, the County had \$175.7 million of general obligation bonds and notes outstanding. This was an increase of \$22.8 million, or 14.9%, from the previous year. The following details activity related to general obligation bonds during 2004:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2004	\$ 152,899,075
Accretion adjustment	1,352,997
Debt issued	32,305,000
Less principal refunded	(5,045,000)
Less principal payments	<u>(5,850,000)</u>
Ending balance at 12/31/2004	<u>\$ 175,662,072</u>

BOND RATING:

The General Obligation Bonds (G.O.B.) Series 2004 and Series A of 2004 issues carry municipal bond insurance policies from Financial Security Assurance Inc. (FSA) which assures payment of the respective principal and interest to the registered owners of the bonds. Moody's Investors Service rated the G.O.B. Series 2004 and Series A of 2004 Aaa based upon an insurance policy provided by FSA.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key economic factors affecting the County include the following:

- The County's population grew by 4,557 or .9% during 2004. 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 3.8%, which is a 5.0% decrease over the previous year's rate of 4.0%. This rate compares favorably with the State's rate of 5.2% and the national rate of 5.1%.

These factors were considered in preparing the County's 2005 budget. Amounts available for appropriation in the general fund budget are \$117.0 million, an increase of 13.8% over the final 2004 budget of \$102.8. Real estate taxes were budgeted to increase by \$7.5 million as the result of a 10.0% increase in the real estate property tax rate to 2.962 mills after adjustment for a full reassessment in accordance with Act 91 of 2004.

Budgeted operating expenditures, excluding transfers, have increased 10.7% to \$114.6 million. The largest increments are increased wages and an increase in the County's debt payments. The County issued \$23,775,000 in new general obligation bonds during 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Lancaster County Controller's Office
County of Lancaster, Pennsylvania
50 North Duke Street
Lancaster, PA 17603

BASIC FINANCIAL STATEMENTS

County of Lancaster, Pennsylvania

Statement of Net Assets

December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lancaster County Convention Center Authority as of March 31, 2004
ASSETS				
Cash and temporary investments:				
Operating	\$ 50,070,292	\$ -	\$ 50,070,292	\$ 1,053,491
Other	811,178		811,178	
Cash with fiscal agents	437		437	
Investments	4,354,689		4,354,689	
Receivables:				
Room rental tax			-	334,212
Taxes, net of allowance for uncollectibles of \$60,029	1,940,954		1,940,954	
Fines and costs, net of allowance for uncollectibles of \$15,295,140	4,463,434		4,463,434	
Accounts	80,911		80,911	
Due from other governments	10,168,977	3,620,186	13,789,163	
Advances to providers and other governments	3,524,344		3,524,344	
Other	22,676		22,676	176,445
Telephone subscriber		370,099	370,099	
Deferred charge:				
Issuance costs (net of accumulated amortization of \$487,494)	1,842,778		1,842,778	422,017
Internal balances	544,638	(544,638)	-	
Restricted cash	845,726	157,735	1,003,461	39,576,325
Capital assets:				
Land and improvements	5,786,227	589,530	6,375,757	1,579,621
Buildings and improvements	104,461,393	6,852,203	111,313,596	
Furniture and equipment	22,409,585	14,522,331	36,931,916	
Assets under capital lease	1,371,165		1,371,165	
Construction in progress			-	236,461
Infrastructure	5,480,543		5,480,543	
Less accumulated depreciation	(40,137,082)	(13,694,048)	(53,831,130)	
Total capital assets, net	99,371,831	8,270,016	107,641,847	1,816,082
Easements	45,704,955		45,704,955	
Less accumulated amortization	(6,543,804)		(6,543,804)	
Easements, net	39,161,151		39,161,151	
Total assets	217,204,016	11,873,398	229,077,414	43,378,572
LIABILITIES				
Accounts payable	8,697,024	639,396	9,336,420	492,043
Contracts payable	3,669,743		3,669,743	
Matured bonds and interest payable	437		437	
Accrued interest payable	930,498		930,498	239,013
Unearned revenue	7,460,406		7,460,406	
Payroll related accruals	3,179,952	381,578	3,561,530	5,907
Patient funds held in safekeeping		157,735	157,735	
Long-term liabilities:				
Due within one year	8,338,494	69,089	8,407,583	
Due in more than one year	175,069,748	2,403,182	177,472,930	40,000,000
Total liabilities	207,346,302	3,650,980	210,997,282	40,736,963
NET ASSETS				
Invested in capital assets, net of related debt	(20,256,861)	8,270,016	(11,986,845)	1,816,082
Restricted for:				
Easements	16,173,231		16,173,231	
Federal and state grant programs	9,794,829		9,794,829	
Community development	560,365		560,365	
Unrestricted	3,586,150	(47,598)	3,538,552	825,527
Total net assets	\$ 9,857,714	\$ 8,222,418	\$ 18,080,132	\$ 2,641,609

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, 2004

	Net (Expense) Revenue and Changes in Net Assets				Year Ended March 31, 2004
	Program Revenues		Primary Government		
	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit: Lancaster County Convention Center Authority
Functions/Programs					
Primary Government:					
Governmental activities:					
General government:					
Public safety	\$ 1,795,340	\$ 114,912	\$ 221,398	\$ (1,459,030)	
Roads and bridges	513,691		840,401	326,710	
Health, education, and welfare:					
Drug and alcohol	5,875,320		5,621,079	(254,241)	
Employment and training	3,040,658		3,144,538	103,880	
Mental health/mental retardation	50,619,147		49,943,539	(675,608)	
Office of aging	7,009,827		7,223,143	213,316	
Children and Youth	33,370,799		32,550,685	(810,114)	
Other	1,023,885		1,543,449	519,564	
Judicial	31,308,099		31,308,099		
Corrections	16,780,827		16,780,827		
Cultural and recreation	2,824,566		2,824,566		
Community development	5,712,858		5,712,858		
Interest on long-term debt	5,609,294		5,609,294		
Total governmental activities	207,239,195	10,429,028	116,312,634	(80,497,533)	
Business-type activities:					
Conestoga View	32,802,281	32,297,938		(504,343)	(504,343)
911 Operations	7,269,133	4,057,163		(3,211,970)	(3,211,970)
Total business-type activities	40,071,414	36,355,101		(3,716,313)	(3,716,313)
Total primary government	\$ 247,310,609	\$ 46,784,129	\$ 116,312,634	\$ (84,213,846)	\$ -
Component unit:					
Convention Center	\$ 3,287,363	\$ -	\$ -	\$ (3,287,363)	(3,287,363)
Total component unit	\$ 3,287,363	\$ -	\$ -	\$ (3,287,363)	(3,287,363)
General Revenues:					
Property taxes					76,856,854
Departmental revenues					7,506,553
Unrestricted investment earnings					1,335,201
Room rental tax					7,635
Transfers					(3,756,622)
Total general revenues and transfers					81,941,986
Change in net assets					1,444,453
Net assets - beginning					8,413,291
Net assets - ending					9,857,714
					3,764,257
					85,706,243
					3,211,903
					1,492,397
					16,587,735
					182,127
					3,029,776
					2,717,059
					2,641,609

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

County of Lancaster, Pennsylvania
 Balance Sheet - Governmental Funds

December 31, 2004

	Children and Youth Services		Mental Health/Mental Retardation		Agricultural Land Preservation		Capital Projects		Other Governmental Funds		Total Governmental Funds
	General	Youth Services	Retardation	Health/Mental	Land Preservation	Capital Projects	Funds	Funds			
Cash and temporary investments:											
Operating	\$ 9,807,415	\$ -	\$ 6,198,772	\$ 2,746,321	\$ 24,164,534	\$ 7,153,250	\$ 50,070,292				
Other	845,726	4,246	190,756		299,714	316,462	1,656,904				
Cash with fiscal agents	437						437				
Investments	2,761				385,682	3,986,246	4,354,689				
Receivables:											
Taxes	2,000,983						2,000,983				
Less allowance for uncollectible taxes	(60,029)						(60,029)				
Fines and costs	19,758,574						19,758,574				
Less allowance for uncollectible fines and costs	(15,295,140)						(15,295,140)				
Accounts	80,911						80,911				
Due from other funds	2,416,899		8,133,524				2,500,314				
Due from other governments	1,535,139						4,518				
Advances to providers	97,911										
Other		22,633	3,421,915	43							
Total assets	\$ 21,191,587	\$ 6,160,403	\$ 9,811,488	\$ 3,112,003	\$ 24,464,248	\$ 13,960,790	\$ 78,700,517				

LIABILITIES AND FUND BALANCES

Liabilities:											
Accounts payable	\$ 1,828,294	\$ 2,210,959	\$ 2,832,079	\$ -	\$ -	\$ 557,740	\$ 1,825,692	\$ 8,697,024			
Contracts payable		1,450,447					421,814	1,872,261			
Due to other funds	437							437			
Matured bonds and interest payable	5,121,461		3,880	6,849,737			103,306	7,460,406			
Deferred revenue - taxes, fines and costs receivable	503,483		171,974	129,670			152,046	3,179,892			
Unearned revenue	2,726,262		3,837,260	9,811,486	3,112,003	557,740	2,502,858	30,001,284			
Payroll related accruals	10,179,937										
Total liabilities											
Fund balances (deficits):											
Reserved for advances	97,911		3,421,915				4,518	3,524,344			
Unreserved:											
Designated for debt service			2,323,143				3,986,246	3,986,246			
Designated for programmatic expenditures							7,467,168	2,323,143			
Designated in nonmajor special revenue funds								7,467,168			
Undesignated	10,813,739			(3,421,915)		23,908,508		31,398,332			
Total fund balances	11,011,650		2,323,143			23,908,508	11,457,932	48,699,233			
Total liabilities and fund balances	\$ 21,191,587	\$ 6,160,403	\$ 9,811,488	\$ 3,112,003	\$ 24,464,248	\$ 13,960,790	\$ 99,371,831	\$ 99,371,831			

Amounts reported for governmental activities in the statement of net assets are different because:
 Capital assets used in governmental activities are not reported as assets in the governmental funds.
 Easements reported in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.
 Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.
 Long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.
 Total net assets of governmental activities

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

(182,466,962)
 \$ 9,857,714

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2004

	General	Children and Youth Services	Health/Mental Retardation	Agricultural Land Preservation	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Real estate taxes	\$ 75,693,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,693,294
Intergovernmental	7,670,589	32,560,885	49,943,539	-	-	26,137,821	116,312,634
Departmental	11,917,268	1,657,818	41,181	-	-	151,072	13,767,339
Fines and costs	3,423,118	-	-	-	-	-	3,423,118
Interest	619,744	578	136,676	-	-	147,592	1,335,201
Other	364,109	-	31,975	-	-	62,117	674,277
Health Choices revenues	-	-	734,008	-	-	-	734,008
Total revenues	99,688,122	34,219,081	50,887,379	-	492,728	26,652,561	211,939,871
EXPENDITURES							
Current:							
General government	26,426,983	-	-	-	-	7,059,747	33,486,730
Public safety	769,267	-	-	-	-	-	769,267
Roads and bridges	-	-	-	-	-	486,841	486,841
Health, education, and welfare:							
Drug and alcohol	-	-	-	-	-	6,017,438	6,017,438
Employment and training	-	-	-	-	-	3,122,382	3,122,382
Mental health/mental retardation	-	-	51,716,537	-	-	-	51,716,537
Office of aging	-	-	-	-	-	7,607,869	7,607,869
Children and youth	-	40,669,408	-	-	-	-	40,669,408
Other	1,035,332	-	-	-	-	1,035,332	1,035,332
Judicial	28,795,724	-	-	-	-	32,874,042	32,874,042
Corrections	15,459,196	-	-	-	-	15,459,196	15,459,196
Cultural and recreation	2,702,712	-	-	-	-	2,702,712	2,702,712
Community development	-	-	-	-	-	5,712,858	5,712,858
Capital outlay	1,469,501	138,115	112,912	-	1,882,430	758,735	4,361,693
Debt Service:							
Principal retirement	3,015,000	-	-	-	-	2,840,000	5,855,000
Interest and fiscal charges	5,154,688	-	-	-	-	5,154,688	5,154,688
Bond issuance costs	83,538	-	-	-	-	376,731	460,269
Total expenditures	84,911,941	40,807,523	51,829,449	-	9,318,908	30,624,441	217,492,262
Excess (deficiency) of revenues over (under) expenditures	14,776,181	(6,588,442)	(942,070)	-	(8,826,180)	(3,971,880)	(5,552,391)
OTHER FINANCING SOURCES (USES)							
Transfers in	887,724	6,876,403	942,070	-	-	2,289,053	10,995,250
Transfers out	(13,909,442)	-	-	-	(842,430)	-	(14,751,872)
Face amount of refunding bonds issued	5,005,000	-	-	-	-	-	5,005,000
Payment to refunded bond escrow agent	(5,160,255)	-	-	-	-	-	(5,160,255)
Premium on refunding bonds issued	238,793	-	-	-	-	1,161,243	1,400,036
Face amount of bonds issued	-	-	-	-	-	27,300,000	27,300,000
Total other financing sources (uses)	(12,938,180)	6,876,403	942,070	-	-	2,289,053	24,788,159
Net change in fund balances	1,838,001	287,961	-	-	-	18,792,633	19,235,768
Fund balances, January 1	9,173,649	2,035,182	-	-	-	5,113,875	29,463,465
Fund balances, December 31	\$ 11,011,650	\$ 2,323,143	\$ -	\$ -	\$ 23,906,508	\$ 11,457,932	\$ 48,699,233

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, 2004

Net change in fund balances - total governmental funds (page 33)	\$ 19,235,768
The change in net assets reported for <i>governmental activities</i> in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	5,624,353
Governmental funds report easement outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which easement outlays exceeded amortization expense in the current period.	444,549
Revenues that provide current financial resources in the governmental funds are unearned in the statement of activities.	500,400
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.	(22,642,742)
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.	(1,230,860)
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>(487,015)</u>
Change in net assets of governmental activities (page 31)	<u>\$ 1,444,453</u>

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

County of Lancaster, Pennsylvania

Statement of Fund Net Assets - Enterprise Funds

December 31, 2004

	Conestoga View	Non-Major Fund - 911 Operations	Total
ASSETS			
Current assets:			
Cash and temporary investments	\$ -	\$ -	\$ -
Telephone subscriber receivable		370,099	370,099
Due from other governments	3,620,186		3,620,186
Total current assets	3,620,186	370,099	3,990,285
Noncurrent assets:			
Restricted cash and temporary investments	157,735		157,735
Capital assets:			
Land and improvements	581,888	7,642	589,530
Buildings and improvements	6,588,690	263,513	6,852,203
Furniture and equipment	11,849,306	2,673,025	14,522,331
Less accumulated depreciation	(12,165,664)	(1,528,384)	(13,694,048)
Total capital assets, net	6,854,220	1,415,796	8,270,016
Total noncurrent assets	7,011,955	1,415,796	8,427,751
Total assets	10,632,141	1,785,895	12,418,036
LIABILITIES			
Current liabilities:			
Accounts payable	559,260	80,136	639,396
Payroll related accruals	290,029	91,549	381,578
Accrued vacation and sick pay	61,496	7,593	69,089
Due to other funds	544,638		544,638
Total current liabilities	1,455,423	179,278	1,634,701
Noncurrent liabilities:			
Accrued vacation and sick pay	1,039,569	229,189	1,268,758
Patient funds held in safekeeping	157,735		157,735
Net pension obligation	937,585	196,839	1,134,424
Total noncurrent liabilities	2,134,889	426,028	2,560,917
Total liabilities	3,590,312	605,306	4,195,618
NET ASSETS			
Invested in capital assets	6,854,220	1,415,796	8,270,016
Unrestricted (deficit)	187,609	(235,207)	(47,598)
Total net assets	\$ 7,041,829	\$ 1,180,589	\$ 8,222,418

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

County of Lancaster, Pennsylvania

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Funds

For the Year Ended December 31, 2004

	Conestoga View	Non-Major Fund - 911 Operations	Total
Operating revenues:			
Charges for sales and services:			
Net patient service revenue	\$ 32,134,175	\$ -	\$ 32,134,175
Telephone subscriber revenues		4,057,163	4,057,163
Other	163,763		163,763
Total operating revenues	32,297,938	4,057,163	36,355,101
Operating expenses:			
Administration	2,568,281		2,568,281
Nursing	17,440,591		17,440,591
Dietary	3,194,025		3,194,025
Housekeeping	1,932,470		1,932,470
Medical Services	98,123		98,123
Operations and maintenance	1,929,032		1,929,032
Pharmacy	637,314		637,314
Laundry	929,515		929,515
Recreation therapy	602,483		602,483
Admissions	129,492		129,492
Staff development	322,846		322,846
Barber and beautician	100,127		100,127
Personnel	350,561		350,561
Physical therapy	556,901		556,901
Social services	557,916		557,916
Volunteers	42,071		42,071
Depreciation	824,101	175,179	999,280
Security	298,410		298,410
Respiratory	288,022		288,022
Public safety		7,093,954	7,093,954
Total operating expenses	32,802,281	7,269,133	40,071,414
Operating loss	(504,343)	(3,211,970)	(3,716,313)
Nonoperating revenues:			
Interest revenue		7,635	7,635
Loss before transfers	(504,343)	(3,204,335)	(3,708,678)
Transfers in		3,756,622	3,756,622
Change in net assets	(504,343)	552,287	47,944
Total net assets, January 1	7,546,172	628,302	8,174,474
Total net assets, December 31	\$ 7,041,829	\$ 1,180,589	\$ 8,222,418

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

County of Lancaster, Pennsylvania

Statement of Cash Flows - Enterprise Funds

For the Year Ended December 31, 2004

	Conestoga View	Non-Major Fund - 911 Operations	Total
Cash flows from operating activities:			
Cash received on patient accounts	\$ 32,337,515	\$ -	\$ 32,337,515
Cash received from departmental revenues		3,973,580	3,973,580
Cash payments to suppliers for goods and services	(7,315,667)	(2,456,791)	(9,772,458)
Cash payments to employees for services	(18,918,738)	(4,057,513)	(22,976,251)
Cash payments for taxes	(1,447,972)	(310,631)	(1,758,603)
Cash payments for employee benefits	(4,903,076)	(905,939)	(5,809,015)
Other operating revenues	163,763		163,763
Net cash provided by (used in) operating activities	(84,175)	(3,757,294)	(3,841,469)
Cash flows from noncapital financing activities:			
Transfers from other funds		3,756,622	3,756,622
Transfers to cover current year cash deficit	544,638		544,638
Net cash provided by (used in) noncapital financing activities	544,638	3,756,622	4,301,260
Cash flows from capital and related financing activities:			
Purchases of capital assets	(560,849)	(6,963)	(567,812)
Net cash used in capital and related financing activities	(560,849)	(6,963)	(567,812)
Cash flows from investing activities:			
Interest received		7,635	7,635
Net cash provided by investing activities	-	7,635	7,635
Net decrease in cash and cash equivalents	(100,386)		(100,386)
Cash and cash equivalents, January 1	258,121		258,121
Cash and cash equivalents, December 31	157,735		157,735
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(504,343)	(3,211,970)	(3,716,313)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	824,101	77,864	901,965
Changes in assets and liabilities:			
Other receivables		(83,583)	(83,583)
Due from other governments	189,309		189,309
Accounts payable	(47,071)	(433,401)	(480,472)
Accrued expenses	92,200	24,533	116,733
Patient funds held in safekeeping	14,031		14,031
Other liabilities	(652,402)	(130,737)	(783,139)
Total adjustments	420,168	(545,324)	(125,156)
Net cash used in operating activities	\$ (84,175)	\$ (3,757,294)	\$ (3,841,469)

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, 2004

	Pension Trust Fund	Agency Fund	Total
ASSETS			
Cash and temporary investments-operating	\$ 2,809,227	\$ 8,513,139	\$ 11,322,366
Accounts receivable	969,252		969,252
	<u>3,778,479</u>	<u>8,513,139</u>	<u>12,291,618</u>
Investments, at fair value:			
U.S. Government securities	17,950,133		17,950,133
U.S. Government agency-mortgage backed securities	11,251,042		11,251,042
Domestic corporate bonds	11,920,133		11,920,133
Fixed income mutual funds	2,247,500		2,247,500
Collateralized mortgage obligations	1,122,603		1,122,603
Domestic common stock	28,610,584		28,610,584
Stock index funds	19,145,284		19,145,284
International equity fund	39,933,660		39,933,660
Total investments	<u>132,180,939</u>	<u>-</u>	<u>132,180,939</u>
Total assets	<u>135,959,418</u>	<u>8,513,139</u>	<u>144,472,557</u>
LIABILITIES			
Deposits and advances		1,526,176	1,526,176
Escrow liability		2,050,884	2,050,884
Due to other governments		3,944,847	3,944,847
Other liabilities		991,232	991,232
Total liabilities	<u>-</u>	<u>8,513,139</u>	<u>8,513,139</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$135,959,418</u>	<u>\$ -</u>	<u>\$ 135,959,418</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, 2004

ADDITIONS

Contributions:

Employer	\$ 5,500,000
Plan members	<u>4,684,399</u>
Total contributions	<u>10,184,399</u>

Investment income:

Net appreciation in fair value of investments	10,829,056
Interest and dividends	2,349,906
Less investment expenses	<u>372,838</u>
Net investment income	<u>12,806,124</u>
Total additions	<u>22,990,523</u>

DEDUCTIONS

Benefits paid to plan members and beneficiaries	4,584,086
Refunds of contributions paid to plan members and beneficiaries	1,055,863
Administrative expenses	<u>43,892</u>
Total deductions	<u>5,683,841</u>
Change in net assets	17,306,682

Net assts held in trust for pension benefits, January 1	<u>118,652,736</u>
Net assets held in trust for pension benefits, December 31	<u>\$ 135,959,418</u>

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

(This page intentionally left blank)

County of Lancaster, Pennsylvania

Notes to Financial Statements

December 31, 2004

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Component Unit

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

The Lancaster County Convention Center Authority is a discretely presented component unit of the County. The County established a hotel room rental tax and, therefore, the Authority is fiscally dependent on the hotel room rental tax rate, which provides substantially all of the Authority's operating revenues.

Complete financial statements of this component unit can be requested from the County Controller's Office of Lancaster County, 50 North Duke Street, P.O. Box 83480, Lancaster, Pennsylvania 17608-3480.

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Jointly Governed Organization

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

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

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

Government-wide Financial Statements

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

In the government-wide statement of net assets, the governmental and business-type activities columns are presented on a consolidated basis by column and are presented using the economic resources measurement focus and the accrual

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

basis of accounting, which incorporates long-term assets as well as long-term debt and obligations. Interfund balances between governmental funds and interfund balances between proprietary funds are not included in the government-wide statement of net assets.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given functional category (public safety, general government, etc.) or business-type activity (911 telephone operations, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category or business type activity. Expenses reported for functional activities do not include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category or business-type activity. Taxes and other items that are not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes as available if collected within 60 days after year-end. The availability period for all significant revenue sources in governmental funds is 60 days. Property taxes due but not collected within 60 days after year-end are reflected as deferred revenues. Licenses, permits, and fines and costs are recorded as

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Interest earnings are recorded as earned.

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

The County's enterprise funds, presented in the enterprise fund financial statements, are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. With respect to the government-wide financial statements and the enterprise funds, the County has elected to apply only Financial Accounting Standards Board Statements issued prior to November 30, 1989 that do not conflict with GASB Statements.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the Conestoga View and 911 Operations enterprise funds are charges to customers for sales and services. Operating expenses of the enterprise funds include the costs of providing services, such as personnel, contracting and supplies as well as depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues.

The County's fiduciary funds are presented in the fund financial statements by type (pension trust fund and agency fund). Since by definition, the assets of these funds are held for the benefit of a third-party (third-parties, pension participants, etc.) and cannot be used to satisfy obligations of the County, these funds are not incorporated into the government-wide financial statements. The County's fiduciary funds are presented on the accrual basis of accounting.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The following major funds are used by the County:

Governmental Funds:

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

- **General Fund** – The general fund accounts for numerous County primary services (Public Safety, Judicial, Corrections, General Government, Community Development, Debt Service, etc.) and is the primary operating unit of the County. It accounts for all financial resources of the general government, except those required to be accounted for by another fund.
- **Children and Youth Services Fund** – This special revenue fund is used to account for amounts received from various federal, state, and local sources. These funds are restricted to provide support services to underprivileged juveniles.
- **Mental Health and Mental Retardation Fund** – This special revenue fund is used to account for amounts received from various federal, state, and local sources. These funds are restricted to provide assistance and medical care to those individuals with mental health and developmental disability problems.
- **Agricultural Land Conservation Fund** – This special revenue fund is used to account for amounts paid as easements to farmers within the County in efforts to preserve agricultural land.
- **Capital Projects Fund** – The capital projects fund is used to account for the resources and expenditures related to construction within the County.

Enterprise Fund:

The focus of enterprise fund measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows, which is similar to a business enterprise. The following is a description of the major enterprise fund of the County:

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- Conestoga View – Conestoga View accounts for the County's nursing home for the aged.
- In addition to the major funds discussed above, the County reports the following fund types:
 - Pension Trust Fund – This fund is used to account for the accumulation of resources for pension payments to qualified County employees under a single-employer contributory defined benefit pension plan covering substantially all County employees.
 - Agency Fund - This fund is used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units.

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

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

C. Summary of Significant Accounting Policies – Component Unit

Basis of Accounting

The Authority utilizes the accrual basis of accounting.

Cash and Cash Equivalents

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

Hotel Room Rental Tax

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. Pending Changes in Accounting Principles

In March 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures," an amendment of GASB Statement No. 3. The County is required to adopt Statement No. 40 for its calendar year 2005 financial statements.

In November 2003, the GASB issued Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This statement establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The County is required to adopt Statement No. 42 for its calendar year 2005 financial statements.

In May 2004, the GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1." GASB Statement No. 44 amends the portions of NCGA Statement 1, "Governmental Accounting and Financial Reporting Principles," that guide the preparation of the statistical section. The County is required to adopt GASB Statement No. 44 for its 2006 financial statements.

In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension." This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The County is required to adopt GASB Statement No. 45 for its 2007 financial statements.

In December 2004, the GASB issued Statement No. 46, "Net Assets Restricted by Enabling Legislation." This statement clarifies that a legally enforceable legislation restriction is one that an external party can compel a government to honor. The County is required to adopt Statement No. 46 for its 2006 financial statements.

The County has not yet completed the varied and in some cases complex analyses required to estimate the financial statement impact of these new pronouncements.

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

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

Investments

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Short-Term Interfund Receivables/Payables

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

Restricted Assets

Governmental Activities

At December 31, 2004, the County had a restricted cash balance of \$560,365 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 \$285,361 representing amounts deposited in an irrevocable trust to pay future workers compensation claims.

Business-type Activities

At December 31, 2004, the County has \$157,735 in cash and temporary investments restricted for payment of patient funds held in safekeeping.

Component Unit

At December, 31 2004, the Authority has \$39,576,325 in cash and temporary investments 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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

been met. Capital assets acquired by enterprise funds are recorded as assets in both the government-wide financial statements and in the enterprise fund financial statements to the extent the County's capitalization threshold has been met. The County capitalizes assets valued over \$5,000 with a useful life longer than one year.

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

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

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

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

Infrastructure	40 Years
Buildings and Improvements	40 Years
Furniture and Equipment	5-15 Years
Land and Improvements	20-30 Years

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

Easements

In order to preserve farmland and open space, the County purchases agricultural easements. An agricultural easement restricts the use of land from commercial development in perpetuity and encourages the continued agricultural use of land. An easement is thus considered an intangible asset of the County. Easements are amortized on the straight-line method over a maximum useful life of 40 years.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Deferred Revenues

The County reports deferred revenue in its governmental funds. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds combined balance sheet and revenue is recognized.

Accrued Vacation and Sick Pay

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

Risk Management

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workman's Compensation Act of 1915 as Reenacted and Amended. The exposure of risk is financed mostly through retention of all liability exposure, with limited purchase of commercial excess insurance. The liability is recorded as estimated by the plan administrator. Claims are paid from the general fund and the required retention amounts are accrued as a liability of the general fund.

Non-incremental claims adjustment expenses have not been included as part of the self-insurance liabilities.

Fund Equity/Net Assets

Reserved fund balances represent those portions of fund equity not 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.

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

Leases

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

Intergovernmental Revenues

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Interest Revenue

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations by third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews, and investigations.

3. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *total fund balance - total governmental funds* and *total net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds." The details of this \$182,495,962 difference are as follows:

General obligation bonds and notes payable	\$ 175,662,072
Less: Deferred charge on refundings (amortized as expense)	(5,858,102)
Less: Deferred charge for issuance costs (amortized as expense)	(1,842,778)
Plus issuance premium (amortized as income)	1,701,006
Claims and judgments	512,500
Accrued vacation and sick pay	4,035,229
Net pension obligation	3,053,639
Workers compensation claims liability	
Accrued interest payable	930,498
Arbitrage rebate payable	521,143
Unearned revenue on 2003 swaption agreement	2,700,000
Unearned revenue on 2004 swaption agreement	385,714
Loan payable	695,041
Net adjustment to <i>total fund balance - total governmental funds</i> to arrive at <i>net assets - government activities</i>	<u>\$ 182,495,962</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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$5,624,353 difference are as follows:

Capital outlay	\$ 8,968,636
Depreciation expense	(3,344,283)
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – government activities</i>	<u>\$ 5,624,353</u>

Another element of that reconciliation explains that, “Governmental funds report easement outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as amortization expense.” The details of this \$444,549 difference are as follows:

Easement outlay	\$ 1,587,172
Amortization expense	(1,142,623)
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – government activities</i>	<u>\$ 444,549</u>

Another element of that reconciliation states that “the issuance of long-term debt (i.e., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(22,642,742) difference are as follows:

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (32,305,000)
Amortization of accretion	(1,352,997)
Principal repayments:	
General obligation debt	5,840,000
Repayment on installment purchase agreement	15,000
Payment to escrow agent for refundings	<u>5,160,255</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds to arrive at changes in net assets - government activities</i>	<u>\$ (22,642,742)</u>

Another element of that reconciliation states that, "governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The details of this \$(1,230,860) difference are as follows:

Bond issuance costs	\$ 460,269
Bond discounts	(291,093)
Bond premiums	<u>(1,400,036)</u>
	<u>\$ (1,230,860)</u>

Another element of that reconciliation states that, "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$(487,015) difference are as follows:

Loans payment	\$ 637,556
Accrued vacation and sick pay	(240,099)
Net pension obligation	(99,148)
Workers compensation liability	172,663
Accrued interest payable	(454,606)
Arbitrage rebate payable	(41,393)
Amortization of deferred amounts on refunding	(385,574)
Amortization of issuance costs	(190,863)
Amortization of net bond premiums	<u>114,449</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds to arrive at changes in net assets - government activities</i>	<u>\$ (487,015)</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

4. Budgets and Budgetary Accounting

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

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

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

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

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

5. Deposits and Investments

Deposits

At December 31, 2004, the carrying amount of the County's deposits, including cash with fiscal agents, was \$59,262,831 and the bank balances totaled \$64,484,934. Of the bank balances, \$892,248 was covered by federal depository insurance. The remainder was categorized as uncollateralized (bank balances collateralized with securities held by the pledging financial institution's agent but not in the County's name).

Investments

The County utilizes various temporary investment sources in an effort to maximize interest earnings on its cash balances. Commonwealth statutes limit the County to the types of investments it may make. Allowable investments include repurchase agreements, U.S. government and related agency obligations, and Commonwealth and related agency obligations. (See Note 18 for Pension Trust Fund allowable investments.)

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

At December 31, 2004, all of the County's investments, other than the County's investment in the fixed income mutual funds, money market mutual funds, external investment pool, international equity mutual fund, and stock index funds, were categorized as uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name. The investments in the fixed income mutual funds, money market mutual funds, international equity mutual fund, and stock index funds were not categorized.

Investments by type were as follows at December 31, 2004:

	<u>Carrying Value</u>
Temporary investments:	
U.S. Government Securities Money Market Mutual Funds	\$ 3,384,538
Certificate of Deposit	560,365
	<u>\$ 3,944,903</u>
Investments:	
U.S. government securities	\$ 17,950,133
U.S. Treasury strips	4,354,689
U.S. Government Agency-Mortgage Backed Securities	11,251,042
Domestic Corporate Bonds	11,920,133
Collateralized Mortgage Obligations	1,122,603
Domestic Common Stock	47,327,936
Stock Index Funds	19,145,284
International Equity Mutual Fund	21,216,308
Fixed Income Mutual funds	2,247,500
	<u>\$ 136,535,628</u>

The County invests in various U.S. government agency-mortgage backed securities and collateralized mortgage obligations that provide a cash flow "pass through" of principal and interest payments by mortgagees from an underlying pool of mortgage loans. Mortgage backed securities and collateralized mortgage obligations do not have a contractual maturity date and the County is subject to the risk of prepayment on this portfolio.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Reconciliation of Cash and Investments Reported in the Fund Financial Statements to the Carrying Value of Deposits and Investments in the Footnotes

	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
Cash and temporary investments:				
Operating	\$ 50,070,292	\$ -	\$ 11,322,366	\$ 61,392,658
Other	811,178			811,178
Cash with fiscal agents	437			437
Investments	4,354,689		132,180,939	136,535,628
Restricted cash	845,726	157,735		1,003,461
	<u>\$ 56,082,322</u>	<u>\$ 157,735</u>	<u>\$ 143,503,305</u>	<u>\$ 199,743,362</u>
Carrying value of deposits per the footnotes				\$ 59,262,831
Temporary investments per the footnotes				3,944,903
Investments per the footnotes				136,535,628
Total deposits and investments per the footnotes				<u>\$ 199,743,362</u>

Deposits and Investments – Component Unit

At December 31, 2004, the carrying amount of the Authority's deposits was \$618,654 and the bank balances totaled \$855,765. Of the bank balances, \$100,000 was covered by federal depository insurance. The remainder was categorized as uncollateralized (bank balances collateralized with securities held by the pledging financial institution's agent but not in the Authority's name).

Investments of the Authority are as follows:

	Non- Categorized	Fair Value	Cost
Investments in Money Market Funds	\$ 434,837	\$ 434,837	\$ 434,837

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

6. Property Taxes

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

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt. The property tax rate for 2004 was 3.205 mills.

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2004 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 5,782,108	\$ 4,119	\$ -	\$ 5,786,227
Construction in progress	13,561,745		13,561,745	-
Total capital assets, not being depreciated	19,343,853	4,119	13,561,745	5,786,227
Capital assets, being depreciated:				
Buildings and improvements	83,832,657	20,628,736		104,461,393
Furniture and equipment	21,011,795	2,458,807	1,061,017	22,409,585
Assets under capital lease	1,371,165			1,371,165
Infrastructure	4,980,807	499,736		5,480,543
Total capital assets being depreciated	111,196,424	23,587,279	1,061,017	133,722,686
Less accumulated depreciation for:				
Buildings and improvements	26,275,318	2,696,943		28,972,261
Furniture and equipment	9,520,288	1,237,567	836,294	9,921,561
Assets under capital lease	369,514	110,394		479,908
Infrastructure	627,679	135,673		763,352
Total accumulated depreciation	36,792,799	4,180,577	836,294	40,137,082
Total capital assets, being depreciated, net	74,403,625	19,406,702	224,723	93,585,604
Governmental activities capital assets, net	\$ 93,747,478	\$ 19,410,821	\$ 13,786,468	\$ 99,371,831

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 574,655	\$ 14,875	\$ -	\$ 589,530
Total capital assets, not being depreciated	574,655	14,875	-	589,530
Capital assets, being depreciated:				
Buildings and improvements	6,688,313	163,890		6,852,203
Furniture and equipment	14,133,284	492,973	103,926	14,522,331
Total capital assets being depreciated	20,821,597	656,863	103,926	21,374,534
Less accumulated depreciation for:				
Buildings and improvements	3,359,535	307,965		3,667,500
Improvements other than buildings	418,409	25,628		444,037
Furniture and equipment	9,014,139	665,687	97,315	9,582,511
Total accumulated depreciation	12,792,083	999,280	97,315	13,694,048
Total capital assets, being depreciated, net	8,029,514	(342,417)	6,611	7,680,486
Business-type activities capital assets, net	\$ 8,604,169	\$ (327,542)	\$ 6,611	\$ 8,270,016

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

Governmental activities:	
General government	\$ 1,374,704
Public safety	1,039,761
Roads and bridges	135,673
Health, education, and welfare:	
Other	42,482
Judicial	147,149
Corrections	1,261,730
Cultural and recreation	179,078
Total depreciation expense – governmental activities	\$ 4,180,577
Business-type activities:	
Conestoga View	\$ 824,101
911 Operations	175,179
Total depreciation expense – business-type activities	\$ 999,280

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

As of December 31, 2004, the County has \$297,854 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

8. Leases

Operating Leases

The County is committed under various leases for building and office space and data processing and other equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended December 31, 2004 amounted to \$3,412,266. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2005	\$ 2,875,184
2006	2,392,538
2007	2,167,221
2008	2,143,998
2009	2,183,241
2010-2014	11,612,006
2015-2019	11,485,533
2020-2024	1,214,340
2025-2029	1,074,940
Total	<u>\$ 37,149,001</u>

9. Long-Term Liabilities

General Obligation Bonds and Notes

The County issues general obligation bonds and notes to provide funds for the acquisition and construction of major facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government.

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

As determined under the Commonwealth of Pennsylvania Local Government Unit Debt Act of 1972, the legal debt margin of the County at December 31, 2004 was \$197,937,726.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

General obligation bonds and notes consisted of the following at December 31, 2004:

Capital appreciation General Obligation Bonds, to advance refund the General Obligation Bonds, Series of 1988, dated March 14, 1991, principal payable semi-annually in varying amounts from \$105,000 to \$2,740,000 from January 1, 2005 to July 1, 2007	\$ 7,761,645
5.15% - 5.45% current interest bearing General Obligation Bonds, Series 2000A, to finance the County's capital projects, dated June 15, 2000, principal payable annually, ranging in amounts from \$40,000 to \$2,690,000, from May 2005 to May 2010.	7,705,000
3.20% - 5.50% Interest bearing General Obligation Notes Series A of 2001, to finance the County's capital projects as well as a partial advance refunding of series 2000A, dated December 15, 2001, principal payable annually, ranging in amounts \$5,000 to \$1,765,000, from November 2005 to November 2027.	16,415,000
Capital Appreciation Notes, Series B of 2001, to finance the County's capital projects, dated December 20, 2001, principal payable annually and semi-annually, ranging in amounts \$5,000 to \$2,815,000, from May 2005 to May 2019.	15,471,427
6.10% Interest bearing installment purchase agreement in the amount of \$363,200, dated January 4, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2016.	363,000
5.00% Interest bearing General Obligation Note Series of 2002 in the principal amount of \$3,210,000 to current refund Series A of 1997, and to partially refund Series B of 1997, Series of 1998, and Series of 1999, dated February 1, 2002, principal payable annually in amounts of \$5,000 to \$1,490,000 from November 1, 2005 to November 1, 2010.	3,195,000
Variable rate interest bearing General Obligation Note Series of 2002A in the principal amount of \$25,050,000 to current refund Series 2000, dated September 13, 2002, principal payable annually, varying in amounts from \$5,000 to \$2,439,000 from October 25, 2005 to October 25, 2030. Interest is payable monthly, based upon monthly calculations remitted by the bond trustee that include amounts sufficient to pay payments and receipts under any interest rate swap agreements, payments due to holders of the bonds, and monthly finance charges. The interest on the bonds will never exceed 15%.	25,040,000
4.40% - 4.70% General Obligation Bonds Series of 2002A in the principal amount of \$7,345,000 to finance certain capital projects dated December 15, 2002, principal payable annually, varying in amounts from \$5,000 to \$3,700,000 from November 1, 2005 to November 1, 2020.	7,340,000
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
3.00% - 4.75% General Obligation Bonds Series of 2003 in the principal amount of \$23,305,000 to finance certain capital projects dated January 1, 2003, principal payable annually, varying in amounts from \$450,000 to \$1,395,000 from November 1, 2005 to November 1, 2032.	22,855,000
1.05% - 5.25% General Obligation Bonds Series of 2003A in the principal amount of \$23,715,000 to partially refund Series A of 2000, dated October 15, 2003, principal payable annually, varying in amounts from \$30,000 to \$4,930,000 from May 1, 2005 to May 1, 2015.	23,685,000

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, 2004, the following changes occurred in long-term liabilities:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 152,899,075	\$ 33,657,997	\$ 10,895,000	\$ 175,662,072	\$ 6,797,482
Deferred amounts on refundings	(6,430,941)	(115,976)	688,815 (*)	(5,858,102)	
Net premium on bonds payable	402,845	1,400,036	101,875	1,701,006	
Claims and judgments	512,500			512,500	
Accrued vacation and sick pay	3,795,130	440,384	200,285	4,035,229	200,285
Net pension obligation	2,954,491	99,148		3,053,639	
Workers' compensation claims liability	172,663		172,663	-	
Arbitrage rebate payable	479,750	41,393		521,143	521,143
Loan payable	1,361,598		666,557	695,041	695,041
Deferred revenue on swap agreement	3,217,857		132,143	3,085,714	132,143
Governmental activities long-term liabilities	\$ 159,364,968	\$ 35,522,982	\$ 11,479,708	\$ 183,408,242	\$ 8,346,094

(*) Must subtract for column to foot

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Business-Type Activities:					
Net pension obligation	\$ 1,098,309	\$ 36,115	\$ -	\$ 1,134,424	\$ -
Accrued vacation and sick pay	1,257,229	149,709	69,089	1,337,847	69,089
Business-type activities long-term liabilities	\$ 2,355,538	\$ 185,822	\$ 69,089	\$ 2,472,271	\$ 69,089

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

10. Short-term Debt

On August 25, 2004, the County issued Tax Revenue Anticipation Notes in the amount of \$24,000,000 related to the Pennsylvania Intergovernmental Medical Assistance Pooling Act. In connection with this Act, municipalities pool funds in order to facilitate medical assistance reimbursement from the Commonwealth of Pennsylvania. On August 25, 2004, the County repaid \$24,000,000 related to these Tax Revenue Anticipation Notes. There was no outstanding balance at December 31, 2004 related to the issuance of this short-term debt during 2004. Short-term debt activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Revenue Anticipation Notes	\$ -	\$ 24,000,000	\$ 24,000,000	\$ -

11. Self-Insurance Claims Liability

Changes in the County's self-insurance claims liabilities for the years ended December 31, 2004 and 2003 were as follows:

	Liability Balance as of January 1, 2004	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2004
Unemployment Compensation	\$ 383,803	\$ 430,100	\$ 312,617	\$ 501,286
Workers' Compensation	1,400,321	655,065	669,068	1,386,318
Total Unemployment Compensation and Workers' Compensation	\$ 1,784,124	\$ 1,085,165	\$ 981,685	\$ 1,887,604

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

11. Self-Insurance Claims Liability (continued)

Of the above self-insurance claims liability balances, amounts for the years ended December 31, 2004 and 2003 were reported in the general fund as follows because these liabilities are due and payable and expected to be liquidated within expendable available resources:

	Balance as of December 31, 2003	Balance as of December 31, 2004
Unemployment Compensation	\$ 383,803	\$ 501,286
Workers' Compensation	1,400,321	1,386,318
	<u>\$ 1,784,124</u>	<u>\$ 1,887,604</u>

12. Interfund Balances

Individual fund receivable and payable balances at December 31, 2004 were as follows:

Fund(s)	Interfund Receivables	Interfund Payables
General	\$ 2,416,899	\$ -
Children and Youth services		1,450,447
Conestoga View		544,638
Non-major special revenue		421,814
	<u>\$ 2,416,899</u>	<u>\$ 2,416,899</u>

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

13. Interfund Transfers

Interfund transfers for the year ended December 31, 2004 consisted of the following:

Funds	Interfund Transfers In	Interfund Transfers Out
General fund	\$ 887,724	\$ 13,909,442
Children and Youth Services	6,876,403	
Mental Health/Mental Retardation	942,070	
Capital Projects		842,430
Nonmajor special revenue	2,289,053	
911 operations	3,756,622	
Total	<u>\$ 14,751,872</u>	<u>\$ 14,751,872</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

10. Short-term Debt

On August 25, 2004, the County issued Tax Revenue Anticipation Notes in the amount of \$24,000,000 related to the Pennsylvania Intergovernmental Medical Assistance Pooling Act. In connection with this Act, municipalities pool funds in order to facilitate medical assistance reimbursement from the Commonwealth of Pennsylvania. On August 25, 2004, the County repaid \$24,000,000 related to these Tax Revenue Anticipation Notes. There was no outstanding balance at December 31, 2004 related to the issuance of this short-term debt during 2004. Short-term debt activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Revenue Anticipation Notes	\$ -	\$ 24,000,000	\$ 24,000,000	\$ -

11. Self-Insurance Claims Liability

Changes in the County's self-insurance claims liabilities for the years ended December 31, 2004 and 2003 were as follows:

	Liability Balance as of January 1, 2004	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2004
Unemployment Compensation	\$ 383,803	\$ 430,100	\$ 312,617	\$ 501,286
Workers' Compensation	1,400,321	655,065	669,068	1,386,318
Total Unemployment Compensation and Workers' Compensation	\$ 1,784,124	\$ 1,085,165	\$ 981,685	\$ 1,887,604

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

11. Self-Insurance Claims Liability (continued)

Of the above self-insurance claims liability balances, amounts for the years ended December 31, 2004 and 2003 were reported in the general fund as follows because these liabilities are due and payable and expected to be liquidated within expendable available resources:

	Balance as of December 31, 2003	Balance as of December 31, 2004
Unemployment Compensation	\$ 383,803	\$ 501,286
Workers' Compensation	1,400,321	1,386,318
	<u>\$ 1,784,124</u>	<u>\$ 1,887,604</u>

12. Interfund Balances

Individual fund receivable and payable balances at December 31, 2004 were as follows:

Fund(s)	Interfund Receivables	Interfund Payables
General	\$ 2,416,899	\$ -
Children and Youth services		1,450,447
Conestoga View		544,638
Non-major special revenue		421,814
	<u>\$ 2,416,899</u>	<u>\$ 2,416,899</u>

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

13. Interfund Transfers

Interfund transfers for the year ended December 31, 2004 consisted of the following:

Funds	Interfund Transfers In	Interfund Transfers Out
General fund	\$ 887,724	\$ 13,909,442
Children and Youth Services	6,876,403	
Mental Health/Mental Retardation	942,070	
Capital Projects		842,430
Nonmajor special revenue	2,289,053	
911 operations	3,756,622	
Total	<u>\$ 14,751,872</u>	<u>\$ 14,751,872</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

13. Interfund Transfers (continued)

Transfers are used to (1) use unrestricted revenues collected in the general fund to finance various grant programs accounted for in other funds in accordance with budgetary and legal authorizations; and (2) subsidize 911 operations.

In the year ended December 31, 2004, the County made a one-time transfer of \$842,430 from the capital projects fund to the general fund to fund the payment of interest on general obligation bonds payable.

14. Due From Other Governments

Amounts "Due from Other Governments" are primarily grants receivable from the Commonwealth of Pennsylvania at December 31, 2004. Additionally, the Enterprise Fund (Conestoga View) has a "Due from Other Governments" in the amount of \$3,620,186 principally relating to billing for patient services rendered under the Commonwealth's Medical Assistance Program.

Conestoga View has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and per diem payments. Net revenue from the Medicare and Medical Assistance programs accounted for a significant percentage of Conestoga View's intergovernmental revenue for the year ended December 31, 2004.

Laws and regulations governing Medicare and Medical Assistance regulations are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Conestoga View believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations by any third-party entity. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medical Assistance programs.

15. Fines and Costs Receivable

At December 31, 2004, \$823,655 in fines and costs receivable are expected to be collected in more than one year.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

16. Commitments and Contingent Liabilities

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

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

On May 15, 2004, the County guaranteed revenue bonds issued by the Lancaster County 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 Lancaster County Redevelopment Authority by receipts and revenues derived from the use of the multi-purpose stadium facilities. At December 31, 2004, \$13,505,000 of the bonds remained outstanding.

On December 15, 2003, the County guaranteed to replenish annual debt service reserve fund draws of the Authority over the life of the Authority's debt service reserve fund note. The Authority's Note was issued in connection with the Authority's Hotel Room Rental Tax Revenue Bonds, Series 2003, (the Bonds) to prevent a default of the Bonds in the event of an unexpected interruption in the flow of hotel room rental tax revenues that are pledged to pay debt service on the Bonds. The annual replenishment to be paid by the County equals, to the extent the Authority has failed to provide necessary funding as required by the 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, 2004 the 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, 2004.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Postretirement Healthcare Benefits

In addition to providing pension benefits, the County provides certain postretirement healthcare benefits to all former employees who were members of the Employee Retirement Plan for a minimum of five years and are currently receiving retirement income. The provisions of the plan are stated in the County's personnel manual. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Currently, 505 retirees meet those eligibility requirements. These benefits are provided through insurance companies whose premiums, in some cases, are based on the benefits paid during the year. Premiums under the plan for certain healthcare benefits are paid in part by the County. Retirees desiring such coverage are responsible for co-pays in accordance with rates established by the County. The County recognizes the cost of providing these benefits, which totaled \$1,808,501 for 2004, as premiums are paid.

18. Employee Retirement Plan (Pension Trust Fund)

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

Description of Plan

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2004, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	648
Terminated plan members enrolled but not yet receiving benefits	65
Active plan members	<u>2,362</u>
Total members	<u><u>3,075</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 5.5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$45,655,419 as of December 31, 2004, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Postretirement Healthcare Benefits

In addition to providing pension benefits, the County provides certain postretirement healthcare benefits to all former employees who were members of the Employee Retirement Plan for a minimum of five years and are currently receiving retirement income. The provisions of the plan are stated in the County's personnel manual. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Currently, 505 retirees meet those eligibility requirements. These benefits are provided through insurance companies whose premiums, in some cases, are based on the benefits paid during the year. Premiums under the plan for certain healthcare benefits are paid in part by the County. Retirees desiring such coverage are responsible for co-pays in accordance with rates established by the County. The County recognizes the cost of providing these benefits, which totaled \$1,808,501 for 2004, as premiums are paid.

18. Employee Retirement Plan (Pension Trust Fund)

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

Description of Plan

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2004, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	648
Terminated plan members enrolled but not yet receiving benefits	65
Active plan members	<u>2,362</u>
Total members	<u><u>3,075</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

that method is used. 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, 2004. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.5 - 4.5%, at graduated .25% increments over six years; (c) 3% inflation rate, and (d) no postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 5,827,903
Interest on net pension obligation	303,960
Adjustment to annual required contribution	496,600
Annual pension cost	<u>5,635,263</u>
Contributions made	<u>5,500,000</u>
Increase in net pension obligation	135,263
Net pension obligation beginning of year	<u>4,052,800</u>
Net pension obligation, end of year	<u>\$ 4,188,063</u>

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 2,688,202	20%	\$ 5,027,257
2003	\$ 4,525,543	122%	\$ 4,052,800
2004	\$ 5,635,263	98%	\$ 4,188,063

Legally Required Reserves

At December 31, 2004, the County has a balance of \$45,655,419 in Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2004. Since those accumulations represent the present value of future

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

benefits as of December 31, 2004, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$41,559,836 in the County Annuity Reserve Account as of December 31, 2004. 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, 2004 amounted to \$36,904,215.

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

19. Interest Rate Swap

General Obligation Note Series 2002A

Objective of the Interest Rate Swap

In order to take advantage of the interest rate environments in the financial markets and to lock in a fixed rate relative to the variable rate interest payments it is required to make for the variable rate interest bearing General Obligation Note Series of 2002A (the "note") in the amount of \$25,040,000, the County entered into an interest rate swap in November, 2001, which was later amended in May, 2004. The intention of the swap was to effectively change the County's variable interest rate on the note to a fixed maximum rate of 5.195% for periodic scheduled payments.

Terms

The note and the related agreement mature on October 25, 2030. The swap's notional amount of \$25,040,000 equals the variable rate note's notional amount of \$25,040,000. Under the swap, the County pays to the provider periodic payments not to exceed 5.195% and receives a variable payment computed as 60% of the London Interbank Offered Rate (LIBOR) plus 0.303%. The note's variable rate coupons are based on the variable Bond Market Association Municipal Swap Index (BMA), which equaled 1.99% as of December 31, 2004, plus approximately 0.05%. In connection with and in consideration for entering into this swap agreement the County received a \$3,000,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

swap premium in January of 2002, which is being deferred and amortized over the life of the swap agreement.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$6,035,048 as of December 31, 2004. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate note, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable rate note adjust to changing interest rates, the note does not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

Basis Risk and Termination Risk

The swap exposes the County to basis risk, should the relationship between LIBOR and BMA converge, thus changing the synthetic rate on the note. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (5.195%) and the synthetic rate as of December 31, 2004 (5.481%). The termination exposure of the General Obligation Note Series 2002A swap agreement at December 31, 2004 equals \$6,035,048 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2004, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2004. As rates vary, variable rate note interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2005	\$ 5,000	\$ 498,278	\$ 861,626	\$ 1,364,904
2006	5,000	498,178	861,454	1,364,632
2007	5,000	498,078	861,282	1,364,360
2008	5,000	497,979	861,110	1,364,089
2009	5,000	497,879	860,938	1,363,817
2010-2030	25,015,000	7,422,591	12,995,005	45,432,596
	<u>\$ 25,040,000</u>	<u>\$ 9,912,983</u>	<u>\$ 17,301,415</u>	<u>\$ 52,254,398</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Postretirement Healthcare Benefits

In addition to providing pension benefits, the County provides certain postretirement healthcare benefits to all former employees who were members of the Employee Retirement Plan for a minimum of five years and are currently receiving retirement income. The provisions of the plan are stated in the County's personnel manual. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Currently, 505 retirees meet those eligibility requirements. These benefits are provided through insurance companies whose premiums, in some cases, are based on the benefits paid during the year. Premiums under the plan for certain healthcare benefits are paid in part by the County. Retirees desiring such coverage are responsible for co-pays in accordance with rates established by the County. The County recognizes the cost of providing these benefits, which totaled \$1,808,501 for 2004, as premiums are paid.

18. Employee Retirement Plan (Pension Trust Fund)

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

Description of Plan

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2004, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	648
Terminated plan members enrolled but not yet receiving benefits	65
Active plan members	2,362
Total members	<u>3,075</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 5.5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$45,655,419 as of December 31, 2004, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Postretirement Healthcare Benefits

In addition to providing pension benefits, the County provides certain postretirement healthcare benefits to all former employees who were members of the Employee Retirement Plan for a minimum of five years and are currently receiving retirement income. The provisions of the plan are stated in the County's personnel manual. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Currently, 505 retirees meet those eligibility requirements. These benefits are provided through insurance companies whose premiums, in some cases, are based on the benefits paid during the year. Premiums under the plan for certain healthcare benefits are paid in part by the County. Retirees desiring such coverage are responsible for co-pays in accordance with rates established by the County. The County recognizes the cost of providing these benefits, which totaled \$1,808,501 for 2004, as premiums are paid.

18. Employee Retirement Plan (Pension Trust Fund)

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

Description of Plan

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2004, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	648
Terminated plan members enrolled but not yet receiving benefits	65
Active plan members	2,362
Total members	<u>3,075</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 5.5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$45,655,419 as of December 31, 2004, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Postretirement Healthcare Benefits

In addition to providing pension benefits, the County provides certain postretirement healthcare benefits to all former employees who were members of the Employee Retirement Plan for a minimum of five years and are currently receiving retirement income. The provisions of the plan are stated in the County's personnel manual. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Currently, 505 retirees meet those eligibility requirements. These benefits are provided through insurance companies whose premiums, in some cases, are based on the benefits paid during the year. Premiums under the plan for certain healthcare benefits are paid in part by the County. Retirees desiring such coverage are responsible for co-pays in accordance with rates established by the County. The County recognizes the cost of providing these benefits, which totaled \$1,808,501 for 2004, as premiums are paid.

18. Employee Retirement Plan (Pension Trust Fund)

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

Description of Plan

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2004, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	648
Terminated plan members enrolled but not yet receiving benefits	65
Active plan members	<u>2,362</u>
Total members	<u><u>3,075</u></u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 5.5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$45,655,419 as of December 31, 2004, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

The following individual investments represent 5% or more of the Plan's fair value of net assets available for benefits as of December 31, 2004:

	<u>Fair Value</u>
U.S. Stock Index Funds	\$ 19,145,284
International Equity Mutual Fund	21,216,308
Domestic Common Stock	47,327,936
U.S. Government Securities	17,950,133
Domestic Corporate Bonds	11,920,133
U.S. Government Agency – Mortgage Backed Securities	11,251,042

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 2004, all administrative costs totaling \$43,892 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

Summary of Significant Accounting Policies

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

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

The Plan's funding policy provides for periodic member contributions as discussed above and employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates and the actuarial value of assets are determined using the aggregate actuarial funding method. Separate determination and amortization of the unfunded accrued actuarial liability are not part of the aggregate actuarial cost method and are not required when

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

that method is used. 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, 2004. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.5 - 4.5%, at graduated .25% increments over six years; (c) 3% inflation rate, and (d) no postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 5,827,903
Interest on net pension obligation	303,960
Adjustment to annual required contribution	496,600
Annual pension cost	<u>5,635,263</u>
Contributions made	5,500,000
Increase in net pension obligation	<u>135,263</u>
Net pension obligation beginning of year	4,052,800
Net pension obligation, end of year	<u>\$ 4,188,063</u>

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 2,688,202	20%	\$ 5,027,257
2003	\$ 4,525,543	122%	\$ 4,052,800
2004	\$ 5,635,263	98%	\$ 4,188,063

Legally Required Reserves

At December 31, 2004, the County has a balance of \$45,655,419 in Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2004. Since those accumulations represent the present value of future

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

benefits as of December 31, 2004, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$41,559,836 in the County Annuity Reserve Account as of December 31, 2004. 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, 2004 amounted to \$36,904,215.

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

19. Interest Rate Swap

General Obligation Note Series 2002A

Objective of the Interest Rate Swap

In order to take advantage of the interest rate environments in the financial markets and to lock in a fixed rate relative to the variable rate interest payments it is required to make for the variable rate interest bearing General Obligation Note Series of 2002A (the "note") in the amount of \$25,040,000, the County entered into an interest rate swap in November, 2001, which was later amended in May, 2004. The intention of the swap was to effectively change the County's variable interest rate on the note to a fixed maximum rate of 5.195% for periodic scheduled payments.

Terms

The note and the related agreement mature on October 25, 2030. The swap's notional amount of \$25,040,000 equals the variable rate note's notional amount of \$25,040,000. Under the swap, the County pays to the provider periodic payments not to exceed 5.195% and receives a variable payment computed as 60% of the London Interbank Offered Rate (LIBOR) plus 0.303%. The note's variable rate coupons are based on the variable Bond Market Association Municipal Swap Index (BMA), which equaled 1.99% as of December 31, 2004, plus approximately 0.05%. In connection with and in consideration for entering into this swap agreement the County received a \$3,000,000

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

swap premium in January of 2002, which is being deferred and amortized over the life of the swap agreement.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$6,035,048 as of December 31, 2004. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate note, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable rate note adjust to changing interest rates, the note does not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

Basis Risk and Termination Risk

The swap exposes the County to basis risk, should the relationship between LIBOR and BMA converge, thus changing the synthetic rate on the note. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (5.195%) and the synthetic rate as of December 31, 2004 (5.481%). The termination exposure of the General Obligation Note Series 2002A swap agreement at December 31, 2004 equals \$6,035,048 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2004, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2004. As rates vary, variable rate note interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Note		Interest Rate	Total
	Principal	Interest	Swap, Net	
2005	\$ 5,000	\$ 498,278	\$ 861,626	\$ 1,364,904
2006	5,000	498,178	861,454	1,364,632
2007	5,000	498,078	861,282	1,364,360
2008	5,000	497,979	861,110	1,364,089
2009	5,000	497,879	860,938	1,363,817
2010-2030	25,015,000	7,422,591	12,995,005	45,432,596
	<u>\$ 25,040,000</u>	<u>\$ 9,912,983</u>	<u>\$ 17,301,415</u>	<u>\$ 52,254,398</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

General Obligation Bond Series 2003B

Objective of the Interest Rate Swap

In order to take advantage of the interest rate environments in the financial markets and to lock in a fixed rate relative to the variable rate interest payments it is required to make for the variable rate interest bearing General Obligation Bond Series of 2003B (the "bond") in the amount of \$12,955,000, the County entered into an interest rate swap in October, 2002, which was later amended in May, 2004. The intention of the swap was to effectively change the County's variable interest rate on the bond to a fixed maximum rate of 4.72954% for periodic scheduled payments.

Terms

The bonds and the related agreement mature on November 1, 2016. The swap's notional amount of \$12,955,000 matches the variable rate bond's notional amount of \$12,955,000. Under the swap, the County pays to the provider periodic payments not to exceed 4.72954% and receives a variable payment computed as 60% of LIBOR plus 0.5575%. The bond's variable-rate coupons are based on the variable BMA, which equaled 1.99% as of December 31, 2004, plus approximately 0.05%. In connection with and in consideration for entering into this swap agreement the County received a \$450,000 swap premium in November of 2003, which is being deferred and amortized over the life of the swap agreement, and \$180,000 in November of 2003 to assist in paying the issuance costs of the bonds.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$1,096,187 as of December 31, 2004. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate note, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate note adjust to changing interest rates, the note does not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swap (continued)

Basis Risk and Termination Risk

The swap exposes the County to basis risk, should the relationship between LIBOR and BMA converge, thus changing the synthetic rate on the note. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (4.72954%) and the synthetic rate as of December 31, 2004 (4.761%). The termination exposure of the General Obligation Note Series 2002A swap agreement at December 31, 2004 equals \$1,096,187 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2004, debt service requirements of the variable rate debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2004. As rates vary, variable rate note interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2005	\$ 1,025,000	\$ 255,674	\$ 445,782	\$ 1,726,456
2006	1,075,000	235,007	410,511	1,720,518
2007	1,125,000	213,340	373,521	1,711,861
2008	1,170,000	190,700	334,809	1,695,509
2009	1,230,000	167,088	294,550	1,691,638
2010-2016	7,330,000	502,020	905,843	8,737,863
Total	\$ 12,955,000	\$ 1,563,829	\$ 2,765,016	\$ 17,283,845

20. Interest Rate Swaption

General Obligation Note Series 2001A

Objective of the Swaption

In order to take advantage of short-term interest rates in the financial market, the County has incurred a certain amount of variable interest rate exposure and has entered into a fixed-to-floating interest rate swaption. The intent of the swaption 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 General Obligation Notes Series of 2001A (the "2001A Notes") from a fixed rate to a floating/variable rate.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Interest Rate Swaption (continued)

Terms

The swaption was entered into on September 15, 2004, at which time the County received an up-front payment of \$870,000 from the counterparty. The swaption payment of \$870,000 is being deferred and amortized over the life of the swaption agreement. The 2001A Notes and the related swaption agreement mature on November 1, 2027. The swaption's notional amount of \$16,415,000 as of December 31, 2004 matches the 2001A Notes' notional amount of \$16,415,000 as of December 31, 2004. Under the swaption, the counterparty has the option to exercise the swaption on September 1, 2005. If exercised, the counterparty would make periodic payments to the County equaling a fixed rate of 3.904% multiplied by the 2001A Notes' notional amount, while the County would make periodic payments to the counterparty equal to the varying BMA rate multiplied by the 2001A Notes' notional amount. As of December 31, 2004, BMA equaled 1.99%. The maximum interest rate the County that could be subject to pay is 23%.

Fair Value

As of December 31, 2004, the swaption had a negative fair value of \$1,355,153. The fair value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were 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.

Interest Rate Risk

Assuming the swaption is exercised on September 1, 2005, the County will receive a fixed swap rate of 3.904% in exchange for a floating rate equal to the BMA Index commencing November 1, 2005. While the risk that the BMA Index rises above the fixed swap rate over the term of the 2001A swaption increases the County's exposure to Interest Rate Risk, the 10-year historical average of the BMA index equals 2.80% and the BMA Index averaged 1.23% during 2004.

Termination Risk

The termination exposure of the 2001A swaption agreement at December 31, 2004 equals \$1,355,153 (the County would have to pay this amount to terminate the swaption).

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Interest Rate Swaption (continued)

General Obligation Bond Series 2002A

Objective of the Swaption

In order to take advantage of short-term interest rates in the financial market, the County has incurred a certain amount of variable interest rate exposure and has entered into a fixed-to-floating interest rate swaption. The intent of the swaption 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 General Obligation Bonds Series of 2002A (the "2002A Bonds") from a fixed rate to a floating/variable rate.

Terms

The swaption was entered into on September 15, 2004, at which time the County received an up-front payment of \$395,000 from the counterparty. The swaption payment of \$395,000 is being deferred and amortized over the life of the swaption agreement. The 2002A Bonds and the related swaption agreement mature on November 1, 2020. The swaption's notional amount of \$7,340,000 as of December 31, 2004 matches the 2002A Bonds' notional amount of \$7,340,000 as of December 31, 2004. Under the swaption, the counterparty has the option to exercise the swaption on September 1, 2005. If exercised, the counterparty would make periodic payments to the County equaling a fixed rate of 3.804% multiplied by the 2002A Bonds' notional amount, while the County would make periodic payments to the counterparty equal to the varying BMA rate multiplied by the 2002A Bonds' notional amount. As of December 31, 2004, BMA equaled 1.99%. The maximum interest rate that the County could be subject to pay is 23%.

Fair Value

As of December 31, 2004, the swaption had a negative fair value of \$575,888. The fair value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swap.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Interest Rate Swaption (continued)

Interest Rate Risk

Assuming the swaption is exercised on September 1, 2005, the County will receive a fixed swap rate of 3.804% in exchange for a floating rate equal to the BMA Index commencing November 1, 2005. While the risk that the BMA Index rises above the fixed swap rate over the term of the 2002A swaption increases the County's exposure to Interest Rate Risk, the 10-year historical average of the BMA index equals 2.80% and the BMA Index averaged 1.23% during 2004.

Termination Risk

The termination exposure of the 2002A swaption agreement at December 31, 2004 equals \$575,888 (the County would have to pay this amount to terminate the swaption).

General Obligation Bond Series 2003

Objective of the Swaption

In order to take advantage of short-term interest rates in the financial market, the County has incurred a certain amount of variable interest rate exposure and has entered into a fixed-to-floating interest rate swaption. The intent of the swaption 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 General Obligation Bonds Series of 2003 (the "2003 Bonds") from a fixed rate to a floating/variable rate.

Terms

The swaption was entered into on September 9, 2004, at which time the County received an up-front payment of \$1,150,000 from the counterparty. The swaption payment of \$1,150,000 is being deferred and amortized over the life of the swaption agreement. The 2003 Bonds and the related swaption agreement mature on November 1, 2032. The swaption's notional amount of \$22,855,000 as of December 31, 2004 matches the 2003 Bonds' notional amount of \$22,855,000 as of December 31, 2004. Under the swaption, the counterparty has the option to exercise the swaption on September 1, 2005. If exercised, the counterparty would make periodic payments to the County equaling a fixed rate of 3.95% multiplied by the 2003 Bonds' notional amount, while the County would make periodic payments to the counterparty equal to the varying BMA rate multiplied by the 2003 Bonds' notional amount. As of December 31, 2004, BMA equaled 1.99%. The maximum interest rate that the County could be subject to pay is 23%.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Interest Rate Swaption (continued)

Fair Value

As of December 31, 2004, the swaption had a negative fair value of \$1,696,963. The fair value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were 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.

Interest Rate Risk

Assuming the swaption is exercised on September 1, 2005, the County will receive a fixed swap rate of 3.95% in exchange for a floating rate equal to the BMA Index commencing November 1, 2005. While the risk that the BMA Index rises above the fixed swap rate over the term of the 2003 swaption increases the County's exposure to Interest Rate Risk, the 10-year historical average of the BMA index equals 2.80% and the BMA Index averaged 1.23% during 2004.

Termination Risk

The termination exposure of the 2003 swaption agreement at December 31, 2004 equals \$1,696,963 (the County would have to pay this amount to terminate the swaption).

21. Subsequent Events

On March 2, 2005, the County authorized the issuance of three series of general obligation bonds in the combined aggregate principal amount of \$58,860,000 to finance various capital projects and capital grant programs and to pay the costs of issuing and capitalized interest associated with the bonds. The bonds are to be issued as the General Obligation Bonds Series of 2005 in the amount of \$23,775,000, the General Obligation Bonds Series of 2006 in the amount of \$26,285,000, and the General Obligation Bonds Series of 2008 in the amount of \$8,800,000. All bond series will be issued with variable interest rates.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

21. Subsequent Events (continued)

On March 9, 2005, the County entered into three interest rate swap agreements in order to lock in fixed rates relative to the variable rate interest payments it will be subject to upon the issuance of its General Obligation Bonds Series of 2005, 2006, and 2008.

Interest Rate Swap – General Obligation Bond Series of 2005

Objective of the Interest Rate Swap

The intent of the interest rate swap was to effectively change the County's variable interest rate on the General Obligation Bonds Series of 2005 (the "2005 Bonds"), which are to be issued in the amount of \$23,775,000, to a fixed rate of 3.6% for periodic scheduled payments and to take advantage of the interest rate environments in the financial markets.

Terms

The 2005 Bonds and the related agreement mature on March 1, 2030. The swap's notional amount of \$23,775,000 equals the 2005 Bonds' notional amount of \$23,775,000. Under the swap, the County pays to the provider periodic payments not to exceed 3.6% and receives a variable payment computed as 68% of LIBOR. The variable interest rate on the 2005 Bonds, once issued, is to be calculated annually utilizing a weekly rate calculation provided by the 2005 Bonds' remarketing agent.

Interest Rate Swap – General Obligation Bond Series of 2006

Objective of the Interest Rate Swap

The intent of the interest rate swap was to effectively change the County's variable interest rate on the General Obligation Bonds Series of 2006 (the "2006 Bonds"), which are to be issued in the amount of \$26,285,000, to a fixed rate of 3.716% for periodic scheduled payments and to take advantage of the interest rate environments in the financial markets.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

21. Subsequent Events (continued)

Terms

The 2006 Bonds and the related agreement mature on March 1, 2031. The swap's notional amount of \$26,285,000 equals the 2005 Bonds' notional amount of \$26,285,000. Under the swap, the County pays to the provider periodic payments not to exceed 3.716% and receives a variable payment computed as 68% of LIBOR. The variable interest rate on the 2006 Bonds, once issued, is to be calculated annually utilizing a weekly rate calculation provided by the 2006 Bonds' remarketing agent.

Interest Rate Swap – General Obligation Bond Series of 2008

Objective of the Interest Rate Swap

The intent of the interest rate swap was to effectively change the County's variable interest rate on the General Obligation Bonds Series of 2008 (the "2008 Bonds"), which are to be issued in the amount of \$8,800,000, to a fixed rate of 3.844% for periodic scheduled payments and to take advantage of the interest rate environments in the financial markets.

Terms

The 2008 Bonds and the related agreement mature on March 1, 2033. The swap's notional amount of \$8,800,000 equals the 2008 Bonds' notional amount of \$8,800,000. Under the swap, the County pays to the provider periodic payments not to exceed 3.844% and receives a variable payment computed as 68% of LIBOR. The variable interest rate on the 2008 Bonds, once issued, is to be calculated annually utilizing a weekly rate calculation provided by the 2008 Bonds' remarketing agent.

On April 14, 2005, the County issued variable rate interest-bearing General Obligation Bonds, Series 2005, in the amount of \$23,775,000 to finance various capital projects and capital grant programs and to pay the costs of issuing the bonds. Principal is payable annually, ranging in amounts from \$570,000 to \$1,465,000 from March 2006 to March 2030.

REQUIRED SUPPLEMENTARY INFORMATION

County of Lancaster, Pennsylvania

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1999	899,728	0%
2000	609,240	0%
2001	910,617	0%
2002	2,823,744	17%
2003	4,775,487	115%
2004	5,827,903	94%

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2004
Actuarial cost method	Aggregate
Amortization method	Not applicable*
Remaining amortization period	Not applicable*
Amortization period open or closed	Not applicable*
Asset valuation method	Five-year smoothed market

Actuarial assumptions:

Investment rate of return	7.50%
Projected salary increases	3.5% - 4.5% at graduated .25% increments over 6 years.
Includes inflation at:	3%
Post-retirement benefit increases	None

* The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

County of Lancaster, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Basis - General Fund

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 6,203,633	\$ 8,680,982	\$ 7,491,961	\$ (1,189,021)
Real estate taxes	75,269,850	75,269,850	75,679,680	409,830
Personal property taxes				-
Departmental	14,126,334	16,766,334	15,950,272	(816,062)
Fines and costs	3,090,400	3,090,400	3,390,244	299,844
Interest	581,000	581,000	639,469	58,469
Indirect reimbursement	2,184,901	2,184,901	1,940,827	(244,074)
Other	300,689	300,689	342,900	42,211
Total revenues	101,756,807	106,874,156	105,435,353	(1,438,803)
EXPENDITURES				
Current:				
General government	32,660,734	35,380,778	27,093,469	8,287,309
Public safety	9,478,833	9,623,607	8,795,651	827,956
Health, education, and welfare:				
Other	91,863	1,641,953	1,424,109	217,844
Judicial	31,061,579	31,038,033	29,294,848	1,743,185
Corrections	15,927,610	15,957,887	15,674,963	282,924
Cultural and recreation	2,539,840	2,739,840	2,606,692	133,148
Capital outlay	1,694,926	2,174,637	1,469,501	705,136
Debt service:				
Principal retirement	3,125,000	3,125,000	3,000,000	125,000
Interest and fiscal charges	5,215,276	5,215,276	5,778,907	(563,631)
Total expenditures	101,795,661	106,897,011	95,138,140	11,758,871
Excess/(deficiency) of revenues over expenditures	(38,854)	(22,855)	10,297,213	10,320,068
OTHER FINANCING SOURCES (USES)				
Transfers in	1,040,000	1,040,000		(1,040,000)
Transfers out	(10,405,166)	(10,405,166)	(10,152,820)	252,346
Total other financing uses	(9,365,166)	(9,365,166)	(10,152,820)	(787,654)
Net change in fund balances	\$ 11,406,312	\$ 11,422,311	144,393	\$ 9,532,414
Net increase in assets and liabilities			1,532,719	
Fund balances, January 1, cash basis			8,978,790	
Fund balance, December 31, cash basis			10,655,902	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			1,940,954	
Fines and costs, net			4,463,434	
Accounts			80,911	
Due from other funds			2,416,899	
Due from other governments			1,535,139	
Advances to providers			97,911	
Accounts payable			(1,828,294)	
Deferred revenue - taxes, fines and costs receivable			(5,624,944)	
Unearned revenue				
Payroll related accruals			(2,726,262)	
Fund balances at December 31, modified accrual basis			\$ 11,011,650	

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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 28,949,434	\$ 28,949,434	\$ 27,998,805	\$ (950,629)
Departmental	1,758,539	1,758,539	1,475,100	(283,439)
Interest	600	600	578	(22)
Total revenues	<u>30,708,573</u>	<u>30,708,573</u>	<u>29,474,483</u>	<u>(1,234,090)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth	38,107,543	37,957,543	34,613,365	3,344,178
Capital outlay	351,533	501,533	138,115	363,418
Total expenditures	<u>38,459,076</u>	<u>38,459,076</u>	<u>34,751,480</u>	<u>3,707,596</u>
Deficiency of revenues under expenditures	(7,750,503)	(7,750,503)	(5,276,997)	2,473,506
OTHER FINANCING SOURCES				
Transfers in	7,684,252	7,684,252	6,876,403	(807,849)
Net change in fund balances	<u>\$ (66,251)</u>	<u>\$ (66,251)</u>	<u>1,599,406</u>	<u>\$ 1,665,657</u>
Net decrease in due to other funds			(1,601,687)	
Fund balances, January 1, cash basis			6,527	
Fund balance, December 31, cash basis			<u>4,246</u>	
Differences from modified accrual basis:				
Other receivables			22,633	
Due from other governments			6,133,524	
Accounts payable			(2,210,959)	
Deferred revenue			(3,880)	
Payroll related accruals			(171,974)	
Due to other funds			(1,450,447)	
Fund balances at December 31, modified accrual basis			<u>\$ 2,323,143</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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 48,370,312	\$ 48,370,312	\$ 52,531,913	\$ 4,161,601
Departmental	862,500	862,500	775,190	(87,310)
Interest	125,000	125,000	136,676	11,676
Other			32,107	32,107
Total revenues	<u>49,357,812</u>	<u>49,357,812</u>	<u>53,475,886</u>	<u>4,118,074</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Mental health/mental retardation				
	50,283,904	50,188,804	53,195,239	(3,006,435)
Capital outlay	101,642	196,742	112,912	83,830
Total expenditures	<u>50,385,546</u>	<u>50,385,546</u>	<u>53,308,151</u>	<u>(2,922,605)</u>
Deficiency of revenues under expenditures	(1,027,734)	(1,027,734)	167,735	1,195,469
OTHER FINANCING SOURCES (USES)				
Transfers in	1,014,824	1,014,824	942,070	(72,754)
Net change in fund balances	<u>\$ (12,910)</u>	<u>\$ (12,910)</u>	<u>1,109,805</u>	<u>\$ 1,122,715</u>
Fund balances, January 1, cash basis			<u>5,279,723</u>	
Fund balance, December 31, cash basis			<u>6,389,528</u>	
Differences from modified accrual basis:				
Advances to providers			3,421,915	
Other receivables			43	
Accounts payable			(2,832,079)	
Deferred revenue			(6,849,737)	
Payroll related accruals			(129,670)	
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. Specifically, the revenues and expenses of the County's 911 operations which are reported in the 911 operations enterprise fund for GAAP reporting purposes are reported as revenues and expenses in the County's general fund for budgetary purposes.

General fund revenues per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - general fund	\$105,435,353
Net adjustment to general fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	(1,766,016)
Less: 911 operations revenues recognized in the general fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(3,981,215)</u>
General fund revenues per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$99,688,122</u></u>
General fund expenditures per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - general fund	\$95,138,140
Net adjustment to general fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	(2,488,362)
Less: 911 operations expenditures recognized in the general fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(7,737,837)</u>
General fund expenditures per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$84,911,941</u></u>

County of Lancaster, Pennsylvania

Combining and Individual Fund Statements and Schedules

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

Domestic Relations Fund

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

Employment and Training Fund

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

Office of Aging Fund

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

Drug and Alcohol Fund

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

Liquid Fuels Fund

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

Community Development Block Grant Fund

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

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, 2004

	Special Revenue							Total Nonmajor Governmental Funds
	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Debt Service	Community Development Block Grant	
ASSETS								
Cash and temporary investments:								
Operating	\$ 3,778,880	\$ -	\$ 111,401	\$ 389,328	\$ 2,873,641	\$ -	\$ -	\$ 7,153,250
Other			316,462					316,462
Investments						3,986,246		3,986,246
Other receivables								
Due from other governments								
Advances to providers								
Total assets	976,581	562,152	174,559	786,252	770			2,500,314
			4,518					4,518
	\$ 4,755,461	\$ 562,152	\$ 606,940	\$ 1,175,580	\$ 2,874,411	\$ 3,986,246	\$ -	\$ 13,960,790
LIABILITIES								
Liabilities:								
Accounts payable	\$ 16,680	\$ 122,503	\$ 276,243	\$ 1,089,604	\$ 320,662	\$ -	\$ -	\$ 1,825,692
Due to other funds		421,695			119			421,814
Deferred revenue			27,673	75,633				103,306
Payroll related accruals	56,360	17,954	64,776	10,343	2,613			152,046
Total liabilities	73,040	562,152	368,692	1,175,580	323,394	-	-	2,502,858
FUND BALANCES								
Reserved for advances				4,518				4,518
Unreserved:								
Designated for debt service	4,682,421		233,730		2,551,017	3,986,246		3,986,246
Designated for programmatic expenditures	4,682,421		238,248		2,551,017	3,986,246		7,457,168
Total fund balances	\$ 4,755,461	\$ 562,152	\$ 606,940	\$ 1,175,580	\$ 2,874,411	\$ 3,986,246	\$ -	\$ 13,960,790
Total liabilities and fund balances								

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2004

	Special Revenue						Total	
	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Debt Service	Community Development Block Grant	Nonmajor Governmental Funds
REVENUES								
Intergovernmental	\$ 3,595,802	\$ 3,144,538	\$ 7,223,143	\$ 5,621,079	\$ 840,401	\$ -	\$ 5,712,858	\$ 26,137,821
Departmental	97,596		53,401	75	43,589	47,526		151,072
Interest	56,477				6,551			147,592
Other		1,419	151,101	57,005	890,541	47,526		216,076
Total revenues	3,749,875	3,145,957	7,427,645	5,678,159	890,541	47,526	5,712,858	26,652,561
EXPENDITURES								
Current:								
Roads and bridges								486,841
Health, education, and welfare:								
Drug and alcohol		3,122,382		6,017,438				6,017,438
Employment and training			7,607,869					3,122,382
Office of aging	4,078,318							7,607,869
Judicial								4,078,318
Community development							5,712,858	5,712,858
Capital outlay	168,608	23,575	36,103	1,225	529,224			758,735
Debt service:								
Principal retirement								
Total expenditures	4,246,926	3,145,957	7,643,972	6,018,663	1,016,065	2,840,000	5,712,858	28,440,000
Deficiency of revenues under expenditures	(497,051)	-	(216,327)	(340,504)	(125,524)	(2,792,474)	-	(3,971,980)
OTHER FINANCING SOURCES								
Transfers in	1,493,974		454,575	340,504				2,289,053
Total other financing sources	1,493,974		454,575	340,504				2,289,053
Net change in fund balances	996,923	-	238,248	-	(125,524)	(2,792,474)	-	(1,682,827)
Fund balances, January 1	3,685,498				2,676,541	6,778,720		13,140,759
Fund balances, December 31	\$ 4,682,421	\$ -	\$ 238,248	\$ -	\$ 2,551,017	\$ 3,986,246	\$ -	\$ 11,457,932

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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,157,475	\$ 3,157,475	\$ 3,910,711	\$ 753,236
Departmental	100,000	100,000	97,596	(2,404)
Interest	30,000	30,000	56,477	26,477
Total revenues	3,287,475	3,287,475	4,064,784	777,309
EXPENDITURES				
Current:				
Judicial	4,908,374	4,826,840	4,192,688	634,152
Capital outlay	88,735	170,269	168,608	1,661
Total expenditures	4,997,109	4,997,109	4,361,296	635,813
Excess (deficiency) of revenues over (under) expenditures	(1,709,634)	(1,709,634)	(296,512)	1,413,122
OTHER FINANCING SOURCES (USES)				
Transfers in	1,622,310	1,622,310	1,493,974	(128,336)
Net change in fund balances	\$ (87,324)	\$ (87,324)	1,197,462	\$ 1,284,786
Fund balances, January 1, cash basis			2,581,418	
Fund balance, December 31, cash basis			3,778,880	
Differences from modified accrual basis:				
Due from other governments			976,581	
Other receivables			-	
Accounts payable			(16,680)	
Payroll related accruals			(56,360)	
Fund balances at December 31, modified accrual basis			\$ 4,682,421	

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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,446,318	\$ 3,446,318	\$ 3,018,448	\$ (427,870)
Other revenues			1,419	1,419
Total revenues	3,446,318	3,446,318	3,019,867	(426,451)
EXPENDITURES				
Current:				
Health, education, and welfare:				
Employment and training	3,448,035	3,433,161	3,106,678	326,483
Capital outlay	10,800	25,674	23,575	2,099
Total expenditures	3,458,835	3,458,835	3,130,253	328,582
Net change in fund balances	\$ (12,517)	\$ (12,517)	(110,386)	\$ 97,869
Net increase in due to other funds			110,386	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Other receivables			-	
Due from other governments			562,152	
Accounts payable			(122,503)	
Due to other funds			(421,695)	
Payroll related accruals			(17,954)	
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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,491,817	\$ 7,491,817	\$ 7,065,069	\$ (426,748)
Interest				
Other	211,538	211,538	93,743	(117,795)
Total revenues	<u>7,703,355</u>	<u>7,703,355</u>	<u>7,158,812</u>	<u>(544,543)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Office of Aging	8,154,706	8,116,836	7,584,762	532,074
Capital outlay		37,870	36,103	1,767
Total expenditures	<u>8,154,706</u>	<u>8,154,706</u>	<u>7,620,865</u>	<u>533,841</u>
Excess (deficiency) of revenues over (under) expenditures	(451,351)	(451,351)	(462,053)	(10,702)
OTHER FINANCING SOURCES (USES)				
Transfers in	421,750	421,750	454,575	32,825
Net change in fund balances	<u>\$ (29,601)</u>	<u>\$ (29,601)</u>	<u>(7,478)</u>	<u>\$ 22,123</u>
Fund balances, January 1, cash basis			<u>435,341</u>	
Fund balance, December 31, cash basis			<u>427,863</u>	
Differences from modified accrual basis:				
Other receivables			-	
Due from other governments			174,559	
Advances to providers			4,518	
Accounts payable			(276,243)	
Deferred revenue			(27,673)	
Payroll related accruals			(64,776)	
Fund balances at December 31, modified accrual basis			<u>\$ 238,248</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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,825,475	\$ 5,239,240	\$ 5,651,204	\$ 411,964
Departmental	57,000	57,000	154,647	97,647
Interest	2,897	2,897		(2,897)
Other	750	750	17,940	17,190
Total revenues	<u>3,886,122</u>	<u>5,299,887</u>	<u>5,823,791</u>	<u>523,904</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	4,058,860	5,472,625	5,421,149	51,476
Capital outlay	1,225	1,225	1,225	-
Total expenditures	<u>4,060,085</u>	<u>5,473,850</u>	<u>5,422,374</u>	<u>51,476</u>
Deficiency of revenues under expenditures.	(173,963)	(173,963)	401,417	575,380
OTHER FINANCING SOURCES				
Transfers in	160,460	160,460	340,504	180,044
Net change in fund balances	<u>\$ (13,503)</u>	<u>\$ (13,503)</u>	<u>741,921</u>	<u>\$ 755,424</u>
Net decrease in due to other funds			(352,593)	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			<u>389,328</u>	
Differences from modified accrual basis:				
Due from other governments			786,252	
Accounts payable			(1,089,604)	
Deferred revenue			(75,633)	
Payroll related accruals			(10,343)	
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 - Liquid Fuels Special Revenue Fund

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 820,000	\$ 820,000	\$ 840,364	\$ 20,364
Interest	80,000	80,000	43,589	(36,411)
Other	3,000	3,000	6,551	3,551
Total revenues	903,000	903,000	890,504	(12,496)
EXPENDITURES				
Current:				
Roads and bridges	1,028,723	1,034,258	460,345	573,913
Capital outlay	1,853,247	1,847,712	529,224	1,318,488
Total expenditures	2,881,970	2,881,970	989,569	1,892,401
Net change in fund balances	\$ (1,978,970)	\$ (1,978,970)	(99,065)	\$ (1,879,905)
Fund balances, January 1, cash basis			2,972,706	
Fund balance, December 31, cash basis			2,873,641	
Differences from modified accrual basis:				
Due from other governments			770	
Accounts payable			(320,662)	
Payroll related accruals			(2,613)	
Due to other funds			(119)	
Fund balances at December 31, modified accrual basis			\$ 2,551,017	

County of Lancaster, Pennsylvania

Combining Statement of Changes in Assets and Liabilities -
Agency Funds

For the Year Ended December 31, 2004

	Balance, January 1, 2004	Additions	Deletions	Balance, December 31, 2004
ASSETS				
Cash and temporary investments - operating	\$ 7,952,669	\$ 133,118,194	\$ 132,557,724	\$ 8,513,139
Accounts receivable				
Total assets	\$ 7,952,669	\$ 133,118,194	\$ 132,557,724	\$ 8,513,139
LIABILITIES				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	304,050	1,400,207	1,288,177	416,080
Civil debt held		96,170	96,001	169
Sheriff's office	790,877	11,378,100	11,075,834	1,093,143
All others	11,051	8,145	2,413	16,783
Total deposits and advances	1,105,978	12,882,622	12,462,425	1,526,175
Escrow liability:				
Bail escrow	422,520	1,458,230	1,421,692	459,058
Child support	8,393	1,132,340	1,131,280	9,453
County prison	657,694	2,628,059	2,604,845	680,908
Court, restitution	423,714	1,567,459	1,551,872	439,301
All others	581,272	103,108	222,215	462,165
Total escrow	2,093,593	6,889,196	6,931,904	2,050,885
Other:				
All others	870,958	7,139,399	7,019,125	991,232
Total other	870,958	7,139,399	7,019,125	991,232
Due to other governments:				
Fines and costs	3,729,655	104,380,588	104,342,778	3,767,465
All others	152,485	1,826,389	1,801,492	177,382
Total due to other governments	3,882,140	106,206,977	106,144,270	3,944,847
Total liabilities	\$ 7,952,669	\$ 133,118,194	\$ 132,557,724	\$ 8,513,139

(This page intentionally left blank)

STATISTICAL SECTION

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

Table 1

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Expenditures:										
General Government	\$ 17,647,304	\$ 17,399,700	\$ 17,985,934	\$ 20,373,098	\$ 21,518,895	\$ 25,892,225	\$ 41,587,893	\$ 39,542,400	\$ 38,000,997	\$ 33,486,730
Public Safety	3,711,190	4,357,884	4,534,442	5,282,574	5,206,259	5,971,456	6,241,998	254,174	647,582	769,267 (3)
Roads and Bridges	309,163	708,795	817,071	182,156	560,989		433,594	205,939	520,417	486,841
Health, education and welfare:										
Drugs and Alcohol	1,749,674	2,268,085	3,433,610	3,852,526	3,839,594	4,086,542	4,607,956	3,537,426	4,887,973	6,017,438
Employment and Training	2,877,233	2,487,666	2,769,095	2,540,502	2,426,380	1,637,120	2,207,559	2,937,899	3,034,645	3,122,382
Mental Health/Mental Retardation	20,448,922	22,499,247	23,417,171	29,056,207	26,077,370	34,639,492	40,350,436	45,841,259	51,342,153	51,716,537
Office of Aging	5,735,513	5,657,919	5,895,116	6,092,531	5,868,260	7,136,854	7,172,111	6,713,640	7,704,959	7,607,869
Children and Youth	16,389,095	18,698,602	20,181,165	23,066,567	27,331,900	30,258,567	33,759,131	36,920,636	39,021,718	40,689,408
Other	3,296,100	3,414,825	3,195,669	529,528	595,725	661,207	713,296	832,977	655,866	1,035,332
Judicial	18,505,088	19,408,229	21,537,416	22,368,920	23,284,151	24,527,754	26,919,414	28,803,044	29,933,955	32,874,042
Corrections	9,836,218	9,980,618	10,747,625	11,449,924	11,721,069	12,567,146	13,082,682	14,041,578	14,118,091	15,459,196
Culture and Recreation	1,397,709	1,546,124	1,685,611	1,737,960	1,881,487	2,016,937	2,263,339	2,117,355	2,112,098	2,702,712
Community Development	4,337,264	3,936,044	5,026,949	6,407,530	3,965,971	5,133,874	4,561,550	4,836,576	5,210,433	5,712,858
Depreciation in Fair Value of Investments	5,439,413	4,904,226	2,214,934	4,320,602	210,073	22,364,395	16,934,114	9,955,828	17,264,521	4,361,693
Capital Outlay				1,371,165	6,535,965					
Capital Lease										
Debt service (2)										
Principal Retirement	3,070,000	3,205,000	3,220,000	4,530,000	4,360,000	4,810,000	4,495,000	1,920,000	4,745,000	5,855,000
Interest and fiscal charges	1,977,657	2,149,283	2,435,404	2,119,684	1,875,940	3,198,789	4,114,619	2,700,128	4,505,001	5,154,688
Bond issuance costs								288,909	684,877	460,269
Total Expenditures	\$ 116,727,513	\$ 122,622,247	\$ 129,097,212	\$ 145,281,474	\$ 147,360,028	\$ 184,902,358	\$ 209,444,692	\$ 201,449,758	\$ 224,390,286	\$ 217,492,262

(1) Amounts include all governmental fund types
 (2) Amounts do not include debt service payments for bond issues refunded pursuant to advance refunding
 (3) 911 Operations became an enterprise fund in 2002

County of Lancaster, Pennsylvania
General Governmental Revenues by Source (1)
Last Ten Years

Table 2

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues:										
Real Estate Taxes	\$ 39,355,004	\$ 36,653,736	\$ 41,268,634	\$ 53,380,671	\$ 54,257,481	\$ 56,347,904	\$ 57,902,496	\$ 60,952,887	\$ 67,106,816	\$ 75,693,294
Personal Property Taxes	5,255,102	59,221,424	395	38,544	8,110	84,176,629	92,023,376	101,367,081	585	109,987,669
Intergovernmental	57,087,622	10,955,572	64,891,091	72,619,983	69,668,080	12,844,848	13,865,686	15,494,862	14,186,879	13,767,339
Departmental	10,934,728	2,471,293	10,925,017	11,894,457	13,043,400	3,121,137	3,957,438	3,532,836	3,610,638	3,423,118
Fines and Costs	2,300,402	2,609,775	2,569,576	2,745,813	2,961,714	4,885,056	3,622,738	3,532,836	1,328,286	1,335,201
Interest	2,415,281	396,521	1,535,983	3,031,788	1,966,978	802,947	697,691	932,256	581,403	674,277
Other	639,833		418,961	328,169	1,616,854				72,421	168,922
Health Choices										
Total Revenues	\$ 117,987,972	\$ 112,308,321	\$ 121,609,657	\$ 144,039,425	\$ 143,522,617	\$ 162,178,521	\$ 172,069,425	\$ 184,108,174	\$ 196,970,613	\$ 211,939,871

(1) Amounts include all governmental fund types.

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

Table 3

Year	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections (2)	Ratio of Total		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
						Tax Collections to Total Tax Levy	Tax		
1995	\$ 45,542,247	\$ 43,055,615	94.54%	\$ 1,592,116	\$ 44,647,731	98.04%	\$ 1,501,395	3.30%	
1996	36,892,678	35,136,945	95.24%	1,444,628	36,581,573	99.16%	1,366,560	3.70%	
1997	42,146,876	39,882,529	94.63%	1,291,192	41,173,721	97.69%	1,798,106	4.27%	
1998	54,955,971	51,723,264	94.12%	1,478,664	53,201,928	96.81%	1,974,835	3.59%	
1999	55,167,820	52,320,144	94.84%	1,996,662	54,316,806	98.46%	1,075,483	1.95%	
2000	56,401,307	55,125,390	97.74%	1,176,172	56,301,562	99.82%	618,847	1.10%	
2001	59,742,551	56,713,662	94.93%	1,195,523	57,909,185	96.93%	825,459	1.38%	
2002	60,580,539	59,551,180	98.30%	1,657,148	61,208,328	101.04%	858,099	1.42%	
2003	66,544,976	65,227,229	98.02%	1,472,215	66,699,444	100.23%	787,401	1.18%	
2004	76,404,957	74,129,754	97.02%	1,549,926	75,679,680	99.05%	563,158	0.74%	

(1) Total tax levy includes real estate and personal property taxes for 1994 - 1995. On 5/22/96, the Board of Commissioners repealed the personal property tax effective January 1, 1996. Real estate tax levy is not adjusted by exonerations.
 (2) Total tax collections include penalties and interest.

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

Table 4

Year	Real Property			Personal Property (2)		
	Assessed Value	Estimated Actual Value (1)	Millage Rate	Assessed Value	Millage Rate	Total Assessed Value
1995	\$ 3,805,378,700	\$ 3,345,542,010	12.000		4.00	\$ 5,137,552,360
1996	3,804,594,810	3,353,879,840	11.000	\$1,332,173,660		3,804,594,810
1997	24,001,100,700	21,340,190,400	1.975			24,001,100,700
1998	24,470,843,500	21,678,884,200	2.535			24,470,843,500
1999	22,561,137,200	20,674,588,900	2.515			22,561,137,200
2000	25,267,114,100	22,863,582,100	2.515			25,267,114,100
2001	25,773,667,700	23,287,615,500	2.613			25,773,667,700
2002	25,908,504,500	23,373,714,300	2.613			25,908,504,500
2003	26,407,814,800	23,863,507,500	2.847			26,407,814,800
2004	31,214,117,500	28,249,202,000	3.205			31,214,117,500

(1) 1994-1996 estimated actual value is based on a market value appraisal made in 1980 by the Lancaster County Assessment Board which is updated as additions and new construction occur. In 1997, county-wide reassessment was implemented.

(2) The Lancaster County Personal Property Tax was a tax on intangible personal property. Assessed value represents the estimated actual value of the property. On May 22, 1996, the Board of Commissioners repealed the personal property tax effective January 1, 1996.

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

Table 5

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
City:										
Lancaster	\$131.6	\$144.1	\$24.505	\$25.515	\$26.455	\$26.455	\$26.5530	\$28.6730	\$29.5570	\$29.9150
Borough:										
Adamstown	97.5	100	16.265	17.825	18.555	18.555	19.1530	20.1530	20.3870	20.7450
Akron	86	85.5	14.569	16.225	16.205	17.205	18.3030	19.9530	20.1870	22.1450
Christiana	102	115	16.625	17.945	19.485	21.075	21.9830	25.4630	27.1470	27.6250
Columbia	116.5	115.5	18.601	22.161	23.091	23.675	23.7730	24.2730	27.9970	29.3550
Denver	98.75	101.25	16.585	18.145	18.375	18.375	18.7230	19.7230	20.1370	21.0650
East Petersburg	81.85	84.85	15.37	16.477	16.457	17.757	18.4050	19.2250	19.9590	20.9500
Elizabethtown	84.5	87.5	14.72	16.105	17.265	17.265	18.2130	18.7130	18.9470	20.1050
Ephrata	88	89.5	15.082	16.162	16.142	17.142	18.2400	19.8900	20.1240	22.0820
Litz	97	97.9	16.2	16.76	16.74	16.74	16.8380	18.7130	20.4470	22.4050
Manheim	102.8	104.6	17.375	18.505	18.815	19.385	19.9830	20.7330	20.9670	22.0450
Marlatta	109.5	108.5	16.275	17.135	17.975	18.205	19.5230	20.2230	20.8770	22.6050
Millersville	98.5	105.4	17.363	18.873	19.493	19.635	19.7330	20.2830	20.5170	22.3750
Mount Joy	100.5	99.5	15.775	16.385	16.725	17.105	18.5230	19.2230	19.9770	20.7050
Mountville	83.85	84.85	15.315	15.875	15.855	16.355	17.0030	18.0530	18.7870	19.5450
New Holland	90.8	92.55	14.815	15.375	15.355	15.355	15.6230	15.6230	16.9970	17.3550
Quarryville	73.5	73	11.155	11.715	11.995	11.995	12.4130	13.7630	13.9970	14.7050
Strasburg	85.6	90	15.455	16.835	17.005	17.465	18.1130	19.6530	20.4870	21.8450
Terre Hill	95.3	96.3	15.325	16.345	16.325	16.825	16.9230	16.9230	17.7970	19.5550
Townships:										
Bart	69	70	10.425	10.915	10.895	10.845	17.5130	17.8630	11.7970	12.5050
Brecknock	85.8	84.8	13.485	14.345	14.325	14.325	14.4230	14.4230	15.3303	15.6883
Caernarvon	85.3	86.3	13.685	14.245	14.225	14.225	14.3230	14.3230	15.1970	15.5550
Clay	83	83.5	14.13	15.2098	15.1898	16.1898	17.2878	18.9378	19.1718	21.1298
Colerain	65	66	9.955	10.515	10.495	10.495	11.1130	11.4630	11.6970	12.4050
Conestoga	85.5	90.4	15.002	16.512	17.132	17.442	17.5400	18.0900	18.3240	18.6820
Conoy	69.5	72.5	12.12	13.505	14.665	14.665	15.1130	15.6130	15.8470	16.7050
Drumore	62	63	9.555	10.115	10.095	10.095	10.5130	11.0630	11.2970	12.0050

(Continued)

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

Table 5 (Cont.)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Earl	\$87.3	\$88.3	\$14.125	\$15.045	\$15.025	\$15.025	\$15.1230	\$15.1230	\$15.9970	\$16.3550
East Cocalico	94.25	96.75	15.835	17.395	17.675	17.625	18.2230	19.2230	19.4570	20.0650
East Donegal	92	92	14.868	15.535	15.875	16.105	17.5230	18.2230	19.1270	20.3550
East Drumore	64.5	65.5	9.955	10.515	10.495	10.495	10.9130	11.2630	11.4970	12.2050
East Earl	86.8	87.8	13.975	14.535	14.565	14.825	14.9230	14.9230	15.7970	16.3550
East Hempfield	83.85	84.85	15.495	16.155	16.135	16.635	17.2830	18.1030	18.8370	19.4950
East Lampeter	76.25	78.25	13.705	14.515	14.625	14.755	14.8530	15.2530	16.2570	17.0150
Eden	66	67	10.155	10.815	10.165	10.165	10.5830	10.9330	11.1670	11.8750
Elizabeth	90	90.9	15.075	15.635	15.615	15.615	15.7130	17.2130	18.9470	20.9050
Ephrata	84.5	87	14.705	15.845	16.055	17.055	18.1530	19.8030	20.0370	21.9950
Fulton	64	65	9.775	10.335	10.315	10.315	10.7330	11.0830	11.3170	12.0250
Lancaster	104.7	111.7	19.025	20.035	20.015	20.015	20.1130	21.4830	21.7170	22.3750
Leacock	85.25	86.75	13.586	14.535	15.215	15.415	15.9130	17.0130	17.8470	18.7050
Little Britan	65	66	9.975	10.535	10.515	10.515	10.9330	11.2830	11.5170	12.2250
Manheim	92.3	91.7	16.245	16.785	16.765	17.165	17.7530	18.7430	19.9270	21.0250
Manor	84.5	89.4	15.045	16.555	17.225	17.535	17.6330	18.1830	18.4170	18.7750
Martic	79.5	84.4	14.195	15.705	16.325	16.635	16.7330	17.2830	17.5170	17.8750
Mount Joy (Part)(2)	95	93	14.675	14.105	15.375	15.855	17.1480	18.1730	18.8270	19.5550
Mount Joy (Part)(3)	76.5	78.5	12.82	15.135	15.165	15.415	16.2380	17.0630	17.2970	18.1550
Paradise	89.25	90.75	14.125	14.985	15.665	15.865	16.9130	18.0130	18.8470	19.7050
Penn	92.3	94.1	15.875	17.005	17.565	18.135	18.2330	18.9830	19.2170	20.2950
Pequea	87	91.9	15.319	16.82865	17.4487	17.7587	17.8566	18.8930	19.2170	19.5750
Providence	63.5	64.5	9.775	10.335	10.315	10.315	10.7330	11.0830	11.3170	12.0250
Rapho	89.3	91.1	15.375	16.505	16.815	17.385	17.4830	18.2330	18.4670	19.2950
Sadsbury	97	108	15.825	17.145	17.735	19.325	20.2330	22.2130	23.8970	24.4750
Salisbury	84.75	86.25	13.505	14.265	14.945	15.145	15.6430	16.7430	17.5770	18.4350
Strasburg	78.6	83	14.255	15.635	15.805	16.065	16.5130	18.1530	18.9870	20.2450
Upper Leacock	75.25	77.25	13.575	14.485	14.665	14.925	15.2230	15.7330	16.6170	17.5650
Warwick	92	92.9	15.405	15.9654	15.9454	15.9454	16.0434	17.5434	19.2774	21.2354
West Cocalico	92.25	94.75	15.335	16.895	17.125	17.625	18.4730	19.4730	19.7070	20.1650
West Donegal	77.5	80.5	13.62	15.005	16.165	16.165	16.6130	17.1130	17.3470	18.2050
West Earl	73.25	75.25	13.24	14.185	14.295	14.925	15.0230	15.4230	16.3070	17.0650
West Hempfield	79.35	80.35	14.595	15.155	15.135	15.635	16.2830	17.1030	17.8370	18.4950
West Lampeter	77.85	82.25	14.19	15.47	15.6988	16.1057	16.5537	18.3530	19.1870	20.4450

(1) Includes millage for municipal, school, and county real estate tax per \$1,000 of assessed value. In 1997, the county wide reassessment was implemented.
(2) Applicable to the portion of Mount Joy situated in the Donegal School District.
(3) Applicable to the portion of Mount Joy situated in the Elizabethtown School District.

County of Lancaster, Pennsylvania
Principal Taxpayers
December 31, 2004

Table 6

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

County of Lancaster, Pennsylvania
 Computation of Legal Debt Margin
 December 31, 2004

Table 7

Borrowing base revenues (1):	
2002	\$ 114,988,835
2003	126,410,082
2004	131,266,881
Total Revenue	<u>\$ 372,665,798</u>
Net Nonelectoral Debt Limit:	
Average borrowing base revenues	\$ 124,221,933
Debt limit percentage	300%
Net Nonelectoral Debt Limit	<u>372,665,798</u>
Total amount of debt applicable to debt limit	
Total Remaining Nonelectoral Debt Capacity	<u>\$ 174,728,072</u>
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit	
Average borrowing base revenues	\$ 124,221,933
Debt limit percentage	400%
Less: Nonelectoral Debt and Lease Rental Debt	<u>496,887,732</u>
Remaining Nonelectoral Debt and Lease Rental Debt Capacity	<u>\$ 321,225,660</u>

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

County of Lancaster, Pennsylvania
 Ratio of General Obligation Bonded Debt to Assessed Value
 and General Obligation Bonded Debt Per Capita
 Last Ten Years

Table 8

Year	Population (1)	Assessed Value (2)	Bonded Debt (3)	Ratio of Bonded Debt to	
				Assessed Value	Bonded Debt Per Capita
1995	447,521	\$ 5,137,552	\$ 46,833,603	91.16%	104.65
1996	450,834	3,804,595	54,140,817	142.30%	120.09
1997	454,063	24,001,101	53,012,751	22.09%	116.75
1998	456,414	24,470,844	49,241,731	20.12%	107.89
1999	460,035	22,561,137	45,745,234	20.28%	99.44
2000	470,658	25,267,114	98,605,913	39.03%	209.51
2001	474,601	25,773,668	122,326,369	47.46%	257.75
2002	478,561	25,908,505	130,257,581	50.28%	272.19
2003	482,775	26,407,815	152,899,075	57.90%	316.71
2004	487,332	31,214,118	175,662,072	56.28%	360.46

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

(2) From Table 4 (amounts expressed in thousands).

(3) Excludes issues refunded pursuant to advance refundings.

County of Lancaster, Pennsylvania
 Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
 to Total General Governmental Expenditures (1)
 Last Ten Years

Table 9

Year	Principal (2)	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995	\$ 3,070,000	\$ 1,977,657	\$ 5,047,657	\$ 116,727,513	4.32%
1996	3,205,000	2,149,283	5,354,283	122,622,247	4.37%
1997	3,220,000	2,435,404	5,655,404	129,097,212	4.38%
1998	4,530,000	2,119,684	6,649,684	145,281,474	4.58%
1999	4,360,000	1,875,940	6,235,940	147,360,028	4.23%
2000	4,810,000	3,198,789	8,008,789	184,902,358	4.33%
2001	4,495,000	4,114,619	8,609,619	209,444,692	4.11%
2002	1,920,000	2,700,128	4,620,128	201,449,758	2.29%
2003	4,745,000	4,505,001	9,250,001	224,390,286	4.12%
2004	5,855,000	5,154,688	11,009,688	217,492,262	5.06%

(1) Includes general, special revenue, and capital projects funds.

(2) Excludes expenditures for payments of tax revenue anticipation notes.

County of Lancaster
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 December 31, 2004

Table 10

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
County of Lancaster	\$ 175,662,072
Overlapping:	
City of Lancaster	
School Districts:	
Cocalico	46,257,851
Columbia Borough	17,878,208
Conestoga Valley	60,920,899
Donegal	19,435,479
Eastern Lancaster County	19,500,226
Elizabethtown Area	24,690,000
Ephrata Area	76,297,763
Hempfield	83,548,718
Lampeter-Strasburg	48,153,740
Lancaster	71,201,050
Lancaster County Vo-Tech School	10,125,000
Manheim Central	14,741,945
Manheim Township	82,446,353
Octorara	187,330,379
Penn Manor	36,553,032
Pequea Valley	23,852,887
Solanco	23,220,600
Warwick	Not Available
Total School Districts	846,154,130
Municipal Authorities:	
Adamstown Borough Authority	1,235,375
Akron Borough Authority	317,924
Bainbridge Water	
Blue Ball Water Authority	
Christiana Borough	781,646
Columbia Municipal	1,450,000
Denver Borough	266,532
Earl Township Sewer Authority	2,880,000
East Cocalico Water And Sewer	5,400,000
East Donegal Township Sewer	
East Donegal Township Water	1,680,623
East Earl Sewer Authority	2,010,000
East Hempfield Municipal Authority	
East Lampeter Township Sewer	Not Available
Elizabethtown Regional Area Authority	24,354,000
Ephrata Area Joint Authority	4,660,000
Ephrata Borough	16,535,000
Ephrata Township Sewer Authority	1,858,370

(Continued)

County of Lancaster
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 December 31, 2004

Table 10 (Cont.)

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
Georgetown Area Sewer Authority	\$ 421,998
Lancaster Airport	97,911
Lancaster Area Sewer	87,695,000
Lancaster County Hospital Authority	525,930,936
Lancaster County Solid Waste Management Auth	107,556,997
Lancaster Downtown Investment District Authority	
Lancaster Higher Education Authority	Not Available
Lancaster-Lebanon Joint Authority	Not Available
Lancaster Municipal Authority	
Lancaster Parking	Not Available
Leacock Township Sewer Authority	490,949
Leola Sewer	2,012,222
Lititz Sewer	369,896
Manheim Borough	11,284,129
Manheim Township	Not Available
Marietta Borough Authority	
Marietta-Donegal Joint Authority	Not Available
Mount Joy Borough	18,220,000
Mount Joy Township Authority	13,102,394
Mountville Borough Water Authority	24,000
New Holland Borough	2,182,706
Northern Lancaster County	108,384
Northwestern Lancaster County Water and Sewer	8,000,000
Paradise Township Sewer Authority	1,635,190
Quarryville Borough Sewer Authority	
Redevelopment Authority	1,111,227
Red Rose Transit Authority	
Sadsbury Township Sewer Authority	1,568,788
Strasburg Borough	Not Available
Suburban Lancaster Sewer	19,080,000
Warwick Township Municipal	10,835,000
West Cocalico Township Authority	1,219,396
West Donegal Township Sewer & Water	6,201,325
West Earl Sewer Authority	3,860,000
West Earl Water Authority	1,451,697
Western Heights Water Authority	
Total Municipalities	887,889,615
Total Overlapping Debt	1,734,043,745
Total direct and overlapping debt	\$ 1,909,705,817

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

County of Lancaster, Pennsylvania
 Demographic Statistics
 Last Ten Years

Table 11

Year	Population	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(3)	(4)
1995	447,521	22,997	81,609	3.5%
1996	450,834	24,138	82,754	3.3%
1997	454,063	25,057 (5)	84,132	3.0%
1998	456,414	26,053 (5)	84,985	2.9%
1999	460,035	26,889 (6)	85,647	2.6%
2000	470,658	27,309 (6)	85,569	2.7%
2001	474,601	28,195 (6)	85,571	3.2%
2002	478,561	28,863 (6)	85,836	3.8%
2003	482,775	28,863 (6)	86,364	4.0%
2004	487,332	29,654 (6)	85,996	3.8%

Data Sources:

- (1) Population Sources: 1994 - 1996 Estimated by Lancaster County Planning Commission; 1997 - 1999 Estimated by U.S. Census Bureau; 2000 U.S. Census Bureau; 2001 - 2004 Estimated by U.S. Census Bureau
- (2) 1994 - 1996 Lancaster, PA Office of Employment Security
- (3) Commonwealth of Pennsylvania, Department of Education.
- (4) PA Department of Labor and Industry, Office of Employment Security.
- (5) Estimated by Lancaster County Controller's Office
- (6) U.S. Department of Commerce, Bureau of Economic Analysis.

(Continued)

Table 11 (Cont.)

Population Count and Age Distribution (1):

Census Year	Age Group						Total Population		
	Under 5	5-9	10-14	15-19	20-24	25-44		45-64	Over 65
1940	17,188	17,587	18,727	19,525	18,016	60,462	42,135	18,864	212,504
1950	24,639	20,110	17,180	17,170	18,283	67,633	47,096	22,605	234,716
1960	31,338	28,457	25,147	21,003	16,916	72,159	55,220	28,119	272,067
1970	27,180	31,646	32,768	30,232	24,474	75,416	64,935	33,428	320,079
1980	26,950	27,048	28,783	34,324	33,935	97,793	71,175	42,338	362,346
1990	33,462	31,739	29,844	30,590	31,305	132,351	78,062	55,469	422,822
2000	32,680	35,939	36,290	34,329	29,246	133,185	102,929	66,060	470,658

Population Distribution by Gender - 2000 Census Year (1):

	"Male"		"Female"	
	Number	Percentage	Number	Percentage
Under 5 years	16,808	7.33%	15,872	6.58%
5-9 years	18,496	8.06%	17,443	7.23%
10-14 years	18,523	8.07%	17,767	7.37%
15-19 years	17,501	7.63%	16,828	6.98%
20-24 years	14,488	6.31%	14,758	6.12%
25-34 years	29,308	12.77%	29,785	12.35%
35-44 years	36,643	15.97%	37,449	15.53%
45-54 years	30,747	13.40%	31,613	13.11%
55-59 years	10,909	4.75%	11,516	4.77%
60-64 years	8,709	3.80%	9,435	3.91%
65-74 years	14,893	6.49%	17,813	7.39%
75 years and older	12,429	5.42%	20,925	8.68%
	<u>229,454</u>	<u>100.00%</u>	<u>241,204</u>	<u>100.00%</u>

(1) Pennsylvania State University Data Center

County of Lancaster, Pennsylvania
Property Value, Construction, and Bank Deposits
Last Ten Years

Table 12

Year	Property Value (1)		Construction and Additions (2)		Bank Deposits (3)
	Taxable	Nontaxable	Number of Units	Value	
1995	\$ 3,345,542,010	\$ 459,836,690	4,460	\$ 75,563,950	\$ 5,016,543,000
1996	3,353,879,840	450,714,970	2,884	50,098,080	3,578,495,000
1997	21,340,190,400	2,660,910,300	4,722	467,926,900	5,237,152,000
1998	21,678,884,200	2,791,959,300	3,849	451,570,900	4,929,358,000
1999	20,674,588,900	1,886,548,300	3,504	434,999,300	5,434,834,000
2000	22,863,582,100	2,403,532,000	3,719	500,085,500	Not Available
2001	23,287,615,500	2,486,052,200	3,812	429,127,100	Not Available
2002	23,373,714,300	2,534,790,200	3,448	367,205,000	Not Available
2003	23,863,507,500	2,544,307,300	3,833	467,475,900	Not Available
2004	28,249,202,000	2,964,915,500	805	207,394,100	Not Available

(1) Total appraised valuations and nontaxable appraised valuations were provided by the County Assessor's office. 1993-1996 property values are based on a 1960 market appraisal which is updated for additions and new construction. In 1997 county wide reassessment was implemented. Taxable property value is from Table 4, estimated actual value.

(2) Amounts are based on interim appraisals for new construction and additions, which are added to the following year's real estate tax rolls.

(3) Bank deposits include deposits for commercial banks, savings and loan associations, and credit unions. This information was compiled by Sheshunoff Info. Services, Inc., Austin, TX.

County of Lancaster, Pennsylvania
Salaries and Surety Bonds of Principal Officials
For the year ended December 31, 2004

Table 13

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Richard M. Shellenberger, Commissioner	\$ 78,891	\$ 7,500
Howard "Pete" Shaub, Commissioner	77,891	7,500
Molly S. Henderson, Commissioner	77,891	7,500
Dale R. Denlinger, Clerk of Courts	67,797	11,000
Dennis P. Stuckey, Controller	67,797	100,000
Dr. Gary G. Kirchner, Coroner	67,797	15,000
Donald R. Elliott, Chief Administrative Officer	111,628	7,500
Dr. Gary D. Heinke, Chief Services Officer	85,050	7,500
Andrea McCue, Chief Clerk	57,713	7,500
Donald R. Totaro, District Attorney	129,591	(1)
Judith Saylor, Jury Commissioner	6,715	(1)
Linda Schwanger, Jury Commissioner	6,715	(1)
Randall O. Wenger, Jury Commissioner	67,797	200,000
Stephen J. McDonald, Recorder of Deeds	67,797	350,000
Donna S. Reinaker, Register of Wills	69,797	25,000
Terry Bergman, Sheriff	67,797	500,000
Craig A. Ebersole, Treasurer	63,534	500,000
39 bonded tax collectors	\$.75 per parcel collected	41,381,999 (2)

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

(2) The dollar value is stated at 75% of total county, school and municipal tax levied in 2002.
Bonds are valid for the tax collector's term, 2002-2006.

County of Lancaster
Miscellaneous Statistics
December 31, 2004

Table 14

	May 10, 1729 Elected Board of Commissioners
Date of Incorporation	
Form of Government	
Number of employees (excluding police and fire):	
Full-time	2,109
Part-time	649
Area in square miles	984 miles
Land	949 miles
Water	35 miles
County of Lancaster, facilities and services:	
Miles of streets:	
Federal	18 miles
State	1,095 miles
Local (municipal)	2,714 miles
Number of street lights	24,820
Number of traffic lights	432
Cultural and recreation:	
Community centers	4
Parks land acreage:	
County Parks	2,028 acres
State Parks	218 acres
State Game Lands	9,227 acres
Middle Creek Wildlife Management Area	1,931 acres
Fish Commission lands	305 acres
Rails to Trails	7 miles
Golf courses	19
Fire protection:	
Number of stations	80
Volunteer Fire Fighters	3,360
Career Fire Fighters	80
Police protection:	
Number of stations	34
Number of police personnel and officers	750
Number of patrol units	264
Emergency Medical Services:	
Number of units	25
Volunteer Personnel	400
Career Personnel	400
Facilities and services not included in reporting entity	
Education:	
Number of elementary schools	81
Number of elementary school instructors (public)	1,735
Number of secondary schools	26
Number of secondary school instructors (public)	1,761
Number of combined schools (both secondary and elementary)	15
Number of combined school instructors (both secondary and elementary)	420
Number of special education instructors (public)	426
Number of colleges and universities (public)	3
Hospitals:	
Number of hospitals	5
Number of patient beds	1,185
Agriculture:	
Number of farms	5,293
Farm acreage	411,848
Libraries (public)	13
Airports (commercial use)	4
Elections:	
Number of registered voters	311,934
Number of votes cast in last general election	221,251
Percentage of registered voters in last general election	70.93%

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-insurance %	Liability Limit
St. Paul Insurance Company	GP09311996	02/01/04-02/01/05	\$ 245,632	General Liability	2,000,000 General Total Limit Products And Completed Work Total Limit Personal Injury Each Person Limit Advertising Injury Each Person Limit Each Event Limit
				Sexual Abuse Liability	100,000 Premises Damage Limit
				Law Enforcement Liability	250,000 Sexual Abuse Total Limit
				Legal Enforcement Deductible - \$25,000	50,000 Sexual Abuse Each Person Limit
				Employee Benefit Plans Administration Liability	1,000,000 Total Limit
				Employee Benefit Plans Administration Liability Ded. - \$1,000	1,000,000 Each Wrongful Act Limit
				Public Entity Management Liability	1,000,000 Total Limit
				Public Entity Management Liability Deductible - \$25,000	2,000,000 Each Wrongful Act Limit
				Commercial Auto	4,000,000 Total Limit
				Commercial Auto	1,000,000 Combined Single Limit
				Umbrella Excess Liability	1,000,000 Uninsured/Underinsured Motorists
				Umbrella Excess Liability Deductible - \$10,000 (Conestoga View is NOT included under the Umbrella)	10,000,000 General Aggregate
				Employment Practices Liability - Claims Made Each Wrongful Employment Practices Offense Limit Total Limit	10,000,000 Each Occurrence
				(NOT Included under the Umbrella)	2,000,000 Each Wrongful Act
				Skateboard Park General Liability (NOT Included under the Umbrella)	4,000,000 Total Limit
S. Paul Insurance Company	GP05311966	02/01/04-02/01/05	Included In GL		1,000,000 General Total Limit
Chubb Insurance Company Building and Contents	36631933PHL	02/01/04-02/01/05	\$ 177,661	Special Form: \$25,000 deductible, Locations with values in excess of \$500,000 Locations with values in excess of \$500,000 or less	500,000 Each Event Limit
Boiler & Machinery				Flood \$50,000 deductible	147,613,384 limit
				Flood \$50,000 deductible	60,000 limit
				Earthquake \$50,000 deductible	500,000 limit
				Earthquake \$50,000 deductible	10,000,000 limit
				Hardware: \$500 deductible	Per occurrence limit
				Software: \$500 deductible	Annual aggregate limit
				Fine Arts Floater: \$1,000 deductible	2,500,000 Annual aggregate limit
				Radio & Television Broadcasters - Transmission Towers - Replacement Cost deductible \$25,000	Per occurrence limit
				Special Property Floater: deductible \$500	Annual aggregate limit
					15,000,000 Per occurrence limit
					15,000,000 Annual aggregate limit
					3,592,259 Per occurrence limit
					1,364,707 Annual aggregate limit
					232,725 Per occurrence limit
					2,899,219 Annual aggregate limit
					Maximum any one tower \$272,000
					721,126 Annual aggregate limit

County of Lancaster, Pennsylvania - Children and Youth Agency
 Schedule of Insurance In-Force
 December 31, 2004

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-insurance %	Liability Limit
BROTEMARKLE INS. (1): Foster Parent Liability Ins.	FPL - 120	07/01/03-06/30/05	\$ 14,310	Personal Liability Insurance for foster parents	300,000 Per Person Per Occurrence

(1) Contracted directly by Children and Youth Agency

Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit
Pacific Insurance Company (Hartford Group)	ZY0003601	02/01/04-02/01/05	\$ 295,662	General Liability	\$ 1,000,000 Each Occurrence \$ 2,000,000 General Aggregate Other Than Prod/Comp Ops. \$ 1,000,000 Products Completed Ops. \$ 1,000,000 Personal & Advertising Liability \$ 50,000 Fire Legal Liability \$ 5,000 Med. Pay Limit \$ 1,000,000 Each Occurrence \$ 1,000,000 Policy Aggregate \$ 500,000 Each Medical Incident \$ 1,500,000 Annual Aggregate \$ 500,000 Each Medical Incident \$ 1,500,000 Annual Aggregate
SAFETY NATIONAL Excess Workers Comp & Employers Liability	SP6629PA	01/01/04-01/01/05	\$ 89,900	Excess Workers Compensation Employers Liability (\$400,000 Cap Loss Limit)	\$ 1,000,000 Statutory Each Accident/Limit Each Employee Per Disease
ENVIRONMENTAL COMPLIANCE SERVICES Pollution Liability	PEC0005845	08/22/00-06/30/04	\$ 29,601	Pollution Insurance for the Training Facility location	\$ 5,000,000 Ea Loss, Remediation Expense or Legal Defense Expense \$ 5,000,000 Tot for all Loss, Remediation Exp or Legal Def Exp \$ 100,000 Ea Loss, Remediation Expense or Legal Def Exp-DEDUCTIBLE
ACE FIRE UNDERWRITER INSURANCE COMPANY Bridges	TBD	02/01/04-02/01/05	\$ 37,395	Bridge Property Damage, Deductible \$25,000	\$ 4,614,560 Total Limit, Schedule Of Bridges On File With Carrier
HARTFORD	103269075	02/01/04-02/01/05	\$ 16,122	Public Employees Banker Bond, Deductible \$2,500	\$ 1,000,000 Per Loss Limit
County of Lancaster, Pennsylvania - Public Safety Training Center Schedule of Insurance In-Force December 31, 2004					
Name of Company/ Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit
LEXINGTON INS. CO.	566219	04/01/04-04/01/05	\$ 43,015	General Liability	\$ 1,000,000 General Aggregate \$ 1,000,000 Product & Completed Operations \$ 1,000,000 Personal & Advertising Injury \$ 1,000,000 Each Occurrence \$ 100,000 Damage to Rented Properties
	4261328	04/04/04-04/01/05	\$ 28,595	Excess Liability	\$ 5,000,000 Each Occurrence \$ 5,000,000 Annual Aggregate

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