

County of Lancaster

PENNSYLVANIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2006

COUNTY OF LANCASTER, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended December 31, 2006

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COUNTY OF LANCASTER, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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DENNIS STUCKEY
Controller

June 22, 2007

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, 2006, 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 2006 will be completed during September 2007. 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, 2005, and the County's organizational chart. The financial section includes Management's Discussion and Analysis, the basic

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

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

Profile of the Government

Occupying a land area of 946 square miles, Lancaster County is located in south central Pennsylvania, approximately 60 miles west of Philadelphia and 240 miles east of Pittsburgh. It is comprised of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships. Incorporated in 1729, it has been a third class county since 1962. Today, Lancaster County is home to approximately 494,486 people.

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

The annual budget serves as the foundation for the County of Lancaster's financial planning and control. The County Commissioners must adopt an annual budget for the County by December 31 of each year for the subsequent year. The annual budget estimates revenues and expenditures for all governmental funds except the Community Development Block Grant and Agricultural Land Preservation special revenue funds, the debt service fund, and the capital projects funds. The debt service fund is controlled through a general obligation bond indenture provision. Project-length financial plans are adopted for all capital projects. The legal level of budgetary control is established by

fund. It is the prerogative of management to also maintain an enhanced level of control at the function and object level. Supplemental appropriations, which alter the total expenditures of any fund, require resolution by the County Commissioners. Appropriations lapse at the end of each year and must be reappropriated.

Factors Affecting Financial Condition

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

Local Economy. Lancaster County's tradition of economic stability continues with agriculture, industry, and tourism all contributing to the overall strength of the economy. The County is one of the most fertile agricultural areas in the land producing more agricultural products and yielding more food than any other non-irrigated county in the nation. The County currently houses 5,305 farms which occupy 409,500 acres out of the county's 629,880 acres. Lancaster County agriculture is noted for having a well diversified farm economy that is not solely dependent on any one sector to assure its success. Farmers have maintained a strong work ethic and a long-standing commitment to not just working the land, but working with the land. The Agricultural Preservation Board, established in 1980 by the county commissioners, has developed and administers a voluntary deed-restriction program. Between the Board and the Lancaster Farmland Trust, a private nonprofit organization working in the county, 881 farms covering nearly 70,000 acres have been preserved. This represents the most preserved acres and farms in the state. With a continued commitment to land preservation, Lancaster County's farming traditions are sure to survive for many generations to come.

Close to the major East Coast markets, yet away from congested areas, the County is a prime location for manufacturing. It is one of the leading industrial areas in the state. Industry is highly diversified, which helps to maintain the economic stability. Many economic sectors are represented by the 11,500 companies which are located in the County. The corporate community continues to grow, prosper, and diversify due to an even mix of manufacturing and service and retail. The County's unemployment rate of 3.5% remains consistently lower than both the state and national averages of 4.7% and 4.5%, respectively. For these reasons, Lancaster County is a desirable place to locate and expand a business.

Lancaster County continues to attract more and more tourists each year due to the area's historic sites, the city's architectural charm, the county's rolling, well-kept farmlands, and the large Amish community. Each year some 8.3 million people visit the county spending approximately \$1.2 billion and generating \$2.3 billion in indirect activity. They visit the area 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. These things and more make Lancaster County a wonderful place to visit.

Major Initiatives

For the Year

- ◆ The Hart Voting System was used for the first time in the May 2006 primary election. This system replaced the county's lever voting machines. The new voting machine system was necessary to comply with the Help America Vote Act (HAVA) signed into law by the President on October 29, 2002. The law requires voting systems to be accessible so that all voters can cast a vote privately and independently and the system must have a manual audit trail. The new system has two components: the eScan for paper ballots and the eSlate for accessible voting. Both systems were available at each polling place.
- ◆ From February to August, the Lancaster County Office of Aging (LCOA) with guidance from the Governor's Council on Long Term Living, PA Department of Welfare and PA Department of Aging joined with six other counties in piloting the Nursing Home Transition Program. The pilot project included identifying viable nursing facility residents interested in transitioning to the community and receiving needed service at home. The program not only gives individuals more independence in where they choose to receive services but results in a more efficient utilization of tax dollars and the ability to serve more consumers. Since the inception of the program the LCOA Nursing Home Transition team has provided over 190 counseling sessions, transitioned 31 consumers back to the community, and is currently in transition planning with 39 nursing facility residents.
- ◆ Public safety for the citizens of Lancaster County continues to be a top priority for the Commissioners. In October, a regional Terrorism Exercise was held. Three simultaneous attacks occurred in the neighboring counties of York, Lebanon and Franklin. As part of the South Central Regional Terrorism Task Force, Lancaster County's Emergency Operations Center (EOC) was utilized as the "Multi Agency Coordination Center". An overall regional command of the three incidents was run out of Lancaster's EOC because we were an unaffected County. This was the first time locally that this was demonstrated and it went extremely well.

For the Future

- ◆ During 2007, the Prison Board and County Commissioners will be performing a needs assessment of the Lancaster County Prison to determine the need for infrastructure improvements. They will also be looking at alternative programs and ways to change the present policies and procedures of the criminal justice system that would allow for less costly alternatives to incarceration without increasing the risk to public safety and the community at large. In addition, the Prison Board and Commissioners will assess the medical operations at the Prison. They will look into contracting out to a private vendor the medical, psychiatric and dental care for the inmates at the prison and the juveniles being housed at the Youth Intervention Center.
- ◆ The County will be receiving funding from Homeland Security monies for the purchase of a new response unit for the Sheriff's K-9 Detection Unit and for new x-ray and metal detectors at the Court House complex and the county owned building at 150 North Queen Street.

- ◆ Acquisition of the 24.7 acre Pauly tract adjacent to Money Rocks Park is scheduled for completion in 2007. Property appraisals have been completed for the parcel and 50% of the funding has been secured for the project from Growing Greener II funds. The acquisition of this land will “fill in” a significant piece of the puzzle at Money Rocks Park and aid in the future development of a rail trail extending from the Park to the west.

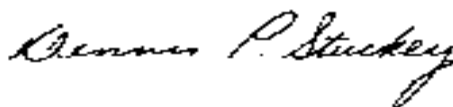
Cash Management Policies and Practices. Temporarily idle cash was invested by the Treasurer in repurchase agreements and certificates of deposit using numerous competitive agents, including banks and brokerage houses in the state, to actively maximize the County’s rate of return.

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, 2005. 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

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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, 2005

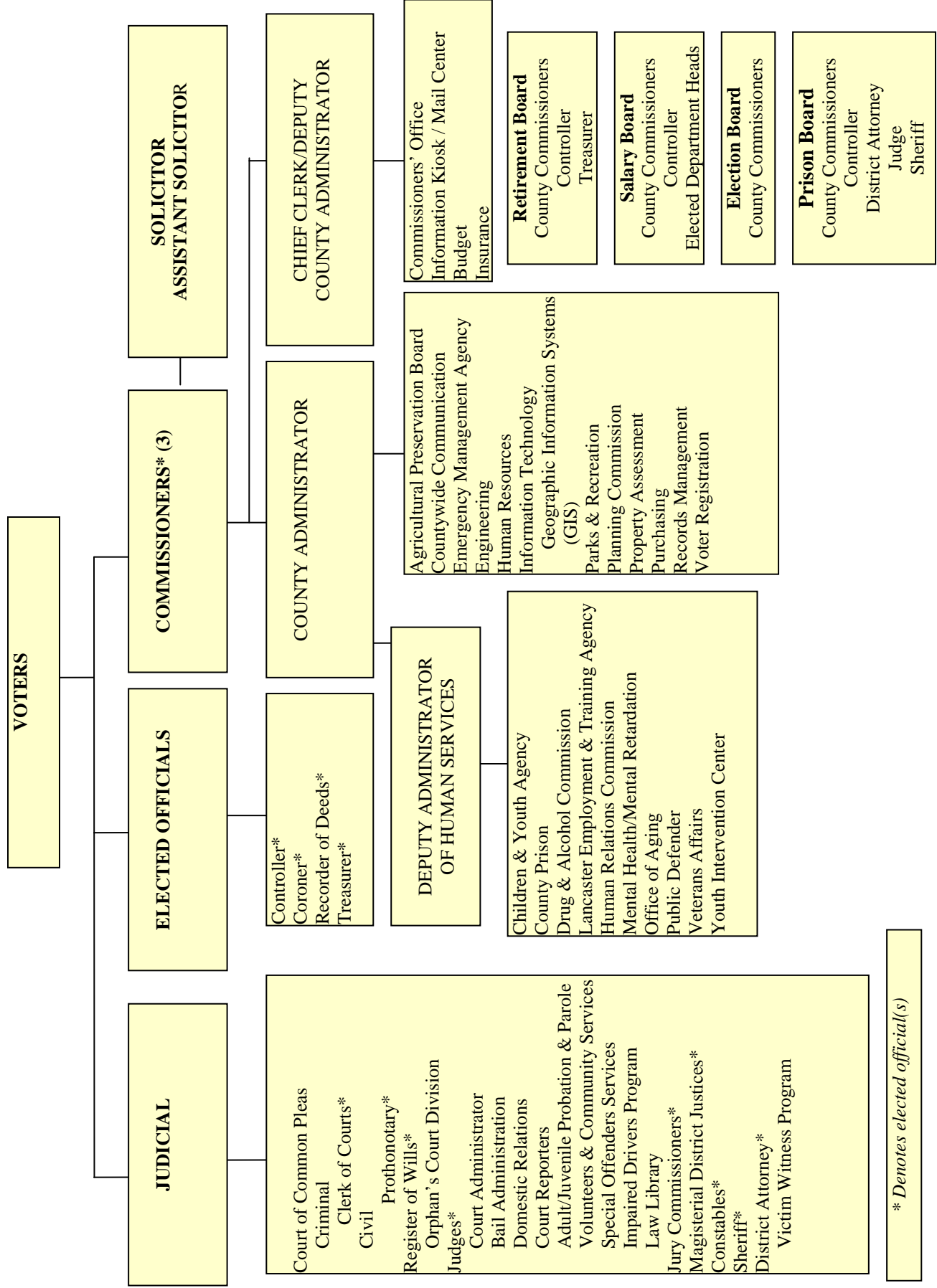
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

LANCASTER COUNTY ORGANIZATIONAL CHART – 3rd CLASS COUNTY



* Denotes elected official(s)

2006
County of Lancaster
Elected Officials

COMMISSIONERS

Dick Shellenberger, Chairman
Howard "Pete" Shaub
Molly Henderson

PROTHONOTARY

Randall O. Wenger

RECORDER OF DEEDS

Stephen J. McDonald

CLERK OF COURTS OF COMMON PLEAS

Dale Denlinger

JUDGES OF COURT OF COMMON PLEAS

Louis J. Farina, President Judge
Paul K. Allison
David L. Ashworth
James P. Cullen
Michael A. Georgelis
Leslie Gorbey
Jay Hoberg
Wayne G. Hummer, Jr.
Henry S. Kenderdine, Jr.
Joseph C. Madenspacher
Michael J. Perezous
David Workman

CONTROLLER

Dennis P. Stuckey

TREASURER

Craig Ebersole

REGISTER OF WILLS

Donna S. Reinaker

JURY COMMISSIONERS

Judith Saylor
Diane Collier

DISTRICT ATTORNEY

Donald R. Totaro

SHERIFF

Terry Bergman

CORONER

Gary Kirchner, MD

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Report of Independent Auditors

County Commissioners
County of Lancaster

We have audited the accompanying financial statements of the governmental activities, the 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, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lancaster County Convention Center Authority discretely presented component unit, is based on the report of the other auditor.

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

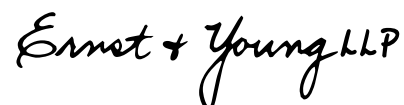
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows 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 22, 2007 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 listed in the Table of Contents on pages 13 through 27 and 101 through 105 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



June 22, 2007

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, 2006. 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, 2006.

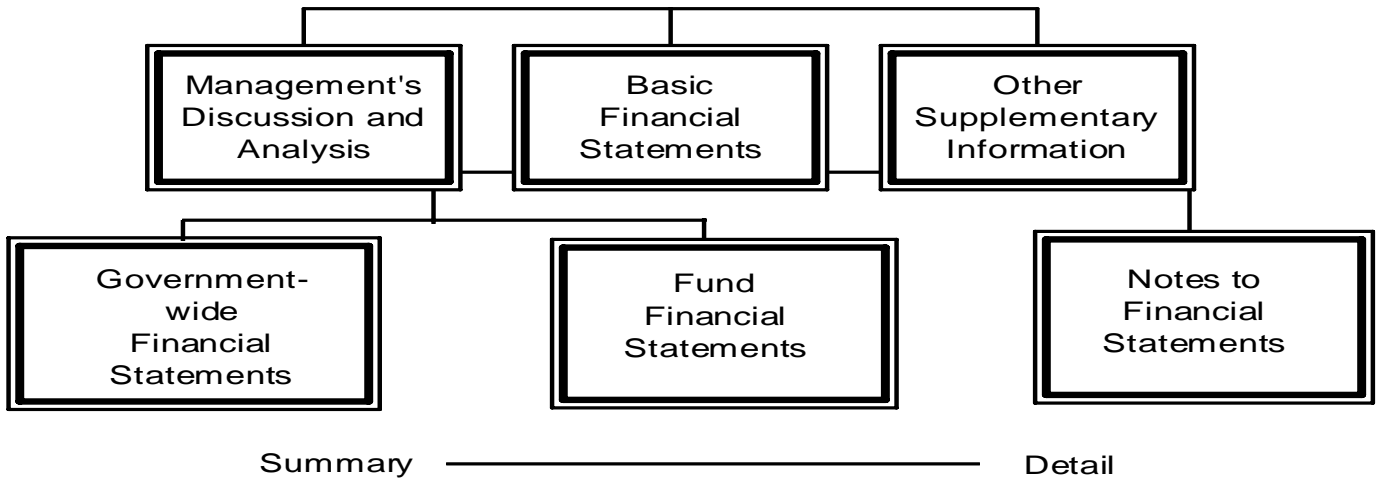
FINANCIAL HIGHLIGHTS

- ◆ The County's real estate property tax rate was 2.962 mills.
- ◆ As of December 31, 2006, Lancaster County had \$33.2 million invested in capital assets, net of related debt pertaining to easements.
- ◆ The County's governmental net assets increased \$5.7 million in 2006, or 38.0%.
- ◆ The County's governmental unrestricted net assets were \$12.8 million at December 31, 2006.
- ◆ The County's bond rating is Aaa/VMIGI
- ◆ At December 31, 2006, the County had \$238.6 million of general obligation debt outstanding. This represents an increase of \$44.8 million, or 23.1%, from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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:

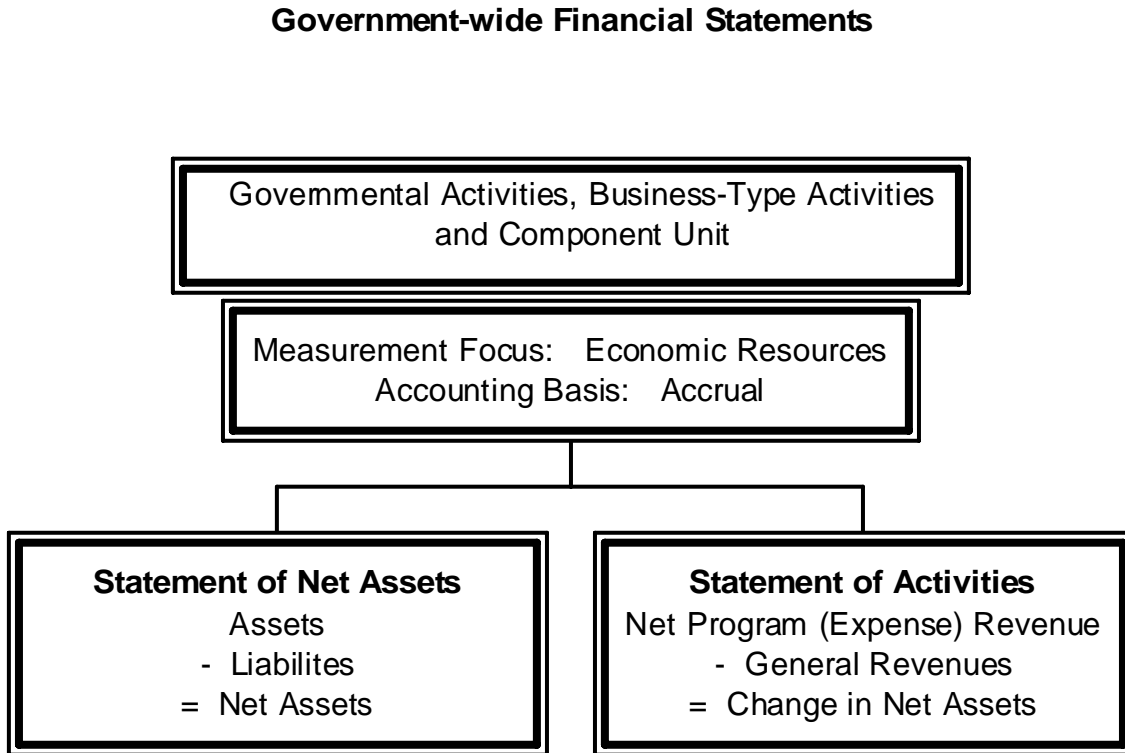
- ◆ *Governmental funds financial statements* which explain how services such as public safety were financed in the short term, as well as what remains for future spending.
- ◆ *Enterprise fund financial statements* offer short-term and long-term financial information about the activities the County 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.



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:

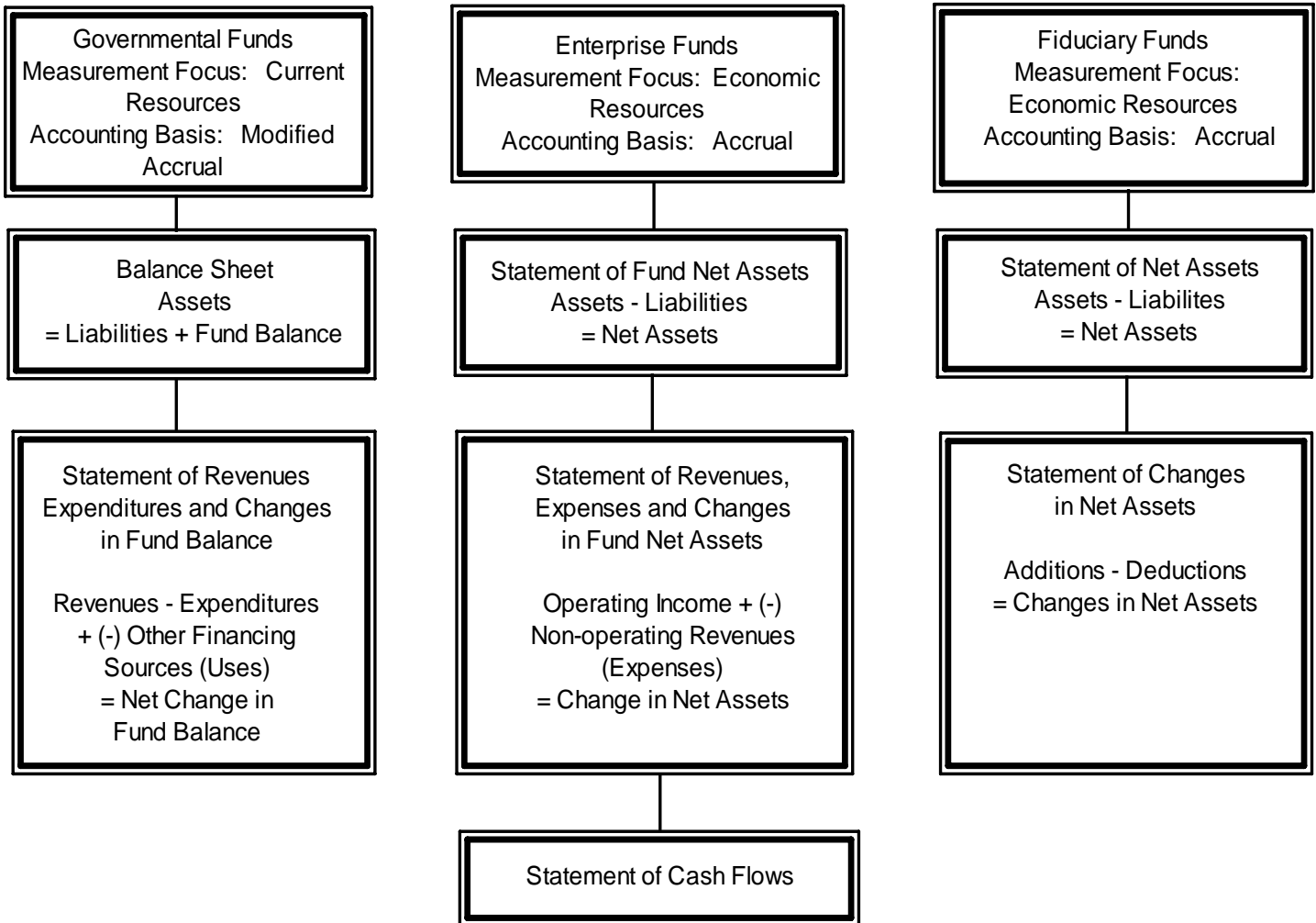
- ◆ *Governmental activities* – Most of the County's basic services are included here, such as public safety, public works, health and welfare and general government administration. Property and other such taxes and state and federal grants are the primary funding source of these activities.
- ◆ *Business-type 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 and the Capital Projects Fund. The County also maintains seven non-major special revenue funds and the Debt Service Fund that are combined into a single aggregated presentation. Because this information does not encompass the additional

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

- ◆ *Enterprise fund* – 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 one enterprise fund – the 911 Operations Fund.
- ◆ *Fiduciary funds* – The County is the trustee, or fiduciary, for its employees’ pension plan. In addition, the County is also responsible for an agency fund, which represents clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in the fund are used for their intended purpose. All of the County’s fiduciary asset and liability balances are reported in the statement of fiduciary net assets. A statement of changes in fiduciary net assets is also presented. All fiduciary activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

NET ASSETS:

The County's net assets as of December 31, 2006 and 2005 are presented below:

<p>Table A-1 County Net Assets as of December 31, 2006 (amounts in millions)</p>

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Capital assets, net	\$ 168.5	155.1	\$ 1.1	1.2
Other assets	119.4	82.0	5.4	.2
Total assets	287.9	237.1	6.5	1.4
Other liabilities	21.0	21.0	.3	.1
Long-term liabilities	246.2	201.1	.4	.4
Total liabilities	267.2	222.1	.7	.5
Net assets:				
Invested in capital assets, net of related debt	(5.2)	(4.4)	1.1	1.3
Restricted	13.1	11.3	-	-
Unrestricted	12.8	8.1	4.7	(0.4)
Total net assets	\$ 20.7	15.0	\$ 5.8	0.9

Net assets of the County's governmental activities increased by 38.0% to \$20.7 million due to an increase in easements and continued renovations at the Youth Intervention Center and 150 North Queen Street. Of this amount, \$(5.2) million represents the balance of capital related debt in excess of net capital assets, while \$13.1 million is restricted for various purposes. The County has an unrestricted net assets balance of \$12.8 million as of the end of the year.

Net assets of the business-type activities increased by 544.4% to \$5.8 million. This increase was due to the implementation of Act 56 which requires 911 fees to be collected for wireless phones. Of this amount, \$1.1 million represents the net balance of capital assets, net of related debt. The unrestricted net assets balance as of the end of the year is \$4.7 million.

INFRASTRUCTURE ASSETS:

Lancaster County's total assets stand at \$294.4 million as of December 31, 2006. Of this amount, \$169.6 million is accounted for by capital assets, which includes some infrastructure.

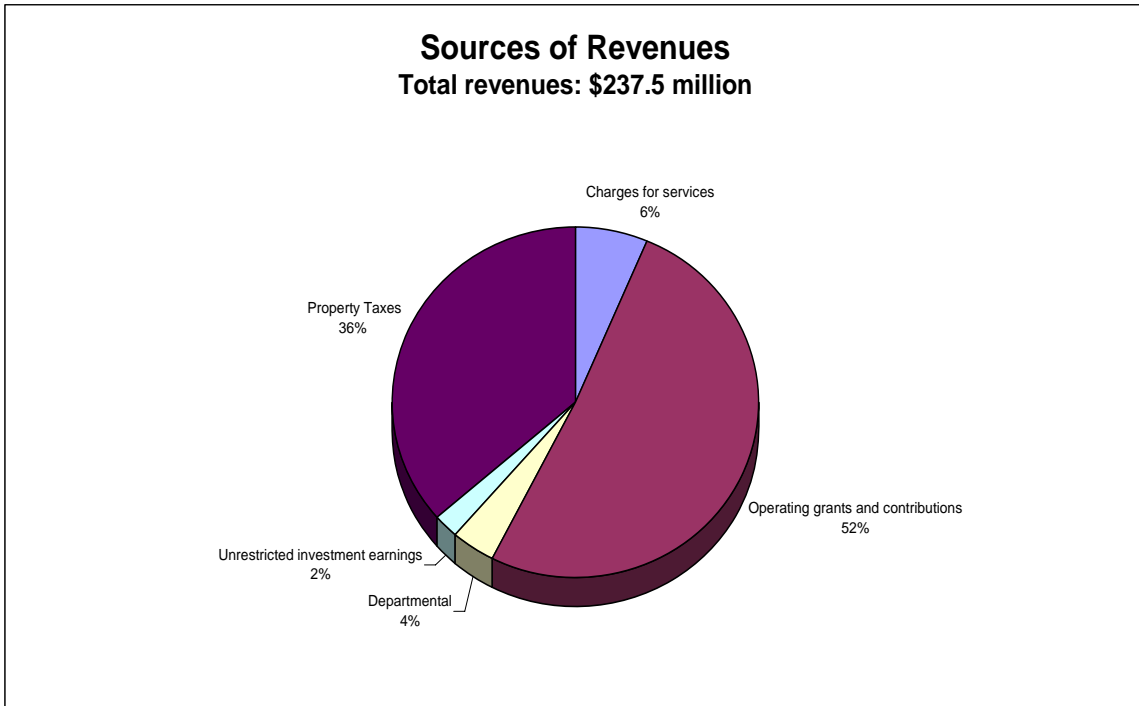
The following table presents the County's changes in net assets for the fiscal year ended December 31, 2006 and 2005:

Table A-2					
County's Changes in Net Assets as of December 31, 2006					
(amounts in millions)					
	Governmental Activities		Business-Type Activities		
	2006	2005	2006	2005	
Revenues:					
Program revenues:					
Charges for services	\$ 15.0	13.6	\$ 13.0	25.7	
Operating grants and Contributions	121.6	123.0	-	-	
General revenues:					
Property taxes	86.2	84.0	-	-	
Departmental revenues	9.0	5.6	-	-	
Unrestricted investment Earnings	5.7	2.6	0.1	-	
Gain on sale of Capital assets	-	-	-	1.5	
Total revenues	237.5	228.8	13.1	27.2	
Expenses:					
General government	52.4	52.0	-	-	
Public safety	2.4	2.2	-	-	
Roads and bridges	0.6	0.2	-	-	
Health, education, and welfare	104.2	107.6	-	-	
Judicial	35.6	33.7	-	-	
Corrections	18.7	17.6	-	-	
Cultural and recreation	3.1	2.7	-	-	
Community development	5.9	5.8	-	-	
Interest on long-term debt	8.9	6.8	-	-	
Conestoga View	-	-	-	22.0	
911 operations	-	-	8.2	7.6	
Total expenses	231.8	228.6	8.2	29.6	
Increase in net assets					
before transfers	5.7	0.2	4.9	(2.4)	
Transfers	-	4.9	-	(4.9)	
Change in Net Assets	5.7	5.1	4.9	(7.3)	
Net assets - beginning	15.0	9.9	0.9	8.2	
Net assets - ending	\$ 20.7	15.0	\$ 5.8	0.9	

The increase of \$5.7 million in the governmental activities net assets was the result of an increase of easements and continued renovations at both the Youth Intervention Center and 150 North Queen Street. The business-type activities net assets increased by \$4.9 million mainly due to the inception of Act 56 which requires collection of 911 fees for all wireless phones.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the sources of revenues for the fiscal year ended December 31, 2006:



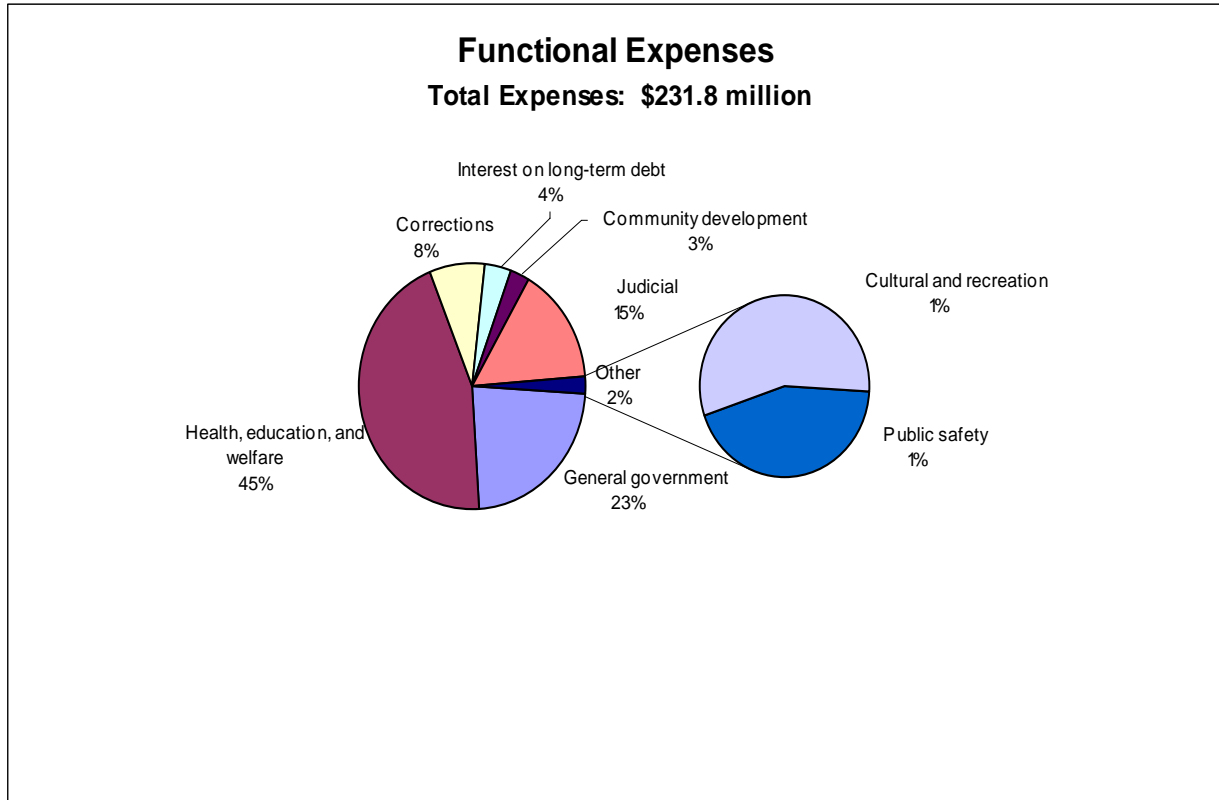
Total government-wide revenues of \$237.5 million were derived primarily from operating grants and contributions, representing 52% of the total. Property taxes made up the second largest source of revenue at 36%, followed by charges for services at 6%, departmental revenue at 4%, and unrestricted investment earnings at 2%.

BUSINESS-TYPE ACTIVITIES:

Total business-type revenues of \$13.1 million were derived primarily from charges for sales and services from the 911 Operations Fund.

GOVERNMENTAL ACTIVITIES:

The following chart graphically depicts the functional expenses for the fiscal year ended December 31, 2006:



Total expenses for all programs in 2006 were \$231.8 million. The expenses cover a wide range of services, with the largest being health, education, and welfare at 45%. The second largest program area was general government at 23%, followed by judicial at 15%, corrections at 8%, interest on long term debt at 4%, community development at 3%, and other (cultural and recreation and public safety) at 2%.

BUSINESS-TYPE ACTIVITIES:

Total expenses in 2006 were \$8.2 million. 911 Operations Fund incurred depreciation expenses of \$0.2 million. The balance of \$8.0 million 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 and the Capital Projects Fund make up the County's major governmental funds. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

At December 31, 2006, the General Fund reported a fund balance of \$18.9 million, which was a \$1.7 million or 9.9% increase over the previous year's balance of \$17.2 million. Revenues increased from \$108.9 million to \$116.8 million, a \$7.9 million or 7.3% increase. Property taxes increased by \$2.6 million as a result of normal growth in the County's tax base. Expenditures increased from \$97.3 million to \$102.4 million as reported, which was a \$5.1 million or 5.2% increase. Interest and fiscal charges increased by \$2.0 million due to new bond issuances in 2006.

The fund balance in Children and Youth Services special revenue fund increased to \$2.7 million at December 31, 2006, from \$1.9 million, a \$0.8 million or 42.1% increase. Revenues decreased from \$33.4 million to \$31.0 million, a decrease of \$2.4 million or 7.2%. Expenditures decreased from \$40.8 million to \$38.0 million, a decrease of \$2.8 million or 6.9%. The decrease in revenues and expenditures were the result of a decrease in the funding for the Temporary Assistance for Needy Families (TANF) program for the period 1/1/06 thru 6/30/06.

The Mental Health/Mental Retardation special revenue fund has no fund balance to report. Revenues in this fund decreased to \$56.6 million from \$58.3 million, a decrease of \$1.7 million or 2.9%. Expenditures decreased from \$59.4 million to \$57.7 million, a \$1.7 million or 2.9% increase. The decreases were the result of decreased funding within existing grants.

The fund balance in the Capital Projects Fund at December 31, 2006, was \$57.8 million, up from \$24.7 million the previous year. This represents an increase of \$33.1 million or 134.0%. Revenues increased to \$2.7 million from \$1.1 million the previous year, an increase of \$1.6 million or 145.5%. Expenditures decreased to \$21.1 million, a decrease of \$2.5 million or 10.6% from the amount spent in the previous year of \$23.6 million. The increase in the fund balance is the result of new bonds being issued during the year.

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 for the 911 Operations Fund amounted to \$5.8 million. The change in net assets for 911 Operations Fund was \$4.9 million. Factors concerning the finances of this fund 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 \$125.0 million to \$126.9 million, an increase of \$1.9 million or 1.5%. Actual revenues received totaled \$128.1 million or 100.9% of the final budget. Intergovernmental revenues fell \$6.2 million short of the final budgeted amounts as a result of anticipated grants not being received. This amount was also reflected in decreased grant expenditures.

The County's original operating expenditure budget, excluding transfers, increased from \$128.8 million to \$132.3 million, an increase of \$3.5 million or 2.7%. Actual expenditures were \$114.3 million or 86.4% of the final budget due to cost saving measures implemented in 2006.

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, 2006, net of accumulated depreciation, amounted to \$169.6 million. This represented an increase of \$13.3 million or 8.5% over the previous year's total of \$156.3 million. Capital assets consist primarily of land and improvements, buildings and improvements, furniture and equipment, assets under capital lease, construction in progress, infrastructure and easements. The following is a summary of capital assets at December 31, 2006 and 2005:

Summary of Capital Assets

	Governmental Activities		Business-Type Activities		Balance at	Balance at
	2006	2005	2006	2005	December 31, 2006	December 31, 2005
Land and land improvements	\$6,078,767	\$5,853,180	\$7,642	\$7,642	\$6,086,409	\$5,860,822
Buildings and improvements	121,171,294	114,857,947	263,513	263,513	121,434,807	115,121,460
Furniture and Equipment	24,843,860	23,322,270	2,603,916	2,562,083	27,447,776	25,884,353
Assets under capital lease	1,371,165	1,371,165			1,371,165	1,371,165
Construction in Progress						
Infrastructure	6,527,276	5,938,380			6,527,276	5,938,380
Easements	65,887,520	55,754,711			65,887,520	55,754,711
Less accumulated Deprec/Amort	<u>(57,414,789)</u>	<u>(52,036,587)</u>	<u>(1,757,728)</u>	<u>(1,580,792)</u>	<u>(59,172,517)</u>	<u>(53,617,379)</u>
Total	<u>\$168,465,093</u>	<u>\$155,061,066</u>	<u>\$1,117,343</u>	<u>\$1,252,446</u>	<u>\$169,582,436</u>	<u>\$156,313,512</u>

Governmental activities' buildings and improvements increased by \$6.3 million. This is the result of continued renovations to the County owned building at 150 North Queen Street and to the Youth Intervention Center.

The total capital assets for the governmental activities and business-type activities increased from \$156.3 million to \$169.6 million, an overall increase of \$13.3 million or 8.5%. Of this increase, \$13.4 million occurred within governmental activities, offset by a decrease within business-type activities of (\$0.1) million.

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

LONG-TERM DEBT:

At December 31, 2006, the County had \$238.6 million of general obligation bonds and notes outstanding. This was an increase of \$44.8 million, or 23.1%, from the previous year. The following details activity related to general obligation bonds and notes during 2006:

Summary of General Obligation Bond and Note Activity

Beginning balance at 1/1/2006	\$ 193,802,456
Accretion adjustment	1,127,717
Debt issued	51,285,000
Less principal payments	<u>(7,605,000)</u>
Ending balance at 12/31/2006	<u>\$ 238,610,173</u>

BOND RATING:

The General Obligation Bond (G.O.B.) Series 2006 issue carries a municipal bond insurance policy 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 2006 Aaa/VMIGI based upon an insurance policy provided by FSA.

The General Obligation Bond (G.O.B.) Series A of 2006 carries a municipal bond insurance policy from XL Capital Assurance Inc. (XLCA) 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 A of 2006 Aaa based upon an insurance policy provided by XLCA.

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 4,547 or 0.9% during 2006. 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 3.5%, which is a 2.8% decrease over the previous year's rate of 3.6%. This rate compares favorably with the State's rate of 4.7% and the national rate of 4.5%.

These factors were considered in preparing the County's 2007 budget. Amounts available for appropriation in the General Fund budget are \$127.6 million, an increase of 0.6% over the final 2006 budget of \$126.9. Real estate taxes were budgeted to increase by \$8.5 million as the result of normal growth in real estate and an increase in the millage rate to 3.189 mills for 2007.

Budgeted operating expenditures, excluding transfers, have increased 3.0% to \$134.3 million. The largest increments are increased wages and an increase in the County's debt payments.

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 17602

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Basic Financial Statements

County of Lancaster, Pennsylvania

Statement of Net Assets

December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lancaster County Convention Center Authority as of March 31, 2006
ASSETS				
Cash and temporary investments:				
Operating	\$ 87,470,918	\$ 649,411	\$ 88,120,329	\$ 478,738
Other	881,457	-	881,457	-
Cash with fiscal agents	1,087	-	1,087	-
Investments	1,257,874	-	1,257,874	-
Receivables:				
Room rental tax	-	-	-	336,441
Taxes, net of allowance for uncollectibles of \$70,707	2,286,200	-	2,286,200	-
Fines and costs, net of allowance for uncollectibles of \$15,090,830	6,420,502	-	6,420,502	-
Accounts	101,164	-	101,164	-
Due from other governments	13,107,544	-	13,107,544	-
Advances to providers and other governments	1,346,131	-	1,346,131	-
Other	1,165,957	-	1,165,957	153,500
Telephone subscriber	-	4,775,292	4,775,292	-
Deferred charge:				
Issuance costs for Governmental Activities (net of accumulated amortization of \$803,464)	2,489,853	-	2,489,853	430,147
Restricted cash	2,954,912	-	2,954,912	39,126,514
Capital assets not being depreciated/amortized:				
Land and improvements	6,078,767	7,642	6,086,409	3,692,769
Construction in progress	-	-	-	1,824,208
Capital assets being depreciated/amortized:				
Buildings and improvements	121,171,294	263,513	121,434,807	-
Furniture and equipment	24,843,860	2,603,916	27,447,776	8,451
Assets under capital lease	1,371,165	-	1,371,165	-
Infrastructure	6,527,276	-	6,527,276	-
Easements	65,887,520	-	65,887,520	-
Less accumulated depreciation/amortization	(57,414,789)	(1,757,728)	(59,172,517)	(3,099)
Total capital assets, net	168,465,093	1,117,343	169,582,436	5,522,329
Total assets	287,948,692	6,542,046	294,490,738	46,047,669
LIABILITIES				
Accounts payable	8,771,959	212,457	8,984,416	1,784,109
Contracts payable	3,364,376	-	3,364,376	-
Retainage payable	279,721	15,476	295,197	-
Accrued interest payable	1,276,661	-	1,276,661	224,633
Term loan payable	-	-	-	2,100,000
Line of credit payable	-	-	-	400,000
Unearned income	3,190,468	-	3,190,468	-
Payroll related accruals	4,172,355	97,935	4,270,290	3,102
Long-term liabilities:				
Due within one year	9,398,261	11,818	9,410,079	-
Due in more than one year	236,781,077	414,188	237,195,265	40,000,000
Total liabilities	267,234,878	751,874	267,986,752	44,511,844
NET ASSETS				
Invested in capital assets, net of related debt	(5,172,999)	1,117,343	(4,055,656)	2,668,615
Restricted for:				
Federal and state grant programs	12,485,970	-	12,485,970	-
Community development	599,068	-	599,068	-
Unrestricted	12,801,775	4,672,829	17,474,604	(1,132,790)
Total net assets	\$ 20,713,814	\$ 5,790,172	\$ 26,503,986	\$ 1,535,825

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, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit - Lancaster County Convention Center Authority
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:							
Governmental activities:							
General government	\$ 52,426,879	\$ 6,340,408	\$ 4,552,280	\$ (41,534,191)	\$ -	\$ (41,534,191)	\$ -
Public safety	2,360,548	244,403	100,646	(2,015,499)	-	(2,015,499)	-
Roads and bridges	623,252	-	770,553	147,301	-	147,301	-
Health, education, and welfare:							
Drug and alcohol	4,550,727	-	4,549,353	(1,374)	-	(1,374)	-
Employment and training	4,963,878	-	5,077,515	113,637	-	113,637	-
Mental health/mental retardation	56,339,482	-	55,243,536	(1,095,946)	-	(1,095,946)	-
Office of aging	7,997,543	-	8,283,689	286,146	-	286,146	-
Children and Youth	29,802,534	-	28,241,204	(1,561,330)	-	(1,561,330)	-
Other	523,645	-	1,004,228	480,583	-	480,583	-
Judicial	35,604,068	8,094,287	7,867,386	(19,642,395)	-	(19,642,395)	-
Corrections	18,730,110	78,224	1,093	(18,650,793)	-	(18,650,793)	-
Cultural and recreation	3,073,281	261,701	2,560	(2,809,020)	-	(2,809,020)	-
Community development	5,864,632	-	5,864,632	-	-	-	-
Interest on long-term debt	8,916,410	-	-	(8,916,410)	-	(8,916,410)	-
Total governmental activities	231,776,989	15,019,023	121,558,675	(95,199,291)	-	(95,199,291)	-
Business-type activities:							
911 Operations	8,210,597	13,031,358	-	-	4,820,761	4,820,761	-
Total business-type activities	8,210,597	13,031,358	-	-	4,820,761	4,820,761	-
Total primary government	\$ 239,987,586	\$ 28,050,381	\$ 121,558,675	\$ (95,199,291)	\$ 4,820,761	\$ (90,378,530)	\$ -
Component unit:							
Convention Center	\$ 4,274,741	\$ -	\$ -	-	-	-	(4,274,741)
Total component unit	\$ 4,274,741	\$ -	\$ -	-	-	-	(4,274,741)
General Revenues:							
Property taxes				86,237,553	-	86,237,553	-
Departmental revenues				8,995,014	-	8,995,014	-
Unrestricted investment earnings				5,655,510	95,040	5,750,550	638,781
Room rental tax				-	-	-	3,378,044
Total general revenues				100,888,077	95,040	100,983,117	4,016,825
Change in net assets				5,688,786	4,915,801	10,604,587	(257,916)
Net assets - beginning				15,025,028	874,371	15,899,399	1,793,741
Net assets - ending				\$ 20,713,814	\$ 5,790,172	\$ 26,503,986	\$ 1,535,825

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

County of Lancaster, Pennsylvania
Balance Sheet - Governmental Funds

December 31, 2006

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and temporary investments:						
Operating	\$14,217,303	\$ -	\$5,031,066	\$57,878,108	\$10,344,441	\$87,470,918
Other	2,954,912	5,871	301,272	236,357	337,957	3,836,369
Cash with fiscal agents	1,087	-	-	-	-	1,087
Investments	407	-	-	-	1,257,467	1,257,874
Receivables:						
Taxes	2,356,907	-	-	-	-	2,356,907
Less allowance for uncollectible taxes	(70,707)	-	-	-	-	(70,707)
Fines and costs	21,511,332	-	-	-	-	21,511,332
Less allowance for uncollectible fines and costs	(15,090,830)	-	-	-	-	(15,090,830)
Accounts	101,164	-	-	-	-	101,164
Due from other funds	4,467,658	-	-	-	-	4,467,658
Due from other governments	1,883,113	8,071,590	-	-	3,152,841	13,107,544
Advances to providers	35,097	-	1,303,700	-	7,334	1,346,131
Other	-	86,248	274	1,041,393	38,042	1,165,957
Total assets	\$ 32,367,443	\$ 8,163,709	\$ 6,636,312	\$ 59,155,858	\$ 15,138,082	\$ 121,461,404

	General	Children and Youth Services	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,832,550	\$ 1,931,249	\$ 4,122,522	\$ -	\$ 885,638	\$ 8,771,959
Contracts payable	-	-	-	1,075,089	2,289,287	3,364,376
Retainage payable	-	-	-	250,582	29,139	279,721
Due to other funds	-	3,355,610	-	-	1,112,048	4,467,658
Deferred revenue - taxes, fines and costs receivable	7,192,198	-	-	-	-	7,192,198
Unearned revenue	798,344	1,757	2,368,903	-	21,464	3,190,468
Payroll related accruals	3,688,755	182,078	144,887	-	156,635	4,172,355
Total liabilities	13,511,847	5,470,694	6,636,312	1,325,671	4,494,211	31,438,735
Fund balances:						
Reserved for advances	35,097	-	-	-	7,334	42,431
Unreserved:						
Designated for debt service	2,052,321	-	-	-	850,916	2,903,237
Designated for programmatic expenditures	-	2,693,015	-	-	9,785,621	12,478,636
Undesignated	16,766,178	-	-	57,830,187	-	74,598,365
Total fund balances	18,855,596	2,693,015	-	57,830,187	10,643,871	90,022,669
Total liabilities and fund balances	\$ 32,367,443	\$ 8,163,709	\$ 6,636,312	\$ 59,155,858	\$ 15,138,082	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds.	168,465,093
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	7,192,198
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.	(244,966,146)
Total net assets of governmental activities	<u>\$20,773,814</u>

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

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2006

	General	Youth Services	Children and Health/Mental Retardation	Mental Health/Mental Retardation	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Real estate taxes	\$86,408,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$86,408,680
Intergovernmental	10,097,971	28,241,204	55,243,536	-	-	27,975,964	121,558,675
Departmental	15,472,821	2,794,217	104,631	-	-	124,206	18,495,875
Fines and costs	2,566,259	-	-	-	-	-	2,566,259
Interest	2,166,166	411	396,425	2,650,615	441,893	5,655,510	5,655,510
Other	93,286	212	11,867	-	116,528	-	221,893
Health Choices revenues	-	-	868,381	-	-	-	868,381
Total revenues	116,795,183	31,036,044	56,624,840	2,650,615	28,658,591	235,765,273	
EXPENDITURES							
Current:							
General government	32,885,531	-	-	1,392,854	-	-	34,278,385
Public safety	1,234,268	-	-	-	-	-	1,234,268
Roads and bridges	-	-	-	-	-	498,963	498,963
Health, education, and welfare:							
Drug and alcohol	-	-	-	-	-	4,841,835	4,841,835
Employment and training	-	-	-	-	-	5,028,590	5,028,590
Mental health/mental retardation	-	-	57,702,406	-	-	-	57,702,406
Office of aging	-	-	-	-	-	8,591,891	8,591,891
Children and youth	-	37,935,129	-	-	-	-	37,935,129
Other	511,767	-	-	-	-	-	511,767
Judicial	32,687,659	-	-	-	-	4,348,920	37,036,579
Corrections	17,407,351	-	-	-	-	-	17,407,351
Cultural and recreation	2,850,927	-	-	-	-	-	2,850,927
Community development	-	-	-	-	-	5,864,632	5,864,632
Capital outlay	1,250,661	86,768	29,772	19,112,860	430,925	-	20,910,986
Debt Service:							
Principal retirement	4,865,000	-	-	-	-	2,950,000	7,815,000
Interest and fiscal charges	8,657,602	-	-	-	-	-	8,657,602
Bond issuance costs	-	-	-	-	611,008	-	611,008
Total expenditures	102,350,766	38,021,897	57,732,178	21,116,722	32,555,756	251,777,319	
Excess (deficiency) of revenues over (under) expenditures	14,444,417	(6,985,853)	(1,107,338)	(18,466,107)	(3,897,165)	(16,012,046)	
OTHER FINANCING SOURCES (USES)							
Transfers in	213,821	7,729,237	1,107,338	-	3,963,043	-	13,013,439
Transfers out	(13,013,439)	-	-	-	-	-	(13,013,439)
Face amount of bonds issued	-	-	-	51,285,000	-	-	51,285,000
Bond premium	-	-	-	305,169	-	-	305,169
Total other financing sources (uses)	(12,799,618)	7,729,237	1,107,338	51,590,169	3,963,043	-	51,590,169
Net change in fund balances	1,644,799	743,384	-	33,124,062	65,878	35,578,123	35,578,123
Fund balances, January 1	17,210,797	1,949,631	-	24,706,125	10,577,993	54,444,546	54,444,546
Fund balances, December 31	\$18,855,596	\$2,693,015	\$ -	\$57,830,187	\$10,643,871	\$90,022,669	\$90,022,669

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, 2006

Net change in fund balances - total governmental funds (page 33)	35,578,123
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.	4,918,406
Governmental funds report outlays for easements (capital assets) 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.	8,485,621
Revenues that provide current financial resources in the governmental funds are unearned in the statement of activities.	1,700,502
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.	(44,902,886)
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.	706,177
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>(797,157)</u>
Change in net assets of governmental activities (page 31)	<u><u>\$5,688,786</u></u>

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

County of Lancaster, Pennsylvania
Statement of Fund Net Assets - Enterprise Fund
December 31, 2006

	911 Operations
ASSETS	
Current assets:	
Cash and temporary investments	\$ 649,411
Telephone subscriber receivable	4,775,292
Total current assets	5,424,703
Noncurrent assets:	
Capital assets:	
Land and improvements	7,642
Buildings and improvements	263,513
Furniture and equipment	2,603,916
Less accumulated depreciation	(1,757,728)
Total capital assets, net	1,117,343
Total noncurrent assets	1,117,343
Total assets	6,542,046
LIABILITIES	
Current liabilities:	
Accounts payable	212,457
Retainage payable	15,476
Payroll related accruals	97,935
Accrued vacation and sick pay	11,818
Total current liabilities	337,686
Noncurrent liabilities:	
Accrued vacation and sick pay	231,424
Net pension obligation	182,764
Total noncurrent liabilities	414,188
Total liabilities	751,874
NET ASSETS	
Invested in capital assets	1,117,343
Unrestricted	4,672,829
Total net assets	\$ 5,790,172

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 Fund

For the Year Ended December 31, 2006

	<u>911 Operations</u>
Operating revenues:	
Charges for sales and services:	
Telephone subscriber revenues	\$ 13,031,358
Total operating revenues	<u>13,031,358</u>
Operating expenses:	
Depreciation	176,936
Public safety	<u>8,033,661</u>
Total operating expenses	<u>8,210,597</u>
Operating income	4,820,761
Nonoperating revenues:	
Interest revenue	<u>95,040</u>
Change in net assets	4,915,801
Total net assets, January 1	874,371
Total net assets, December 31	<u><u>\$ 5,790,172</u></u>

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

County of Lancaster, Pennsylvania
Statement of Cash Flows - Enterprise Fund
For the Year Ended December 31, 2006

	911 Operations
Cash flows from operating activities:	
Cash received from departmental revenues	\$ 8,439,879
Cash payments to suppliers for goods and services	(2,158,824)
Cash payments to employees for services	(4,241,127)
Cash payments for taxes	(320,936)
Cash payments for employee benefits	(1,122,788)
Net cash provided by operating activities	596,204
Cash flows from capital and related financing activities:	
Purchases of capital assets	(41,833)
Net cash (used in) capital and related financing activities	(41,833)
Cash flows from investing activities:	
Interest received	95,040
Net cash provided by investing activities	95,040
Net increase in cash and cash equivalents	649,411
Cash and cash equivalents, January 1	-
Cash and cash equivalents, December 31	649,411
Reconciliation of operating income to net cash used in operating activities:	
Operating income	4,820,761
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	176,936
Changes in assets and liabilities:	
Other receivables	(4,591,479)
Accounts payable	174,144
Retainage payable	15,476
Accrued expenses	(1,900)
Other liabilities	2,266
Total adjustments	(4,224,557)
Net cash provided by operating activities	\$ 596,204

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, 2006

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments-operating	\$ 5,071,083	\$ 9,926,234
Accounts receivable	1,171,233	-
	6,242,316	9,926,234
Investments, at fair value:		
U.S. Government securities	7,623,418	-
U.S. Government agency-mortgage backed securities	25,006,496	-
Domestic corporate bonds	12,399,596	-
Mutual funds	27,911,492	-
Collateralized mortgage obligations	864,151	-
Domestic common stock	60,304,184	-
International equity fund	21,537,260	-
Total investments	155,646,597	-
Total assets	161,888,913	9,926,234
LIABILITIES		
Deposits and advances	-	1,643,578
Escrow liability	-	3,051,492
Due to other governments	-	851,004
Other liabilities	-	4,380,160
Total liabilities	-	9,926,234
NET ASSETS		
Held in trust for pension benefits	\$ 161,888,913	\$ -

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, 2006

ADDITIONS

Contributions:	
Employer	\$ 5,606,970
Plan members	4,012,600
Total contributions	<u>9,619,570</u>

Investment income:	
Net appreciation in fair value of investments	13,250,116
Interest and dividends	4,075,175
Less investment expenses	489,209
Net investment income	<u>16,836,082</u>
Total additions	<u>26,455,652</u>

DEDUCTIONS

Benefits paid to plan members and beneficiaries	11,510,772
Refunds of contributions paid to plan members and beneficiaries	986,315
Administrative expenses	215,871
Total deductions	<u>12,712,958</u>
Change in net assets	13,742,694

Net assts held in trust for pension benefits, January 1	148,146,219
Net assets held in trust for pension benefits, December 31	<u>\$ 161,888,913</u>

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

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County of Lancaster, Pennsylvania

Notes to Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Component Unit

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

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

Complete financial statements of this component unit can be requested from the County Controller's Office of Lancaster County, 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 (the Redevelopment Authority)
- Lancaster Airport Authority
- Lancaster County Hospital Authority
- Lancaster County Housing Authority
- Lancaster County Solid Waste Management Authority
- Lancaster City and County Joint Transfer System (Red Rose Transit Authority)
- Lancaster County Conservation District
- Lancaster County Private Industry Council
- Lancaster County Transportation Authority
- Lancaster County Workforce Investment Board
- Capital Area Behavioral Health Collaborative, Inc

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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 revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Interest earnings are recorded when earned. Real estate tax, intergovernmental, departmental, fines and costs, interest, Health Choices, and telephone subscriber revenues are all considered susceptible to accrual and, as a result, have been recognized as revenue in the current year.

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

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

The County's enterprise fund, presented in the enterprise fund financial statements, is 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 fund, 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The enterprise fund distinguishes 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 911 Operations enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund 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.

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- 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 management 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:

- 911 Operations – 911 Operations accounts for the collection of telephone surcharges in accordance with Acts 56 and 78 for land-based and wireless phone lines.

Other Funds:

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

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

C. Summary of Significant Accounting Policies – Component Unit

Basis of Accounting

The Convention Center Authority utilizes the accrual basis of accounting.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Hotel Room Rental Tax

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

D. Pending Changes in Accounting Principles

GASB Statement No. 45

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.

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

E. Implementation of Governmental Accounting Standards Board Pronouncements

GASB Statement No. 44

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 46

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.

GASB Statement No. 47

In July 2004, the GASB issued Statement No. 47, "Accounting for Termination Benefits." This statement establishes accounting standards for termination benefits and requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities.

The County implemented these statements in 2006. The disclosures required by Statement No. 44 are reflected in the statistical section. Statements No. 46 and No. 47 have no impact on the 2006 financial statements.

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 fund, 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 fund considers all highly liquid investments (temporary investments) with a maturity of three months or less when purchased to be cash equivalents.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Investments

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

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

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

Short-Term Interfund Receivables/Payables

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

Amounts "Due from Other Governments" are primarily grants receivable from the Commonwealth of Pennsylvania at December 31, 2006.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Restricted Assets

Governmental Activities

At December 31, 2006, the County had a restricted cash balance of \$599,068 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 \$303,523 representing amounts deposited in an irrevocable trust to pay future workers compensation claims and a balance of \$2,052,321 in the swap contingency fund to be used when the option to terminate a swap is exercised.

Component Unit

At December 31, 2006, the Convention Center Authority has \$39,126,514 in short-term certificates of deposit, reported as Restricted Cash, restricted for capital projects.

Capital Assets

The cost of capital assets acquired for general government purposes is recorded as an expenditure in the governmental funds and as an asset in the government-wide financial statements to the extent the County's capitalization threshold has been met. Capital assets acquired by enterprise fund is 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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; it 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.

Unearned Income

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Accrued Vacation and Sick Pay

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

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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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.

Interest Revenue

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

Swaps and Swaptions

The County enters into various interest rate swaps and swaptions in order to manage risks associated with interest on its bond portfolio. As currently allowed under accounting principles generally accepted in the United States, the County does not record the fair market value or changes in the fair market value on the face of its financial statements. See Notes 18 & 19 for the relevant disclosures.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

3. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *total fund balance – total governmental funds* and *total net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including general obligation bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.” The detail of this \$244,966,146 difference is as follows:

General obligation bonds and notes payable	\$ 238,610,173
Less: Deferred charge on refundings (amortized as expense)	(5,067,382)
Less: Deferred charge for issuance costs (amortized as expense)	(2,489,853)
Plus: Issuance premium (amortized as income)	1,683,397
Accrued vacation and sick pay	4,371,096
Net pension obligation	3,760,626
Accrued interest payable	1,276,661
Unearned revenue on 2002 swap agreement	2,500,000
Unearned revenue on 2003 swap agreement	321,428
Net adjustment to <i>total fund balance - total governmental funds</i> to arrive at <i>net assets - government activities</i>	<u>\$ 244,966,146</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays 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 detail of this \$ 4,918,406 difference is as follows:

Capital outlay	\$ 8,649,420
Depreciation expense	<u>(3,731,014)</u>
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>\$ 4,918,406</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 detail of this \$ 8,485,621 difference is as follows:

Easement outlay	\$ 10,132,809
Amortization expense	<u>(1,647,188)</u>
Net adjustment to increase <i>net changes in fund balance</i> - total governmental funds to arrive at <i>changes in net</i> <i>assets - government activities</i>	<u>\$ 8,485,621</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 detail of this \$(44,902,886) difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$ (51,590,169)
Amortization of accretion	(1,127,717)
Principal repayments:	
General obligation debt	7,800,000
Repayment on installment purchase agreement	<u>15,000</u>
Net adjustment to decrease <i>net changes in fund</i> <i>balance - total governmental funds to arrive at</i> <i>changes in net assets - government activities</i>	<u>\$ (44,902,886)</u>

Another element of that reconciliation states that, “governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The detail of this \$706,177 difference is as follows:

Bond issuance costs	\$ 611,008
Bond premiums	95,169
	<u>\$ 706,177</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Another element of that reconciliation states that, “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The detail of this \$(797,157) difference is as follows:

Accrued vacation and sick pay	\$ (92,493)
Net pension obligation	173,137
Workers compensation liability	85,065
Accrued interest payable	(258,808)
Amortization of deferred amounts on refunding	(395,361)
Amortization of issuance costs	(170,013)
Amortization of net bond premiums	<u>(138,684)</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets - government activities</i>	<u>\$ (797,157)</u>

4. Budgets and Budgetary Accounting

The County adopts budgets for the General Fund and all special revenue funds, except the Community Development Block Grant Fund and the Agricultural Land Preservation Fund. The Debt Service Fund is controlled through a general obligation bond indenture provision. Project-length financial plans are adopted for the capital projects 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 and the Mental Health/Mental Retardation and Children and Youth Services special revenue funds are located in required supplementary information. The budgetary schedules for the Domestic Relations, Employment and Training, Office of Aging, Drug and Alcohol, and Liquid Fuels nonmajor special revenue funds are located in the combining and individual fund statements and schedules.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments

Deposits

At December 31, 2006, the carrying amount of the County's deposits, which include cash and cash equivalents, was \$106,955,102 and the bank balances totaled \$111,148,445. Of the bank balances, \$1,091,329 was covered by federal depository insurance. The remainder was categorized as uncollateralized (bank balances collateralized with securities held by the pledging financial institution's agent but not in the County's name). Although the County follows the Pennsylvania County Code, the County does not have a formal policy relative to managing custodial credit risk.

Non-Pension Investments

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

Custodial Credit Risk

At December 31, 2006, the County's non-pension investments included \$1,257,874 invested in U.S. Treasury Strips. These investments are not insured, are not registered in the name of the County, and are held by the counterparty in the counterparty's name. The County limits its exposure to custodial credit risk by maintaining only those non-pension investments required by sinking fund or other similar contractual requirements. Although the County follows the Pennsylvania County Code, the County does not have a formal investment policy relative to managing custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk associated with changes in interest rates adversely affecting the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. At December 31, 2006, the County's non-pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
U.S. Treasury Strips	<u>\$ 1,257,874</u>	<u>\$ 851,323</u>	<u>\$ -</u>	<u>\$ 227,049</u>	<u>\$ 179,502</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Non-Pension Investments (continued)

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

Pension Investments

Pension investments by type were as follows at December 31, 2006:

	<u>Fair Value</u>
Investments	
U.S. Government Securities	\$ 7,623,418
U.S. Government Agency Mortgage Backed Securities	25,006,496
Domestic Corporate Bonds	12,399,596
Collateralized Mortgage Obligations	864,151
Domestic Common Stock	60,304,184
Mutual Funds	27,911,492
International Equity Fund	21,537,260
Total Investments	<u>\$ 155,646,597</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Credit Risk

The following schedule details the County's exposure to credit risk with respect to pension investments at December 31, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investments		
Domestic Corporate Bonds	\$ 2,266,438	Aaa
Domestic Corporate Bonds	762,799	Aa1
Domestic Corporate Bonds	931,200	Aa2
Domestic Corporate Bonds	940,090	Aa3
Domestic Corporate Bonds	2,310,129	A1
Domestic Corporate Bonds	2,445,290	A2
Domestic Corporate Bonds	666,847	A3
Domestic Corporate Bonds	1,009,871	Baa1
Domestic Corporate Bonds	825,428	Baa2
Domestic Corporate Bonds	<u>241,504</u>	Baa3
Total Domestic Corporate Bonds	<u>\$ 12,399,596</u>	
Collateralized Mortgage Obligations	\$ 23,096	Aaa
Collateralized Mortgage Obligations	<u>841,055</u>	A3
Total Collateralized Mortgage Obligations	<u>\$ 864,151</u>	
U.S. Government Agency Mortgage Backed Securities	25,006,496	Aaa
U.S. Government Securities	7,623,418	N/A
Domestic Common Stock	60,304,184	N/A
Mutual Funds	27,911,492	N/A
International Equity Fund	<u>21,537,260</u>	N/A
Total Investments	<u>\$ 155,646,597</u>	

All credit ratings were provided by Moody's.

The County manages its exposure to credit risk relative to pension investments by restricting the average quality of fixed income securities to meet or exceed a rating of "A₂", the third broad investment grade as determined by Moody's, and by the insistence of the minimum quality of any single fixed income security to meet or exceed "Baa", as determined by Moody's.

Custodial Credit Risk

At December 31, 2006, the County's pension investments were subject to custodial credit risk. All pension investments are held by the counterparty in the counterparty's name and not the name of the County and are recorded by the counterparty in book entry only in the name of the County.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

Concentration of Credit Risk

The County's pension investment policy does not allow for an investment of 5% or more of plan net assets in any single corporation or group of affiliated corporations. At December 31, 2006, the County's pension investments were not exposed to concentration of credit risk.

Interest Rate Risk

At December 31, 2006, the County's pension investments were subject to interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1 Year</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10 Years</u>
Pension Investments					
U.S. Government Securities	\$ 7,623,418	\$ -	\$ 1,069,855	\$ 6,553,563	\$ -
U.S. Government Agency Mortgage Backed Securities	25,006,496	3,520,000	12,616,346	1,910,600	6,959,550
Domestic Corporate Bonds	12,399,596	1,712,532	5,230,403	4,286,195	1,170,466
Collateralized Mortgage Obligations	<u>864,151</u>	<u>-</u>	<u>-</u>	<u>23,096</u>	<u>841,055</u>
Total Pension Investments - Debt Securities	<u>45,893,661</u>	<u>\$ 5,232,532</u>	<u>\$ 18,916,604</u>	<u>\$ 12,773,454</u>	<u>\$ 8,971,071</u>
Domestic Common Stock	60,304,184				
Mutual Funds	27,911,492				
International Equity Fund	<u>21,537,260</u>				
Total Investments	<u>\$155,646,597</u>				

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Pension Investments (continued)

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

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

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2006, \$21,537,260 of the County's pension investments was held in an international equity fund. More than 80% of the equity securities within this fund are those of companies located outside of the United States, denominated in other than U.S. dollars. The County's pension investment policy limits the County's exposure to foreign currency risk by ensuring that no more than 18% of total pension investments are invested in international equity securities.

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 Fund	Fiduciary Funds	Total
Cash and temporary investments:				
Operating	\$ 87,470,918	\$ 649,411	\$ 14,997,317	\$103,117,646
Other	3,836,369	-	-	3,836,369
Cash with fiscal agents	1,087	-	-	1,087
Investments	1,257,874	-	155,646,597	156,904,471
	<u>\$ 92,566,248</u>	<u>\$ 649,411</u>	<u>\$170,643,914</u>	<u>\$263,859,573</u>
Carrying value of deposits per the footnotes				\$ 106,955,102
Investments per the footnotes				156,904,471
Total deposits and investments per the footnotes				<u>\$263,859,573</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

5. Deposits and Investments (continued)

Discretely Presented Component Unit

Deposits

Custodial Credit Risk

At December 31, 2006, the carrying amount of the Convention Center Authority's deposits, which include cash and cash equivalents, equaled \$39,605,252 and the bank balances totaled \$39,605,832. \$100,000 of the bank balance was covered by federal depository insurance. \$39,126,514, which represents certificates of deposit purchased with proceeds from the issuance of long-term debt, and the remainder, \$379,318, were exposed to custodial credit risk and categorized as uncollateralized (uninsured and collateralized with securities held by the pledging financial institution's agent but not in the Convention Center Authority's name). The Convention Center Authority does not have a policy relative to managing custodial credit risk.

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 2006 was 2.962 mills.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets

A summary of capital asset activity for the year ended December 31, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land and improvements	\$ 5,853,180	\$ 225,587	\$ -	\$ 6,078,767
Total capital assets, not being depreciated/amortized	5,853,180	225,587	-	6,078,767
Capital assets, being depreciated/ amortized:				
Buildings and improvements	114,857,947	6,313,347	-	121,171,294
Furniture and equipment	23,322,270	3,034,139	1,512,549	24,843,860
Assets under capital lease	1,371,165	-	-	1,371,165
Infrastructure	5,938,380	588,896	-	6,527,276
Easements	55,754,711	10,132,809	-	65,887,520
Total capital assets being depreciated/ amortized	201,244,473	20,069,191	1,512,549	219,801,115
Less accumulated depreciation/ amortization for:				
Buildings and improvements	31,579,540	3,097,237	-	34,676,777
Furniture and equipment	11,062,402	1,482,858	1,080,468	11,464,792
Assets under capital lease	548,466	68,558	-	617,024
Infrastructure	908,506	162,829	-	1,071,335
Easements	7,937,673	1,647,188	-	9,584,861
Total accumulated depreciation/ amortization	52,036,587	6,458,670	1,080,468	57,414,789
Total capital assets, being depreciated/ amortized, net	149,207,886	13,610,521	432,081	162,386,326
Governmental activities capital assets, net	\$ 155,061,066	\$ 13,836,108	\$ 432,081	\$ 168,465,093

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/ amortized:				
Land and improvements	\$ 7,642	\$ -	\$ -	\$ 7,642
Total capital assets, not being depreciated/amortized	7,642			7,642
Capital assets, being depreciated/ amortized:				
Buildings and improvements	263,513	-	-	263,513
Furniture and equipment	2,562,083	41,833	-	2,603,916
Total capital assets being depreciated/ amortized	2,825,596	41,833	-	2,867,429
Less accumulated depreciation/ amortization for:				
Buildings and improvements	63,168	10,351	-	73,518
Improvements other than buildings	-	-	-	-
Furniture and equipment	1,517,624	166,585	-	1,684,210
Total accumulated depreciation/ amortization	1,580,792	176,936	-	1,757,728
Total capital assets, being depreciated/ amortized, net	1,244,804	(135,103)	-	1,109,701
Business-type activities capital assets, net	<u>\$ 1,252,446</u>	<u>\$ (135,103)</u>	<u>\$ -</u>	<u>\$ 1,117,343</u>

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

Governmental activities:	
General government	\$ 3,480,911
Public safety	1,116,455
Roads and bridges	162,829
Health, education, and welfare:	
Other	46,561
Judicial	147,671
Corrections	1,310,137
Cultural and recreation	194,106
Total depreciation/amortization expense – governmental activities	<u>\$ 6,458,670</u>
Business-type activities:	
911 Operations	\$ 176,936
Total depreciation/amortization expense – business-type activities	<u>\$ 176,936</u>

As of December 31, 2006, the County has \$ 2,096,251 in commitments outstanding related to contracts for the acquisition, construction, and renovation of various facilities.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

7. Capital Assets (continued)

Discretely Presented Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated/ amortized:				
Land and improvements	\$ 3,692,769	\$ -	\$ -	\$ 3,692,769
Construction in progress	236,461	1,587,747	-	1,824,208
Total capital assets, not being depreciated/amortized	3,929,230	1,587,747	-	5,516,977
Capital assets, being depreciated/ amortized:				
Furniture and equipment	8,451	-	-	8,451
Total capital assets being depreciated/ amortized	8,451	-	-	8,451
Less accumulated depreciation/ amortization for:				
Furniture and equipment	1,409	1,690	-	3,099
Total accumulated depreciation/ amortization	1,409	1,690	-	3,099
Total capital assets, being depreciated/ amortized, net	7,042	(1,690)	-	5,352
Capital assets, net	\$ 3,936,272	\$ 1,586,057	\$ -	\$ 5,522,329

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, 2006 amounted to \$3,171,422. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2007	\$ 3,013,234
2008	2,042,310
2009	2,084,927
2010	2,098,011
2011	2,110,376
2012-2016	10,491,934
2017-2021	6,477,907
2022-2026	62,500
Total	<u>\$ 28,381,199</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities

General Obligation Bonds and Notes

The County issues general obligation bonds and notes 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, 2006 was \$146,808,998.

General obligation bonds and notes consisted of the following at December 31, 2006:

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, 2007 to July 1, 2007	\$ 2,756,175
5.30% – 5.45% Current interest bearing General Obligation Bonds, Series A of 2000, to finance the County's capital projects, dated June 15, 2000, principal payable annually, ranging in amounts from \$2,425,000 to \$2,690,000 from May 1, 2008 to May 1, 2010.	7,665,000
4.00% - 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 1, 2007 to November 1, 2027.	16,405,000
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 1, 2007 to May 1, 2019.	17,149,998
6.10% Interest bearing installment purchase agreement in the amount of \$363,000, dated January 4, 2002, to finance the lease and subsequent purchase of an agricultural easement, principal payable in full on November 15, 2016.	363,000
5.00% Interest bearing General Obligation 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 ranging from \$65,000 to \$1,490,000 from November 1, 2007 to November 1, 2010.	3,125,000
Variable rate interest bearing General Obligation Note Series A of 2002 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, 2007 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%.	25,030,000
4.40% - 4.70% General Obligation Bonds Series A of 2002 in the principal amount of \$7,345,000 to finance certain capital projects dated December 15, 2002, principal payable annually, varying in amounts from \$5,000 to \$3,700,000 from November 1, 2007 to November 1, 2020.	7,330,000
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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

<p>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 \$495,000 to \$1,395,000 from November 1, 2007 to November 1, 2032.</p>	21,910,000
<p>2.15% - 5.25% General Obligation Bonds Series A of 2003 in the principal amount of \$23,715,000 to partially refund Series A of 2000, dated October 15, 2003, principal payable annually, varying in amounts from \$305,000 to \$4,930,000 from May 1, 2007 to May 1, 2015.</p>	23,090,000
<p>Variable rate interest bearing General Obligation Demand Bonds Series B of 2003 in the principal amount of \$13,945,000 to current refund Series B of 1997 and Series of 1998, dated November 3, 2003, principal payable annually, varying in amounts from \$785,000 to \$1,415,000 from November 1, 2007 to November 1, 2016. Bond is payable upon demand. The Interest Mode the bonds were issued in was a weekly mode; however, the bonds may be converted to term mode at any time. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. If converted to term mode bonds, interest is payable semiannually and the determination date is a day not more than 15 days preceding or later than the last business day preceding such rate period. The interest on the bonds will never exceed 12%.</p>	10,855,000
<p>5.85% Interest bearing installment purchase agreement in the amount of \$226,000, dated September 3, 2003, to finance the purchase of an agricultural easement, principal payable in lump sum of November 15, 2023.</p>	226,000
<p>4.40% Interest bearing installment purchase agreement in the amount of \$150,000, dated April 30, 2003, to finance the purchase of an agricultural easement, principal payable annually in the amount of \$15,000 from January 20, 2007 to January 20, 2013.</p>	105,000
<p>3.50% - 4.50% General Obligation Bond Series of 2004 in the principal amount of \$5,005,000 to refund Series of 1999, dated August 1, 2004, principal payable annually, varying in amounts from \$440,000 to \$1,265,000 from November 1, 2007 to November 1, 2010.</p>	2,640,000
<p>3.00% - 5.00% General Obligation Bond Series A of 2004 in the principal amount of \$27,300,000 to finance certain capital projects dated May 1, 2004, principal payable annually, varying in amounts from \$1,055,000 to \$2,110,000 from November 1, 2007 to November 1, 2023.</p>	25,260,000
<p>Variable rate General Obligation Bond Series of 2005 in the principal amount of \$23,775,000 to finance certain capital projects dated March 2, 2005, principal payable annually, varying in amounts from \$590,000 to \$1,465,000 from March 1, 2007 to March 1, 2030. The Interest Mode the bonds were issued in was a weekly mode. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. The interest on the bonds will never exceed 25%.</p>	23,205,000
<p>Variable rate interest bearing General Obligation Bond Series 2006 in the principal amount of \$26,285,000 to finance various capital projects and capital grant programs dated March 1, 2006, principal payable annually, varying in amounts from \$620,000 to \$1,635,000 from March 1, 2007 to March 1, 2031. The Interest Mode the bonds were issued in was a weekly mode; however, the bonds may be converted to term mode at any time. Interest is payable monthly, based upon a weekly interest rate obtained from the Remarketing Agent. If converted to term mode bonds, interest is payable semi-annually and the determination date is a day not more than 15 days preceding or later than the last business day preceding such rate period. The interest on the bonds will never exceed 25%.</p>	26,285,000
<p>3.625% - 5.00% General Obligation Bond Series A of 2006 in the principal amount of \$25,000,000 to provide funding for both farmland and natural land preservation and projects in the city, boroughs, and urban growth areas of townships of the County dated May 1, 2006, principal payable annually, varying in amounts from \$830,000 to \$1,865,000 from May 1, 2007 to May 1, 2026.</p>	25,000,000
<p>Total general obligation bonds and notes payable</p>	<p style="text-align: right;"><u>238,610,173</u></p>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

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

	Principal	Interest	Total
2007	\$ 9,141,077	\$ 9,430,816	\$ 18,571,893
2008	9,529,698	9,038,676	18,568,374
2009	9,933,470	8,633,765	18,567,235
2010	10,159,458	8,417,505	18,576,963
2011	10,496,166	8,099,681	18,595,847
2012-2016	56,213,415	37,320,435	93,533,850
2017-2021	55,675,889	29,269,496	84,945,385
2022-2026	46,160,000	11,923,666	58,083,666
2027-2031	29,906,000	3,185,977	33,091,977
2032-2036	1,395,000	66,263	1,461,263
	<u>\$ 238,610,173</u>	<u>\$ 125,386,280</u>	<u>\$ 363,996,453</u>

On March 1, 2006, the County issued variable-rate interest-bearing General Obligation Bonds, Series 2006, in the amount of \$26,285,000 to finance various capital projects and capital grant programs and to pay the costs of issuing the bonds.

On May 1, 2006, the County issued interest-bearing General Obligation Bonds, Series 2006A, in the amount of \$25,000,000 to provide funding for both farmland and natural lands preservation and projects in the city, boroughs, and urban growth areas of townships of the County.

The remaining \$1,127,717 of the 2006 additions to general obligation bonds and notes payable represent 2006 accretion on the capital appreciation general obligation bonds dated March 14, 1991 and the capital appreciation general obligation notes dated December 20, 2001.

Proceeds of the General Obligation Bonds, Series A of 2003 were used to advance refund a portion of the County's General Obligation Bonds, Series A of 2000. As of December 31, 2006, \$20,740,000 of bonds outstanding is classified as defeased.

On March 2, 2005, the County authorized the issuance of the General Obligation Bonds Series of 2008 in the amount of \$8,800,000. This bond series will be issued with a variable interest rate.

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, 2006, the following changes occurred in long-term liabilities:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Governmental Activities:					
General obligation bonds and notes payable	\$ 193,802,456	\$ 52,412,717	\$ 7,605,000	\$ 238,610,173	\$ 9,141,077
Deferred amounts on refundings	(5,462,743)	-	(395,361)	(5,067,382)	(395,361)
Net premium on bonds payable	1,544,713	305,169	166,485	1,683,397	166,485
Accrued vacation and sick pay	4,278,603	446,410	353,917	4,371,096	353,917
Net pension obligation	3,933,763	-	173,137	3,760,626	-
Workers' compensation claims liability	85,065	-	85,065	-	-
Unearned revenue on swap agreement	2,953,571	-	132,143	2,821,428	132,143
Governmental activities long-term liabilities	\$ 201,135,428	\$ 53,164,296	\$ 8,120,386	\$ 246,179,338	\$ 9,398,261

(*) Must subtract for column to foot

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Business-Type Activities:					
Net pension obligation	\$ 193,815	\$ -	\$ 11,051	\$ 182,764	\$ -
Accrued vacation and sick pay	234,091	20,969	11,818	243,242	11,818
Business-type activities long-term liabilities	\$ 427,906	\$ 20,969	\$ 22,869	\$ 426,006	\$ 11,818

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit

The Convention Center Authority incurred Hotel Room Rental Tax Revenue Bonds, Series of 2003 for the purpose of paying, together with other available funds, costs of (i) funding the design, acquisition, construction, furnishing and equipping of that certain convention center, as defined in the Indenture; (ii) funding necessary reserves for the Project and the Bonds; (iii) the establishment of necessary reserves and other funds under the Indenture; and (iv) payment of the costs and expenses of issuance of the Bonds. The 2003 Bonds are secured by a pledge of all current and future revenue derived by the Convention Center Authority from its share of Hotel Room Rental Tax.

Interest rate shall be 55 basis points over the yield on balances held as collateral in the Project Funds Capitalized Interest and Debt Service Reserve Funds at Citizens Bank. Amounts borrowed which exceed the amount held as collateral shall bear interest floating at Libor plus 75 basis points.

The Bonds shall continue to bear interest (interest only) at the Libor Rate until the Libor Rate Conversion Date (mandatory conversion on December 1, 2006). On the Libor Rate Conversion Date, the issuer may elect to convert the Bonds to a weekly mode or a term mode. Interest is due during the Libor Rate period on January 1, April 1, July 1, and October 1. With respect to a weekly rate (adjustable), interest is due the first business day of each month and with respect to term rate (fixed), interest is due each April 1 and October 1. The adjustable Libor rate at March 31, 2006 was 2.115769%.

The amount of outstanding Hotel Room Rental Tax Revenue Bonds, Series of 2003 at March 31, 2006 is \$ 40,000,000. Final Maturity is October 1, 2043.

Minimum annual debt service requirements on the 2003 Bond Issue (based on Libor rate as of March 31, 2006, being used through December 1, 2006, and estimates thereafter) are as follows:

	Principal	Interest	Total
March 31, 2007	\$ -	\$ 854,431	\$ 854,431
March 31, 2008	115,000	2,228,926	2,343,926
March 31, 2009	220,000	2,220,070	2,440,070
March 31, 2010	330,000	2,205,239	2,535,239
March 31, 2011	410,000	2,184,969	2,594,969
April 1, 2011 - March 31, 2016	2,425,000	10,545,960	12,970,960
April 1, 2016 - March 31, 2021	3,180,000	9,771,898	12,951,898
April 1, 2021 - March 31, 2026	4,175,000	8,757,379	12,932,379
April 1, 2026 - March 31, 2031	5,480,000	7,424,606	12,904,606
April 1, 2031 - March 31, 2036	7,190,000	5,676,028	12,866,028
April 1, 2036 - March 31, 2041	9,450,000	3,378,782	12,828,782
April 1, 2041 - March 31, 2044	7,025,000	634,774	7,659,774
	<u>\$ 40,000,000</u>	<u>\$ 55,883,062</u>	<u>\$ 95,883,062</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

9. Long-Term Liabilities (continued)

Discretely Presented Component Unit (continued)

In addition, the Convention Center Authority has entered into a term loan and revolving line of credit agreement with Sovereign Bank with a total borrowing limit of \$3,100,000. Proceeds of the term loan were used to purchase property. Proceeds of the line of credit were used for operating expenses. The term loan expires on December 15, 2006, and the line of credit is payable on demand. Interest on the term loan is charged at the prime rate, which was 7.25% at March 31, 2006. Interest on the line of credit is charged at the prime-based rate, which was 7.25% at March 31, 2006. Borrowings under these commitments are secured by the Convention Center Authority's hotel tax receipts, deposit accounts, and mortgaged property. During the year ended March 31, 2006, the following changes occurred in notes payable:

	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006
Term Loan	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Line of Credit	-	1,000,000	600,000	400,000
	<u>\$ 2,100,000</u>	<u>\$ 1,000,000</u>	<u>\$ 600,000</u>	<u>\$ 2,500,000</u>

10. Self-Insurance Claims Liability

The County is self-insured for workers' compensation in accordance with Article III of the Pennsylvania Workmen's Compensation Act of 1915 as Reenacted and Amended. The liability is recorded as estimated by the plan administrator. The required retention amounts are accrued in a trust fund in accordance with 34 Pa. Code Section 125.10, as a liability of the General Fund. The Bureau of Workers' Compensation uses a loss development analysis system to project a self-insurer's outstanding liability for the purpose of setting the required amount of the self-insurer's security or funding. Loss development analysis is an actuarial technique of projecting the ultimate cost of a group of claims by analyzing the past changes in value of similar claims as they mature. The Bureau issued an exemption permit renewing the County's self-insurance status on February 1, 2006. 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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

10. Self-Insurance Claims Liability (continued)

Changes in the County's self-insurance claims liabilities for the years ended December 31, 2006 and 2005 were as follows:

	Liability Balance as of January 1, 2006	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2006
Unemployment Compensation	\$ 596,558	\$ 221,608	\$ 253,607	\$ 564,559
Workers' Compensation	1,415,326	538,029	548,233	1,405,122
Total Unemployment Compensation and Workers' Compensation	\$ 2,011,884	\$ 759,637	\$ 801,840	\$ 1,969,681

	Liability Balance as of January 1, 2005	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance as of December 31, 2005
Unemployment Compensation	\$ 501,286	\$ 393,968	\$ 298,696	\$ 596,558
Workers' Compensation	1,386,318	832,064	803,056	1,415,326
Total Unemployment Compensation and Workers' Compensation	\$ 1,887,604	\$ 1,226,032	\$ 1,101,752	\$ 2,011,884

Of the above self-insurance claims liability balances, amounts for the years ended December 31, 2006 and 2005 were reported as payroll related accruals in governmental activities and the General Fund because these liabilities are due and payable and expected to be liquidated with expendable available resources.

11. Interfund Balances

Individual fund receivable and payable balances at December 31, 2006 were as follows:

Fund(s)	Interfund Receivables	Interfund Payables
General	\$ 4,467,658	\$ -
Children & Youth Services	-	3,355,610
Nonmajor Governmental	-	1,112,048
Total	\$ 4,467,658	\$ 4,467,658

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

12. Interfund Transfers

Interfund transfers for the year ended December 31, 2006 consisted of the following:

Funds	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 213,821	\$ 13,013,439
Children and Youth Services	7,729,237	-
Mental Health/Mental Retardation	1,107,338	-
Nonmajor Governmental	3,963,043	-
Total	\$ 13,013,439	\$ 13,013,439

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

13. Fines and Costs Receivable

At December 31, 2006, \$2,958,134 in fines and costs receivable are expected to be collected in more than one year.

14. Commitments and Contingent Liabilities

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

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

On December 15, 2003, the County guaranteed to replenish annual debt service reserve fund draws of the Convention Center Authority over the life of the Convention Center Authority's debt service reserve fund note. The Convention Center Authority's Note was issued in connection with the Convention Center Authority's Hotel Room Rental Tax Revenue Bonds, Series 2003, (the Bonds) to prevent a default of the Bonds in the event of an unexpected interruption in the flow of hotel room rental tax revenues that are pledged to pay debt service on the Bonds. The annual replenishment to be paid by the County equals, to the extent the Convention Center Authority has failed to provide necessary funding as required by the Convention Center Authority's debt service reserve fund note, an amount not to exceed the lesser of \$1,506,960 or 50% of the required reserve amount in any fiscal year. At December 31, 2006 the Convention

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

Center Authority debt service reserve fund had a required reserve amount equaling \$2,610,270; thus, the County's replenishment guarantee equaled \$1,305,135 at December 31, 2006. As of December 31, 2006, hotel room rental tax revenues were sufficient to cover the debt service on the Bonds; thus, it was not necessary for the County to replenish the debt service reserve fund.

On May 15, 2004, the County guaranteed revenue bonds issued by the Redevelopment Authority in the amount of \$13,505,000 to fund the site acquisition, design, construction, and operation of a multi-purpose stadium and related improvements. The bonds are to be repaid by the Redevelopment Authority by receipts and revenues derived from the use of the multi-purpose stadium facilities. At December 31, 2006, \$12,695,000 of the bonds remained outstanding.

On May 12, 2005, the County guaranteed lease rental debt of the Redevelopment Authority to be incurred during the undertaking of the stadium project in a maximum annual principal amount of \$1,099,996.

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

15. Gain Contingencies

\$500,000 Agreement Dated March 9, 2005

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Gain Contingencies (continued)

\$500,000 Agreement Dated March 9, 2005 (continued)

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

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

\$500,000 Agreement Dated March 29, 2005

On March 29, 2005, the Redevelopment Authority borrowed \$500,000 from the County to finance, on a short-term basis, a portion of the costs to construct a public stadium facility located in Lancaster County. Principal was to be paid in full 120 days from the date of the note, resulting in an original due date of July 27, 2005. Approval had been given by the County to extend the due date of the borrowing to December 31, 2006 and was later extended to December 31, 2007. However, the first request submitted by the Redevelopment Authority to extend the due date relative to this indebtedness was dated December 23, 2005, well after the original due date of July 27, 2005, which gives rise to the likelihood that the County will not seek sanctions against the Redevelopment Authority for not having repaid the borrowing in a timely fashion.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

15. Gain Contingencies (continued)

\$500,000 Agreement Dated March 29, 2005 (continued)

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

16. Postretirement Healthcare Benefits

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, 840 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 from governmental funds' unreserved/undesignated fund balances. 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 \$1,592,859 for 2006, as premiums are paid.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

17. Employee Retirement Plan (Pension Trust Fund)

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

Description of Plan

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

Membership in the Plan is mandatory for all full-time County employees. At December 31, 2006, the Plan's membership consisted of the following:

Retirees and beneficiaries receiving benefits	893
Terminated plan members enrolled but not yet receiving benefits	159
Active plan members	<u>1,799</u>
Total members	<u><u>2,851</u></u>

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

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

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

Covered employees are required by the Act to contribute to the Plan at a rate of 5% of their gross pay. Employees may contribute up to an additional 10% of gross pay, at their option. The contributions are recorded in an individually identified account which is also credited with interest, calculated to yield 5% compounded annually. Accumulated employee contributions and credited interest, which amounted to \$45,000,506 as of December 31, 2006, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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

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

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

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

Administrative costs of the Plan, in accordance with a 1991 amendment to the Act, may be paid from Plan assets unless it is determined by the actuary that such payment will impair the actuarial soundness of the Plan. During 2006, all administrative costs totaling \$215,871 were paid from Plan assets.

The Act makes no provision for termination of the Plan.

Summary of Significant Accounting Policies

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

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

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

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 that method is used. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Significant actuarial assumptions used to compute the annual employer required contributions for the current year are the same as those used to compute the net pension obligation as follows:

The net pension obligation and the annual required contribution were determined as part of an actuarial valuation at December 31, 2006. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.0 - 4.5%, at graduated .25% increments over two years; (c) 3.0% 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	\$ 5,578,535
Interest on net pension obligation	309,568
Adjustment to annual required contribution	<u>(493,756)</u>
Annual pension cost	5,394,347
Contributions made	<u>5,578,535</u>
Increase/(decrease) in net pension obligation	(184,188)
Net pension obligation beginning of year	<u>4,127,578</u>
Net pension obligation, end of year	<u><u>\$ 3,943,390</u></u>

Available Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 5,635,263	98%	\$ 4,188,063
2005	\$ 7,339,515	101%	\$ 4,127,578
2006	\$ 5,394,347	103%	\$ 3,943,390

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

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

Legally Required Reserves

At December 31, 2006, the County has a balance of \$45,000,506 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, 2006. Since those accumulations represent the present value of future benefits as of December 31, 2006, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of \$44,088,052 in the County Annuity Reserve Account as of December 31, 2006. 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, 2006 amounted to \$54,161,687.

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

18. Interest Rate Swaps

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 "2002A note") in the amount of \$24,900,000, 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 2002A note to a fixed maximum rate of 5.195% for periodic scheduled payments.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Terms

The 2002A note and the related agreement mature on October 25, 2030. The swap's notional amount of \$25,030,000 equals the variable rate 2002A note's notional amount of \$25,030,000. 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 2002A note's variable rate coupons are based on the variable Bond Market Association Municipal Swap Index (BMA), which equaled 3.94% as of December 31, 2006, plus approximately 0.05%. In connection with and in consideration for entering into this swap agreement the County received a \$3,000,000 swap premium in January 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 \$5,175,864 as of December 31, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate 2002A note, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable rate 2002A note adjust to changing interest rates, the 2002A 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 2002A 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, 2006 (5.672%). The termination exposure of the General Obligation Note Series 2002A swap agreement at December 31, 2006 equals \$5,175,864 (the County would have to pay this amount to terminate the swap).

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Swap Payments and Associated Debt

Using rates as of December 31, 2006, 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, 2006. As rates vary, variable rate 2002A note interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2007	\$ 5,000	\$ 978,637	\$ 421,005	\$ 1,404,642
2008	5,000	978,441	420,921	1,404,362
2009	5,000	978,246	420,836	1,404,082
2010	5,000	978,050	420,752	1,403,802
2011	5,000	977,855	420,668	1,403,523
2012-2030	25,005,000	12,628,181	5,510,686	43,143,867
Total	<u>\$ 25,030,000</u>	<u>\$ 17,519,410</u>	<u>\$ 7,614,868</u>	<u>\$ 50,164,278</u>

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 "2003B bond") in the amount of \$13,945,000, 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 2003B bond to a fixed maximum rate of 4.72954% for periodic scheduled payments.

Terms

The 2003B bond and the related agreement mature on November 1, 2016. The swap's notional amount of \$10,855,000 matches the variable rate 2003B bond's notional amount of \$10,855,000. 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 the London Interbank Offered Rate (LIBOR) plus 0.5575%. The 2003B bond's variable-rate coupons are based on the variable Bond Market Association Municipal Swap Index (BMA), which equaled 3.94% as of December 31, 2006, plus approximately 0.03%. In connection with and in consideration for entering into this swap agreement the County received a \$450,000 swap premium in November 2003, which is being deferred and amortized over the life of the swap agreement.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$531,134 as of December 31, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate 2003B bond, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate 2003B bond adjust to changing interest rates, the 2003B bond 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 2003B bonds 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 2003B bond. 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, 2006 (4.932%). The termination exposure of the General Obligation Bond Series 2003B swap agreement at December 31, 2006 equals \$531,134 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2006, 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, 2006. As rates vary, variable rate 2003B bond interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2007	\$ 1,125,000	\$ 417,079	\$ 104,425	\$ 1,646,504
2008	1,170,000	372,819	93,603	1,636,422
2009	1,230,000	326,659	82,347	1,639,006
2010	1,285,000	278,206	70,515	1,633,721
2011	1,350,000	227,538	58,153	1,635,691
2012-2016	4,695,000	475,705	124,579	5,295,284
Total	<u>\$ 10,855,000</u>	<u>\$ 2,098,006</u>	<u>\$ 533,622</u>	<u>\$ 13,486,628</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

General Obligation Bond Series 2005

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 2005 (the "2005 bond") in the amount of \$23,775,000, the County entered into an interest rate swap in March 2005. The intention of the swap was to effectively change the County's variable interest rate on the 2005 bond to a fixed rate of 3.60% for periodic scheduled payments.

Terms

The 2005 bond and the related agreement mature on March 1, 2030. The swap's notional amount of \$23,205,000 matches the variable rate 2005 bond's notional amount of \$23,205,000. Under the swap, the County pays to the provider periodic payments not to exceed 3.60% and receives a variable payment computed as 68% of the London Interbank Offered Rate (LIBOR). The 2005 bond's variable rate is calculated annually using a weekly rate based on the variable Bond Market Association Municipal Swap Index (BMA), as determined and conveyed by the 2005 bond's remarketing agent. The weekly rate based on BMA equaled 3.94% as of December 31, 2006.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$129,041 as of December 31, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate 2005 bond, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate 2005 bond adjust to changing interest rates, the 2005 bond 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)

18. Interest Rate Swaps (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 2005 bond. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.60%) and the synthetic rate as of December 31, 2006 (3.902%). The termination exposure of the General Obligation Bond Series 2005 swap agreement at December 31, 2006 equals \$129,041 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2006, 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, 2006. As rates vary, variable rate 2005 bond interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2007	\$ 590,000	\$ 894,789	\$ (8,818)	\$ 1,475,971
2008	615,000	870,717	(8,594)	1,477,123
2009	640,000	845,660	(8,360)	1,477,300
2010	665,000	819,618	(8,117)	1,476,501
2011	695,000	792,426	(7,864)	1,479,562
2012-2030	20,000,000	8,142,714	(84,904)	28,057,810
Total	<u>\$ 23,205,000</u>	<u>\$ 12,365,924</u>	<u>\$ (126,657)</u>	<u>\$ 35,444,267</u>

General Obligation Bond Series 2006

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 will be required to make for the variable rate interest bearing General Obligation Bond Series of 2006 (the "2006 bond"), which is to be issued in the amount of \$26,285,000, the County entered into an interest rate swap in March 2005. The intention of the swap is to effectively change the variable interest rate attributable to the 2006 bond issuance to a fixed rate of 3.716% for periodic scheduled payments.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Terms

The 2006 bond and the related agreement mature on March 1, 2031. The swap's notional amount of \$26,285,000 matches the anticipated variable rate 2006 bond's 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 the London Interbank Offered Rate (LIBOR). The 2006 bond's variable rate is calculated annually using a weekly rate based on the variable Bond Market Association Municipal Swap Index (BMA), as determined and conveyed by the 2006 bond's remarketing agent. The weekly rate based on BMA equaled 3.94% as of December 31, 2006.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$448,763 as of December 31, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate 2006 bond, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate 2006 bond adjust to changing interest rates, the 2006 bond 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 2006 bond. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.716%) and the synthetic rate as of December 31, 2006 (4.018%). The termination exposure of the General Obligation Bond Series 2006 swap agreement at December 31, 2006 equals \$448,763 (the County would have to pay this amount to terminate the swap).

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Swap Payments and Associated Debt

Using rates as of December 31, 2006, 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, 2006. As rates vary, variable rate 2006 bond interest payments and net swap payments will vary.

Fiscal Year Ending December 31	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2007	\$ 620,000	\$ 1,009,997	\$ 20,502	\$ 1,650,499
2008	645,000	984,871	20,019	1,649,890
2009	670,000	958,765	19,516	1,648,281
2010	700,000	931,516	18,993	1,650,509
2011	730,000	903,090	18,447	1,651,537
2012-2031	22,920,000	9,874,671	211,475	33,006,146
Total	<u>\$ 26,285,000</u>	<u>\$ 14,662,910</u>	<u>\$ 308,952</u>	<u>\$ 41,256,862</u>

General Obligation Bond Series 2008

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 will be required to make for the variable rate interest bearing General Obligation Bond Series of 2008 (the "2008 bond"), which is to be issued in the amount of \$8,800,000, the County entered into an interest rate swap in March 2005. The intention of the swap is to effectively change the variable interest rate attributable to the anticipated 2008 bond issuance to a fixed rate of 3.844% for periodic scheduled payments.

Terms

The 2008 bond and the related agreement mature on March 1, 2033. The swap's notional amount of \$8,800,000 matches the anticipated variable rate 2008 bond's 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 the London Interbank Offered Rate (LIBOR). The 2008 bond's variable rate is calculated annually using a weekly rate based on the variable Bond Market Association Municipal Swap Index (BMA), as determined and conveyed by the 2008 bond's remarketing agent. The weekly rate based on BMA equaled 3.94% as of December 31, 2006.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$251,121 as of December 31, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate 2008 bond, creating a lower synthetic fixed interest rate. Because the coupons on the County's variable-rate 2008 bond adjust to changing interest rates, the 2008 bond 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 2008 bond. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.844%) and the synthetic rate as of December 31, 2006 (4.146%). The termination exposure of the General Obligation Bond Series 2008 swap agreement at December 31, 2006 equals \$251,121 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2006, 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, 2006. As rates vary, variable rate 2008 bond interest payments and net swap payments will vary.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Fiscal Year Ending December 31	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest*	Swap, Net	
2007	\$ -	\$ -	\$ -	\$ -
2008	-	260,040	13,596	273,636
2009	205,000	346,720	18,128	569,848
2010	215,000	338,643	17,706	571,349
2011	220,000	330,172	17,263	567,435
2012-2033	8,160,000	4,232,545	221,295	12,613,840
Total	\$ 8,800,000	\$ 5,508,120	\$ 287,988	\$ 14,596,108

* Because the General Obligation Bond Series of 2008 was not issued as of the date of the Report of Independent Auditors (June 22, 2007), interest attributable to the variable-rate 2008 bond was calculated using the value of the applicable interest rate as of December 31, 2006; which equaled 3.94% (Weekly Rate BMA at December 31, 2006).

General Obligation Note Series 2001A

Objective of the Interest Rate Swap

In an effort to take advantage of the London Interbank Offered Rate (LIBOR)/Bond Market Association Municipal Swap Index (BMA) ratio curve in the financial markets, and in an effort to synthetically change the rate relative to the fixed-rate interest payments it is required to make for the General Obligation Note Series of 2001A (the "2001A note"), the County entered into an interest rate basis swap in June 2005.

Terms

The 2001A note and the related agreement mature on November 1, 2027. The swap's notional amount of \$16,405,000 matches the 2001A note's notional amount of \$16,405,000. Under the swap, the County pays to the provider periodic payments equal to the variable Bond Market Association Municipal Swap Index (BMA), which equaled 3.94% as of December 31, 2006, and receives a payment computed as 68% of the one-month London Interbank Offered Rate (LIBOR), which equaled 5.35% as of December 31, 2006; 68% of which equals 3.64%. In connection with and in consideration for entering into this swap agreement the County received an upfront payment of \$785,000 from the counterparty on July 1, 2005. \$635,000 of the \$785,000 received was deposited in an Interest Rate Management Contingency Fund in order to pay any amounts payable to the counterparty during the duration of the interest rate basis swap.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$575,168 as of December 31, 2006. The swap's negative fair value may be countered only to the extent that 68% of one-month LIBOR is greater than the BMA Index. 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 2001A 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 to the extent BMA exceeds 68% of one-month LIBOR. The effect of this difference in basis is indicated by the difference between the intended rate (3.94%) and the synthetic rate as of December 31, 2006 (4.302%). The termination exposure of the General Obligation Note Series 2001A swap agreement at December 31, 2006 equals \$575,168 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2006, debt service requirements of the 2001A note debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2006. As rates vary, net swap payments will vary.

Fiscal Year Ending December 31	Fixed-Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2007	\$ 5,000	\$ 841,950	\$ 49,543	\$ 896,493
2008	5,000	841,750	49,528	896,278
2009	5,000	841,550	49,513	896,063
2010	5,000	841,350	49,498	895,848
2011	5,000	841,150	49,483	895,633
2012-2027	16,380,000	9,229,025	548,750	26,157,775
Total	<u>\$ 16,405,000</u>	<u>\$ 13,436,775</u>	<u>\$ 796,315</u>	<u>\$ 30,638,090</u>

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

General Obligation Bond Series 2003

Objective of the Interest Rate Swap

In an effort to take advantage of the London Interbank Offered Rate (LIBOR)/Bond Market Association Municipal Swap Index (BMA) ratio curve in the financial markets, and in an effort to synthetically change the rate relative to the fixed-rate interest payments it is required to make for the General Obligation Bond Series of 2003 (the "2003 bond"), the County entered into an interest rate basis swap in July 2005.

Terms

The 2003 bond and the related agreement mature on November 1, 2032. The swap's notional amount of \$21,910,000 matches the 2003 bond's notional amount of \$21,910,000. Under the swap, the County pays to the provider periodic payments equal to the variable Bond Market Association Municipal Swap Index (BMA), which equaled 3.94% as of December 31, 2006, and receives a payment computed as 68% of the one-month London Interbank Offered Rate (LIBOR), which equaled 5.35% as of December 31, 2006; 68% of which equals 3.64%. In connection with and in consideration for entering into this swap agreement the County received an upfront payment of \$1,032,000 from the counterparty on July 11, 2005. \$832,000 of the \$1,032,000 received was deposited in an Interest Rate Management Contingency Fund in order to pay any amounts payable to the counterparty during the duration of the interest rate basis swap.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$765,506 as of December 31, 2006. The swap's negative fair value may be countered only to the extent that 68% of one-month LIBOR is greater than the BMA Index. 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 2003 bonds due on the date of each future net settlement on the swap.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Basis Risk and Termination Risk

The swap exposes the County to basis risk to the extent BMA exceeds 68% of one-month LIBOR. The effect of this difference in basis is indicated by the difference between the intended rate (3.94%) and the synthetic rate as of December 31, 2006 (3.302%). The termination exposure of the General Obligation Bond Series 2003 swap agreement at December 31, 2006 equals \$765,506 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2006, debt service requirements of the 2003 bond debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2006. As rates vary, net swap payments will vary.

Fiscal Year Ending December 31	Fixed-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2007	\$ 495,000	\$ 968,789	\$ 66,168	\$ 1,529,957
2008	505,000	953,939	64,673	1,523,612
2009	530,000	938,789	63,148	1,521,937
2010	540,000	920,589	61,578	1,522,167
2011	560,000	901,689	59,947	1,521,636
2012-2032	19,290,000	11,391,739	734,752	31,416,491
Total	<u>\$ 21,910,000</u>	<u>\$ 16,075,534</u>	<u>\$ 1,050,266</u>	<u>\$ 39,035,800</u>

General Obligation Bond Series 2004A

Objective of the Interest Rate Swap

In an effort to take advantage of the London Interbank Offered Rate (LIBOR)/Bond Market Association Municipal Swap Index (BMA) ratio curve in the financial markets, and in an effort to synthetically change the rate relative to the fixed-rate interest payments it is required to make for the General Obligation Bond Series of 2004A (the "2004A bond"), the County entered into an interest rate basis swap in July 2005.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Terms

The 2004A bond and the related agreement mature on November 1, 2023. The swap's notional amount of \$25,260,000 matches the 2004A bond's notional amount of \$25,260,000. Under the swap, the County pays to the provider periodic payments equal to the variable Bond Market Association Municipal Swap Index (BMA), which equaled 3.94% as of December 31, 2006, and receives a payment computed as 68% of the one-month London Interbank Offered Rate (LIBOR), which equaled 5.35% as of December 31, 2006; 68% of which equals 3.64%. In connection with and in consideration for entering into this swap agreement the County received an upfront payment of \$719,500 from the counterparty on June 17, 2005. \$569,500 of the \$719,500 received was deposited in an Interest Rate Management Contingency Fund in order to pay any amounts payable to the counterparty during the duration of the interest rate basis swap.

Fair Value

Because of interest rate fluctuations since the execution of the swap, the swap has a negative fair value of \$461,349 as of December 31, 2006. The swap's negative fair value may be countered only to the extent that 68% of one-month LIBOR is greater than the BMA Index. 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 2004A bonds 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 to the extent BMA exceeds 68% of one-month LIBOR. The effect of this difference in basis is indicated by the difference between the intended rate (3.94%) and the synthetic rate as of December 31, 2006 (3.302%). The termination exposure of the General Obligation Bond Series 2004A swap agreement at December 31, 2006 equals \$461,349 (the County would have to pay this amount to terminate the swap).

Swap Payments and Associated Debt

Using rates as of December 31, 2006, debt service requirements of the 2004A bond debt and net swap payments are illustrated as follows. Interest calculations were based on rates as of December 31, 2006. As rates vary, net swap payments will vary.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

18. Interest Rate Swaps (continued)

Fiscal Year Ending December 31	Fixed-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2007	\$ 1,055,000	\$ 1,158,913	\$ 76,285	\$ 2,290,198
2008	1,085,000	1,127,263	73,099	2,285,362
2009	1,120,000	1,094,713	69,822	2,284,535
2010	1,155,000	1,055,513	66,440	2,276,953
2011	1,205,000	1,009,313	62,952	2,277,265
2012-2023	19,640,000	6,922,350	419,374	26,981,724
Total	<u>\$ 25,260,000</u>	<u>\$ 12,368,065</u>	<u>\$ 767,972</u>	<u>\$ 38,396,037</u>

19. Interest Rate Swaptions

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.

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 \$16,405,000 as of December 31, 2006 matches the 2001A Notes' notional amount of \$16,405,000 as of December 31, 2006. Under the swaption, the counterparty has the option to exercise the swaption on or after 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 Bond Market Association Municipal Swap Index (BMA) rate multiplied by the 2001A Notes' notional amount. As of December 31, 2006, BMA equaled 3.94%. The maximum interest rate the County that could be subject to pay is 23%. As of 12/31/06, this swaption has not been exercised.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swaptions (continued)

Fair Value

As of December 31, 2006, the swaption had a negative fair value of \$752,596. 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

If the swaption is exercised, the County will receive a fixed swap rate of 3.904% in exchange for a floating rate equal to the BMA Index. 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, BMA equaled 3.94% at December 31, 2006.

Termination Risk

The termination exposure of the 2001A swaption agreement at December 31, 2006 equals \$752,596 (the County would have to pay this amount to terminate the swaption).

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 \$7,330,000 as of December 31, 2006 matches the 2002A Bonds' notional amount of \$7,330,000 as of December 31, 2006. Under the swaption, the counterparty has the option to exercise the swaption on

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swaptions (continued)

or after 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 Bond Market Association Municipal Swap Index (BMA) rate multiplied by the 2002A Bonds' notional amount. As of December 31, 2006, BMA equaled 3.94%. The maximum interest rate that the County could be subject to pay is 23%. As of 12/31/06, this swaption has not been exercised.

Fair Value

As of December 31, 2006, the swaption had a negative fair value of \$302,882. 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

If the swaption is exercised, the County will receive a fixed swap rate of 3.804% in exchange for a floating rate equal to the BMA Index. 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, BMA equaled 3.94% at December 31, 2006.

Termination Risk

The termination exposure of the 2002A swaption agreement at December 31, 2006 equals \$302,882 (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.

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

19. Interest Rate Swaptions (continued)

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 \$21,910,000 as of December 31, 2006 matches the 2003 Bonds' notional amount of \$21,910,000 as of December 31, 2006. Under the swaption, the counterparty has the option to exercise the swaption on or after 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 Bond Market Association Municipal Swap Index (BMA) rate multiplied by the 2003 Bonds' notional amount. As of December 31, 2006, BMA equaled 3.94%. The maximum interest rate that the County could be subject to pay is 23%. As of 12/31/06, this swaption has not been exercised.

Fair Value

As of December 31, 2006, the swaption had a negative fair value of \$934,700. 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

If the swaption is exercised, the County will receive a fixed swap rate of 3.95% in exchange for a floating rate equal to the BMA Index. 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, BMA equaled 3.94% at December 31, 2006.

Termination Risk

The termination exposure of the 2003 swaption agreement at December 31, 2006 equals \$934,700 (the County would have to pay this amount to terminate the swaption).

County of Lancaster, Pennsylvania

Notes to Financial Statements (continued)

20. Subsequent Events

On February 28, 2007, the County terminated three interest rate basis swap agreements with respect to the General Obligation Notes Series 2001A, General Obligation Bonds Series 2003, and General Obligation Bond Series 2004A. In connection with and in consideration for entering into these swap agreements, the County received upfront payments of \$785,000, \$1,032,000, and \$719,500, respectively. Upon termination, the County paid amounts of \$555,000, \$701,600, and \$481,400, respectively, to terminate the swaps. The gains associated with these swap termination transactions will be reflected in the County's 2007 basic financial statements.

Required Supplementary Information

County of Lancaster, Pennsylvania

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2001	\$ 910,617	0%
2002	2,823,744	17%
2003	4,775,487	115%
2004	5,827,903	94%
2005	7,534,558	98%
2006	5,578,535	100%

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, 2006
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	7.5%
Projected salary increases	4.0% - 4.5% at graduated .25% increments over 2 years.
Includes inflation at:	3.0%
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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$15,587,934	\$17,416,255	\$11,243,273	(\$6,172,982)
Real estate taxes	85,061,928	85,061,928	86,238,180	1,176,252
Departmental	18,977,627	19,047,627	24,268,042	5,220,415
Fines and costs	2,672,981	2,672,981	2,449,914	(223,067)
Interest	909,800	909,800	2,126,626	1,216,826
Indirect reimbursement	1,497,783	1,497,783	1,451,847	(45,936)
Other	327,258	327,258	341,817	14,559
Total revenues	<u>125,035,311</u>	<u>126,933,632</u>	<u>128,119,699</u>	<u>1,186,067</u>
EXPENDITURES				
Current:				
General government	43,442,417	45,495,167	34,766,204	10,728,963
Public safety	10,060,607	10,136,294	9,068,927	1,067,367
Health, education, and welfare:				
Other	468,764	589,840	522,054	67,786
Judicial	34,405,421	34,951,984	32,606,781	2,345,203
Corrections	17,941,409	18,207,941	17,402,622	805,319
Cultural and recreation	3,121,859	2,954,009	2,783,834	170,175
Capital outlay	3,586,678	4,095,211	1,304,986	2,790,225
Debt service:				
Principal retirement	6,710,000	6,710,000	6,815,000	(105,000)
Interest and fiscal charges	9,112,597	9,112,597	9,008,420	104,177
Total expenditures	<u>128,849,752</u>	<u>132,253,043</u>	<u>114,278,828</u>	<u>17,974,215</u>
Excess (deficiency) of revenues over (under) expenditures	(3,814,441)	(5,319,411)	13,840,871	19,160,282
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,592,704)	(12,592,704)	(11,048,439)	1,544,265
Total other financing (uses)	<u>(12,592,704)</u>	<u>(12,592,704)</u>	<u>(11,048,439)</u>	<u>1,544,265</u>
Net change in fund balances	<u>\$ (16,407,145)</u>	<u>\$ (17,912,115)</u>	2,792,432	<u>\$20,704,547</u>
Net increase in due from other funds			(4,070,009)	
Fund balances, January 1, cash basis			<u>19,100,697</u>	
Fund balance, December 31, cash basis			<u>17,823,120</u>	
Differences from modified accrual basis:				
Receivables:				
Taxes, net			2,286,200	
Fines and costs, net			6,420,502	
Accounts			101,164	
Due from other funds			4,467,658	
Due from other governments			1,883,113	
Advances to providers			35,097	
Accounts payable			(1,832,550)	
Deferred revenue - taxes, fines and costs receivable			(7,990,542)	
Payroll related accruals			(3,688,755)	
911 Operations cash balance			<u>(649,411)</u>	
Fund balances at December 31, modified accrual basis			<u>\$18,855,596</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$27,573,975	\$27,573,975	\$18,159,738	\$ (9,414,237)
Departmental	1,778,573	1,778,573	2,534,447	755,874
Interest	600	600	411	(189)
Other	-	-	-	-
Prior Year	2,390,000	2,390,000	1,583,810	(806,190)
Total revenues	<u>31,743,148</u>	<u>31,743,148</u>	<u>22,278,406</u>	<u>(9,464,742)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Children and youth	38,568,761	38,621,761	33,671,535	4,950,226
Capital outlay	176,149	123,149	86,768	36,381
Total expenditures	<u>38,744,910</u>	<u>38,744,910</u>	<u>33,758,303</u>	<u>4,986,607</u>
Excess (deficiency) of revenues over (under) expenditures	(7,001,762)	(7,001,762)	(11,479,897)	(4,478,135)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,934,020	6,934,020	6,145,427	(788,593)
Net change in fund balances	<u>\$ (67,742)</u>	<u>\$ (67,742)</u>	<u>(5,334,470)</u>	<u>\$ (5,266,728)</u>
Net decrease in due to other funds			3,355,610	
Fund balances, January 1, cash basis			<u>1,984,731</u>	
Fund balance, December 31, cash basis			<u>5,871</u>	
Differences from modified accrual basis:				
Other receivables			86,248	
Due from other governments			8,071,590	
Accounts payable			(1,931,249)	
Unearned revenue			(1,757)	
Payroll related accruals			(182,078)	
Due to other funds			<u>(3,355,610)</u>	
Fund balances at December 31, modified accrual basis			<u>\$2,693,015</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$52,836,136	\$55,836,136	\$56,382,797	\$546,661
Departmental	951,617	951,617	973,012	21,395
Interest	120,241	120,241	396,425	276,184
Other	97,000	97,000	11,593	(85,407)
Total revenues	<u>54,004,994</u>	<u>57,004,994</u>	<u>57,763,827</u>	<u>758,833</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Mental health/mental retardation	55,315,177	58,267,358	56,364,012	1,903,346
Capital outlay	-	47,819	29,772	18,047
Total expenditures	<u>55,315,177</u>	<u>58,315,177</u>	<u>56,393,784</u>	<u>1,921,393</u>
Excess (deficiency) of revenues over (under) expenditures	(1,310,183)	(1,310,183)	1,370,043	2,680,226
OTHER FINANCING SOURCES (USES)				
Transfers in	1,277,617	1,277,617	1,107,338	(170,279)
Net change in fund balances	<u>\$ (32,566)</u>	<u>\$ (32,566)</u>	<u>2,477,381</u>	<u>\$ 2,509,947</u>
Fund balances, January 1, cash basis			<u>2,854,957</u>	
Fund balance, December 31, cash basis			<u>5,332,338</u>	
Differences from modified accrual basis:				
Advances to providers			1,303,700	
Other receivables			274	
Accounts payable			(4,122,522)	
Unearned revenue			(2,368,903)	
Payroll related accruals			(144,887)	
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	\$128,119,699
Net adjustment to General Fund revenues based on differences in revenue recognition between the budgetary basis and GAAP basis	(7,323,216)
Less: 911 operations revenues recognized in the General Fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(4,001,300)</u>
General Fund revenues per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$116,795,183</u></u>
General Fund expenditures per schedule of revenues, expenditures, and changes in fund balances - budget and actual - budgetary basis - General Fund	\$114,278,828
Net adjustment to General Fund expenditures based on differences in expenditure recognition between the budgetary basis and GAAP basis	(3,505,184)
Less: 911 operations expenditures recognized in the General Fund on a budgetary basis reclassified to an enterprise fund for GAAP reporting purposes	<u>(8,422,878)</u>
General Fund expenditures per statement of revenues, expenditures, and changes in fund balances - government funds	<u><u>\$102,350,766</u></u>

County of Lancaster, Pennsylvania

Combining and Individual Fund Statements and Schedules

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

Domestic Relations Fund

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

Employment and Training Fund

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

Office of Aging Fund

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

Drug and Alcohol Fund

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

Liquid Fuels Fund

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

Agricultural Land Conservation Fund

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

Community Development Block Grant Fund

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

Debt Service Fund

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

County of Lancaster, Pennsylvania

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2006

ASSETS

Cash and temporary investments:

	Domestic Relations	Employment and Training	Office of Aging	Alcohol	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
Operating	\$ 5,237,106	\$ -	\$ 19,793	\$ -	\$ 3,219,590	\$ 1,867,952	\$ -	\$ -	\$ -	\$ 10,344,441
Other	-	-	337,957	-	-	-	-	-	-	337,957
Investments	-	-	-	-	-	406,551	-	850,916	-	1,257,467
Other receivables	115	23,143	-	-	-	14,784	-	-	-	38,042
Due from other governments	891,066	1,125,668	666,837	469,270	-	-	-	-	-	3,152,841
Advances to providers	-	-	7,334	-	-	-	-	-	-	7,334
Total assets	\$ 6,128,287	\$ 1,148,811	\$ 1,031,921	\$ 469,270	\$ 3,219,590	\$ 2,289,287	\$ 850,916	\$ -	\$ -	\$ 15,138,082

LIABILITIES

Liabilities:

Accounts payable	\$ 6,520	\$ 105,809	\$ 389,082	\$ 367,867	\$ 16,360	\$ -	\$ -	\$ -	\$ -	\$ 885,638
Contracts payable	-	-	-	-	-	2,289,287	-	-	-	2,289,287
Retainage payable	-	-	-	-	29,139	-	-	-	-	29,139
Due to other funds	-	1,019,095	-	92,834	119	-	-	-	-	1,112,048
Deferred revenue	-	-	21,464	-	-	-	-	-	-	21,464
Payroll related accruals	57,705	23,907	66,454	8,569	-	-	-	-	-	156,635
Total liabilities	64,225	1,148,811	477,000	469,270	45,618	2,289,287	-	-	-	4,494,211

FUND BALANCES

Reserved for advances

Unreserved:

Designated for debt service	-	-	7,334	-	-	-	-	-	-	7,334
Designated for programmatic expenditures	6,064,062	-	547,587	-	-	-	-	850,916	-	850,916
Total fund balances	6,064,062	-	554,921	-	3,173,972	-	-	850,916	-	9,785,621
Total liabilities and fund balances	\$ 6,128,287	\$ 1,148,811	\$ 1,031,921	\$ 469,270	\$ 3,219,590	\$ 2,289,287	\$ 850,916	\$ -	\$ -	\$ 15,138,082

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2006

	Domestic Relations	Employment and Training	Office of Aging	Drug and Alcohol	Liquid Fuels	Agricultural Land Preservation	Debt Service	Community Development Block Grant	Total Nonmajor Governmental Funds
REVENUES									
Intergovernmental	\$ 3,430,222	\$ 5,077,515	\$ 8,283,689	\$ 4,549,353	\$ 770,553	\$ -	\$ -	\$ 5,864,632	\$ 27,975,964
Departmental	76,730	-	47,476	-	-	-	-	-	124,206
Interest	239,319	-	-	13,089	150,086	-	39,399	-	441,893
Other	-	-	58,092	57,829	607	-	-	-	116,528
Total revenues	3,746,271	5,077,515	8,389,257	4,620,271	921,246	-	39,399	5,864,632	28,658,591
EXPENDITURES									
Current:									
Roads and bridges	-	-	-	-	498,963	-	-	-	498,963
Health, education, and welfare:									
Drug and alcohol	-	-	-	4,841,835	-	-	-	-	4,841,835
Employment and training	-	5,028,590	-	-	-	-	-	-	5,028,590
Office of aging	-	-	8,591,891	-	-	-	-	-	8,591,891
Judicial	4,348,920	-	-	-	-	-	-	-	4,348,920
Community development	-	-	-	-	-	-	-	5,864,632	5,864,632
Capital outlay	20,964	48,925	50,096	-	310,940	-	-	-	430,925
Debt service:									
Principal retirement	-	-	-	-	-	-	2,950,000	-	2,950,000
Total expenditures	4,369,884	5,077,515	8,641,987	4,841,835	809,903	-	2,950,000	5,864,632	32,555,756
Excess (deficiency) of revenues over (under) expenditures	(623,613)	-	(252,730)	(221,564)	111,343	-	(2,910,601)	-	(3,897,165)
OTHER FINANCING SOURCES									
Transfers in	1,371,489	-	404,990	221,564	-	-	1,965,000	-	3,963,043
Total other financing sources	1,371,489	-	404,990	221,564	-	-	1,965,000	-	3,963,043
Net change in fund balances	747,876	-	152,260	-	111,343	-	(945,601)	-	65,878
Fund balances, January 1	5,316,186	-	402,661	-	3,062,629	-	1,796,517	-	10,577,993
Fund balances, December 31	\$ 6,064,062	\$ -	\$ 554,921	\$ -	\$ 3,173,972	\$ -	\$ 850,916	\$ -	\$ 10,643,871

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$3,159,560	\$3,159,560	\$3,316,812	\$157,252
Departmental	80,000	80,000	76,730	(3,270)
Interest	50,000	50,000	239,319	189,319
Total revenues	<u>3,289,560</u>	<u>3,289,560</u>	<u>3,632,861</u>	<u>343,301</u>
EXPENDITURES				
Current:				
Judicial	5,063,614	5,063,614	4,372,280	691,334
Capital outlay	22,817	22,817	20,964	1,853
Total expenditures	<u>5,086,431</u>	<u>5,086,431</u>	<u>4,393,244</u>	<u>693,187</u>
Excess (deficiency) of revenues over (under) expenditures	(1,796,871)	(1,796,871)	(760,383)	1,036,488
OTHER FINANCING SOURCES (USES)				
Transfers in	1,728,184	1,728,184	1,371,489	(356,695)
Net change in fund balances	<u>\$ (68,687)</u>	<u>\$ (68,687)</u>	<u>611,106</u>	<u>\$679,793</u>
Fund balances, January 1, cash basis			<u>4,626,000</u>	
Fund balance, December 31, cash basis			<u>5,237,106</u>	
Differences from modified accrual basis:				
Due from other governments			891,066	
Other receivables			115	
Accounts payable			(6,520)	
Payroll related accruals			(57,705)	
Fund balances at December 31, modified accrual basis			<u>\$6,064,062</u>	

County of Lancaster, Pennsylvania

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

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$3,855,645	\$5,186,145	\$4,441,887	\$ (744,258)
Other revenues	-	-	\$ -	\$ -
Total revenues	<u>3,855,645</u>	<u>5,186,145</u>	<u>4,441,887</u>	<u>(744,258)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Employment and training	3,862,519	5,138,019	5,014,527	123,492
Capital outlay	3,500	58,500	48,925	9,575
Total expenditures	<u>3,866,019</u>	<u>5,196,519</u>	<u>5,063,452</u>	<u>133,067</u>
Net change in fund balances	<u>\$ (10,374)</u>	<u>\$ (10,374)</u>	<u>(621,565)</u>	<u>\$ (611,191)</u>
Net increase in due to other funds			621,565	
Fund balances, January 1, cash basis			-	
Fund balance, December 31, cash basis			-	
Differences from modified accrual basis:				
Other receivables			23,143	
Due from other governments			1,125,668	
Accounts payable			(105,809)	
Due to other funds			(1,019,095)	
Payroll related accruals			(23,907)	
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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$7,685,617	\$7,685,617	\$7,837,077	\$151,460
Departmental	47,182	47,182	47,476	294
Other	253,128	253,128	58,092	(195,036)
Total revenues	<u>7,985,927</u>	<u>7,985,927</u>	<u>7,942,645</u>	<u>(43,282)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Office of Aging	8,372,749	8,344,109	8,476,785	(132,676)
Capital outlay	29,329	57,969	50,096	7,873
Total expenditures	<u>8,402,078</u>	<u>8,402,078</u>	<u>8,526,881</u>	<u>(124,803)</u>
Excess (deficiency) of revenues over (under) expenditures	(416,151)	(416,151)	(584,236)	(168,085)
OTHER FINANCING SOURCES (USES)				
Transfers in	401,704	401,704	404,990	3,286
Net change in fund balances	<u>\$ (14,447)</u>	<u>\$ (14,447)</u>	<u>(179,246)</u>	<u>\$ (164,799)</u>
Fund balances, January 1, cash basis			536,996	
Fund balance, December 31, cash basis			<u>357,750</u>	
Differences from modified accrual basis:				
Due from other governments			666,837	
Advances to providers			7,334	
Accounts payable			(389,082)	
Deferred revenue			(21,464)	
Payroll related accruals			<u>(66,454)</u>	
Fund balances at December 31, modified accrual basis			<u>\$554,921</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$5,117,055	\$5,117,055	\$4,490,235	\$ (626,820)
Departmental	-	-	57,679	57,679
Interest	-	-	13,088	13,088
Other	15,000	15,000	150	(14,850)
Total revenues	<u>5,132,055</u>	<u>5,132,055</u>	<u>4,561,152</u>	<u>(570,903)</u>
EXPENDITURES				
Current:				
Health, education, and welfare:				
Drug and alcohol	5,376,809	5,376,809	5,233,571	143,238
Capital outlay	-	-	-	-
Total expenditures	<u>5,376,809</u>	<u>5,376,809</u>	<u>5,233,571</u>	<u>143,238</u>
Excess (deficiency) of revenues over (under) expenditures	(244,754)	(244,754)	(672,419)	(427,665)
OTHER FINANCING SOURCES				
Transfers in	223,960	223,960	239,454	15,494
Net change in fund balances	<u>\$ (20,794)</u>	<u>\$ (20,794)</u>	<u>(432,965)</u>	<u>\$ (412,171)</u>
Net decrease in due to other funds			92,834	
Fund balances, January 1, cash basis			<u>340,131</u>	
Fund balance, December 31, cash basis			<u>-</u>	
Differences from modified accrual basis:				
Due from other governments			469,270	
Accounts payable			(367,867)	
Payroll related accruals			(8,569)	
Due to other funds			<u>(92,834)</u>	
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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget --
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$771,767	\$771,767
Interest	-	-	150,086	150,086
Other	-	-	-	-
Total revenues	-	-	921,853	921,853
EXPENDITURES				
Current:				
Roads and bridges	1,427,079	1,427,079	499,223	927,856
Capital outlay	580,475	580,475	281,801	298,674
Total expenditures	2,007,554	2,007,554	781,024	1,226,530
Net change in fund balances	\$ (2,007,554)	\$ (2,007,554)	140,829	\$ 2,148,383
Fund balances, January 1, cash basis			3,078,761	
Fund balance, December 31, cash basis			3,219,590	
Differences from modified accrual basis:				
Due from other governments				
Accounts payable			(16,360)	
Retainage payable			(29,139)	
Due to other funds			(119)	
Fund balances at December 31, modified accrual basis			\$3,173,972	

County of Lancaster, Pennsylvania
Combining Statement of Changes in Assets and Liabilities -
Agency Funds

For the Year Ended December 31, 2006

	Balance, January 1, 2006	Additions	Deletions	Balance, December 31, 2006
ASSETS				
Cash and temporary investments - operating	\$ 9,422,846	\$ 150,462,263	\$ 149,958,875	\$ 9,926,234
Total assets	<u>\$ 9,422,846</u>	<u>\$ 150,462,263</u>	<u>\$ 149,958,875</u>	<u>\$ 9,926,234</u>
LIABILITIES				
Liabilities:				
Deposits and advances:				
Bail and advanced costs	372,740	1,253,907	1,152,331	474,316
Civil debt held	-	41,722	41,632	90
Sheriff's office	1,092,729	12,946,955	12,887,489	1,152,195
All others	14,453	10,082	7,558	16,977
Total deposits and advances	<u>1,479,922</u>	<u>14,252,666</u>	<u>14,089,010</u>	<u>1,643,578</u>
Escrow liability:				
Bail escrow	280,073	401,481	340,892	340,662
Child support	9,530	1,530,963	1,525,649	14,844
County prison	601,712	3,607,868	3,531,464	678,116
Court, restitution	1,608,879	6,203,245	6,401,819	1,410,305
All others	550,659	168,883	111,977	607,565
Total escrow	<u>3,050,853</u>	<u>11,912,440</u>	<u>11,911,801</u>	<u>3,051,492</u>
Other:				
All others	1,102,184	7,875,730	8,126,910	851,004
Total other	<u>1,102,184</u>	<u>7,875,730</u>	<u>8,126,910</u>	<u>851,004</u>
Due to other governments:				
Fines and costs	3,712,238	87,459,129	86,853,436	4,317,931
All others	77,649	28,881,784	28,897,204	62,229
Total due to other governments	<u>3,789,887</u>	<u>116,340,913</u>	<u>115,750,640</u>	<u>4,380,160</u>
Total liabilities	<u>\$ 9,422,846</u>	<u>\$ 150,381,749</u>	<u>\$ 149,878,361</u>	<u>\$ 9,926,234</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	117
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	121
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	126
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	132
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	134
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
Miscellaneous Information	139
These schedules contain principal officials, salaries, amounts of surety bonds and insurance information.	

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

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

Table 1

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

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

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

Table 2

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

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

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

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

Table 3

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ 1,342,103	\$ 1,318,480	\$ 1,293,016	\$ 1,265,572	\$ 1,228,659	\$ 1,189,348	\$ 1,255,895	\$ 97,911	\$ 67,667	\$ 35,097
Unreserved	2,001,846	4,895,292	9,534,281	11,498,241	5,424,400	7,844,605	9,047,754	10,913,739	17,143,130	18,820,498
Total general fund	<u>3,343,949</u>	<u>6,213,772</u>	<u>10,827,297</u>	<u>12,763,813</u>	<u>6,653,059</u>	<u>9,033,953</u>	<u>9,173,649</u>	<u>11,011,650</u>	<u>17,210,797</u>	<u>18,855,596</u>
All other governmental funds										
Reserved	\$ 5,647,204	\$ 7,496,084	\$ 7,286,001	\$ 8,136,843	\$ 8,846,710	\$ 2,089,178	\$ 1,721,796	\$ 3,426,433	\$ 4,676	\$ 7,334
Unreserved:										
Special revenue funds	6,333,820	8,700,673	7,164,014	7,332,842	7,828,487	15,750,826	13,454,145	10,354,642	12,522,948	13,329,552
Capital projects funds	12,890,491	6,974,296	270,095	31,942,096	23,768,693	8,969,282	5,113,875	23,906,508	24,706,125	57,830,187
Total all other governmental funds	<u>24,871,515</u>	<u>23,171,056</u>	<u>14,720,110</u>	<u>47,411,781</u>	<u>40,443,890</u>	<u>26,808,287</u>	<u>20,289,816</u>	<u>37,687,583</u>	<u>37,233,749</u>	<u>71,167,073</u>
Total fund balances of all governmental funds	<u>\$ 28,215,464</u>	<u>\$ 29,384,828</u>	<u>\$ 25,547,407</u>	<u>\$ 60,175,594</u>	<u>\$ 47,096,949</u>	<u>\$ 35,842,240</u>	<u>\$ 29,463,465</u>	<u>\$ 48,699,233</u>	<u>\$ 54,444,546</u>	<u>\$ 90,022,669</u>

Note: The County adopted the provisions of GASB's Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" effective for calendar year 200. Prior years' information has been restated.

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

Table 4

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 41,269,029	\$ 53,419,215	\$ 54,265,591	\$ 56,347,904	\$ 57,902,496	\$ 60,953,442	\$ 67,106,816	\$ 75,693,294	\$ 83,776,893	\$ 86,408,660
Intergovernmental	64,891,091	72,619,983	69,668,080	84,176,629	92,023,376	101,367,081	109,987,669	116,312,634	123,015,786	121,558,675
Departmental	10,925,017	11,894,457	13,043,400	12,844,848	13,865,686	15,494,862	14,186,879	13,767,339	14,367,287	18,495,875
Fines and costs	2,569,576	2,745,813	2,961,714	3,121,137	3,957,438	3,532,836	3,610,638	3,423,118	2,727,025	2,556,259
Interest	2,330,919	3,031,788	1,966,978	4,885,056	3,622,738	1,755,276	1,328,286	1,359,881	2,619,881	5,665,510
Other	483,046	328,169	1,616,854	802,947	697,691	932,256	581,403	674,277	962,363	221,893
Health Choices revenues	-	-	-	-	-	72,421	168,922	734,008	793,991	868,381
Total revenues	\$ 122,468,678	\$ 144,039,425	\$ 143,522,617	\$ 162,178,521	\$ 172,069,425	\$ 184,108,174	\$ 196,970,613	\$ 211,939,871	\$ 228,263,226	\$ 235,765,273
Expenditures										
General government	\$ 17,985,934	\$ 20,373,098	\$ 21,518,895	\$ 25,892,225	\$ 41,587,893	\$ 39,542,400	\$ 38,000,997	\$ 33,486,730	\$ 45,348,382	\$ 34,278,385
Public safety (1)	4,534,442	5,282,574	5,206,259	5,971,456	6,241,998	284,174	647,582	769,267	1,100,204	1,234,268
Roads and bridges	817,071	182,156	560,989	-	433,594	205,939	520,417	486,841	-	498,963
Health, education and welfare	58,891,826	65,137,861	66,239,229	78,419,782	88,810,489	96,783,827	106,647,314	110,168,966	117,227,436	114,611,618
Judicial	21,537,416	22,368,920	23,284,151	24,527,754	26,919,414	28,803,044	29,933,955	32,874,042	34,996,763	37,036,579
Corrections	10,747,625	11,449,924	11,721,069	12,567,146	13,082,682	14,041,578	14,118,091	15,459,196	16,640,060	17,407,351
Cultural and recreation	1,685,611	1,737,960	1,881,487	2,016,937	2,263,339	2,117,355	2,112,098	2,702,712	2,486,594	2,850,927
Community development	5,026,949	6,407,530	3,965,971	5,133,874	4,561,550	4,836,576	5,210,433	5,712,858	5,836,419	5,864,632
Depreciation in fair value of investments	-	-	210,073	-	-	-	-	-	-	-
Capital outlay	2,214,934	4,320,602	6,535,965	22,364,395	16,934,114	9,955,828	17,264,521	4,361,693	12,958,119	20,910,986
Capital lease	-	1,371,165	-	-	-	-	-	-	-	-
Debt service (2):										
Principal	3,220,000	4,530,000	4,360,000	4,810,000	4,495,000	1,920,000	4,745,000	5,855,000	7,575,944	7,815,000
Interest and fiscal charges	2,435,404	2,119,684	1,875,940	3,198,789	4,114,619	2,700,128	4,505,001	5,154,688	6,663,917	8,657,602
Bond issuance costs	-	-	-	-	-	288,909	684,877	460,269	352,037	611,008
Total expenditures	\$ 129,097,212	\$ 145,281,474	\$ 147,360,028	\$ 184,902,358	\$ 209,444,692	\$ 201,449,758	\$ 224,390,286	\$ 217,492,262	\$ 251,185,875	\$ 251,777,319
Excess of revenues over (under) expenditures	\$ (6,628,534)	\$ (1,242,049)	\$ (3,837,411)	\$ (22,723,837)	\$ (37,375,267)	\$ (17,341,584)	\$ (27,419,673)	\$ (5,552,391)	\$ (22,922,649)	\$ (16,012,046)
Other financing sources (uses)										
Transfers in	\$ 6,632,776	\$ 7,756,452	\$ 6,254,615	\$ 8,602,159	\$ 10,185,986	\$ 9,553,080	\$ 11,640,302	\$ 10,995,250	\$ 19,538,119	\$ 13,013,439
Transfers out	(7,065,145)	(7,756,452)	(6,254,615)	(8,602,159)	(9,925,986)	(10,891,243)	(14,099,178)	(14,751,872)	(14,645,157)	(13,013,439)
Refunding bonds issued	21,020,306	9,657,455	9,573,225	5,734,900	28,260,000	28,260,000	37,660,000	5,005,000	-	-
Payment to refunded bond escrow agent	(20,998,019)	(9,677,455)	(9,573,225)	-	(5,734,900)	(28,245,174)	(37,581,596)	(5,160,255)	-	-
Premium on refunding bonds issued	-	-	-	-	-	181,626	318,760	1,400,036	-	-
Bonds issued	1,286,413	-	-	57,352,014	24,036,622	7,345,000	23,305,000	27,300,000	23,775,000	51,590,169
Bond discount	-	-	-	-	-	(116,414)	(202,390)	-	-	-
Capital lease	-	1,371,165	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ 876,331	\$ 1,351,165	\$ -	\$ 57,352,014	\$ 24,296,622	\$ 6,086,875	\$ 21,040,898	\$ 24,768,159	\$ 28,667,962	\$ 51,590,169
Net change in fund balances	\$ (5,752,203)	\$ 109,116	\$ (3,837,411)	\$ 34,628,177	\$ (13,078,645)	\$ (11,254,709)	\$ (6,378,775)	\$ 19,235,768	\$ 5,745,313	\$ 35,578,123
Debt service as a percentage of noncapital expenditures	4.6%	4.8%	4.4%	4.5%	4.3%	2.5%	4.6%	5.6%	6.2%	7.3%

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

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

Table 5

Year	Assessed Value	Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Tax Exempt Property					
1997	\$ 24,001,100,700	\$ 2,660,910,300		\$ 21,340,190,400	1.975	\$ 21,340,190,400	100%
1998	24,470,843,500	2,791,959,300		21,678,884,200	2.535	21,678,884,200	100%
1999	22,561,137,200	1,886,548,300		20,674,588,900	2.515	20,674,588,900	100%
2000	25,267,114,100	2,403,532,000		22,863,582,100	2.515	22,863,582,100	100%
2001	25,773,667,700	2,486,052,200		23,287,615,500	2.613	23,287,615,500	100%
2002	25,908,504,500	2,534,790,200		23,373,714,300	2.613	23,373,714,300	100%
2003	26,407,814,800	2,544,307,300		23,863,507,500	2.847	23,863,507,500	100%
2004	31,214,117,500	2,964,915,500		28,249,202,000	3.205	28,249,202,000	100%
2005	32,157,858,100	3,051,498,400		29,106,359,700	2.962	29,106,359,700	100%
2006	32,751,399,500	3,087,810,600		29,663,588,900	2.962	29,663,588,900	100%

Source: County of Lancaster, Assessment Office

Note: Property in Lancaster County is assessed based upon 100 percent of the base year estimated market value. Millage rates change yearly based upon individual county budget requirements, as well as any time a county wide revaluation is completed. In 1997 and 2005, county-wide reassessments were implemented.

Note: Assessed value by major component not available.

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

Table 6

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City:										
Lancaster	\$24.505	\$25.515	\$26.455	\$26.455	\$26.5530	\$28.6730	\$29.5570	\$29.9150	\$30.0120	\$31.5720
Borough:										
Adamstown	16.265	17.825	18.555	18.555	19.1530	20.1530	20.3870	20.7450	21.3820	21.9620
Akron	14.569	16.225	16.205	17.205	18.3030	19.9530	20.1870	22.1450	19.9770	21.4920
Christiana	16.625	17.945	19.485	21.075	21.9830	25.4630	27.1470	27.6250	26.9010	29.8910
Columbia	18.601	22.161	23.091	23.675	23.7730	24.2730	27.9970	29.3550	27.4920	27.9920
Denver	16.585	18.145	18.375	18.375	18.7230	19.7230	20.1370	21.0650	21.5670	22.1470
East Petersburg	15.37	16.477	16.457	17.757	18.4050	19.2250	19.9590	20.9500	19.6530	20.1490
Elizabethtown	14.72	16.105	17.265	17.265	18.2130	18.7130	18.9470	20.1050	18.1760	20.8920
Ephrata	15.082	16.162	16.142	17.142	18.2400	19.8900	20.1240	22.0820	19.9960	20.9960
Lititz	16.2	16.76	16.74	16.74	16.8380	18.7130	20.4470	22.4050	19.5220	20.1220
Manheim	17.375	18.505	18.815	19.385	19.9830	20.7330	20.9670	22.0450	19.8720	20.8020
Marietta	16.275	17.135	17.975	18.205	19.5230	20.2230	20.8770	22.6050	20.5720	23.4120
Millersville	17.363	18.873	19.493	19.635	19.7330	20.2830	20.5170	22.3750	21.3620	22.2920
Mount Joy	15.775	16.385	16.725	17.105	18.5230	19.2230	19.9770	20.7050	19.1720	22.2620
Mountville	15.315	15.875	15.855	16.355	17.0030	18.0530	18.7870	19.5450	18.2510	19.5800
New Holland	14.815	15.375	15.355	15.355	15.6230	15.6230	16.9970	17.3550	15.9720	16.3620
Quarryville	11.155	11.715	11.995	11.995	12.4130	13.7630	13.9970	14.7050	13.9595	14.3471
Strasburg	15.455	16.835	17.005	17.465	18.1130	19.6530	20.4870	21.8450	19.7720	20.8520
Terre Hill	15.325	16.345	16.325	16.825	16.9230	16.9230	17.7970	19.5550	17.2220	17.3120
Townships:										
Bart	10.425	10.915	10.895	10.845	17.5130	17.8630	11.7970	12.5050	11.8095	12.1971
Brecknock	13.485	14.345	14.325	14.325	14.4230	14.4230	15.3303	15.6883	14.2910	14.3810
Caernarvon	13.685	14.245	14.225	14.225	14.3230	14.3230	15.1970	15.5550	14.1720	14.2120
Clay	14.13	15.2098	15.1898	16.1898	17.2878	18.9378	19.1718	21.1298	19.0140	20.2489
Colerain	9.955	10.515	10.495	10.495	11.1130	11.4630	11.6970	12.4050	11.7665	12.2091
Conestoga	15.002	16.512	17.132	17.442	17.5400	18.0900	18.3240	18.6820	17.7250	18.3850
Conoy	12.12	13.505	14.665	14.665	15.1130	15.6130	15.8470	16.7050	15.0960	17.3120
Drumore	9.555	10.115	10.095	10.095	10.5130	11.0630	11.2970	12.0050	12.2095	12.5971

(Continued)

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

Table 6 (Cont.)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Earl	\$14.125	\$15.045	\$15.025	\$15.025	\$15.1230	\$15.1230	\$15.9970	\$16.3550	\$15.0220	\$15.1120
East Cocalico	15.835	17.395	17.675	17.625	18.2230	19.2230	19.4570	20.0650	20.7570	21.3370
East Donegal	14.868	15.535	15.875	16.105	17.5230	18.2230	19.1270	20.3550	18.7190	21.5590
East Drumore	9.955	10.515	10.495	10.495	10.9130	11.2630	11.4970	12.2050	11.5995	11.9871
East Earl	13.975	14.535	14.565	14.825	14.9230	14.9230	15.7970	16.3550	14.9020	15.1120
East Hempfield	15.495	16.155	16.135	16.635	17.2830	18.1030	18.8370	19.4950	18.1410	18.8900
East Lampeter	13.705	14.515	14.625	14.755	14.8530	15.2530	16.2570	17.0150	15.2940	15.8670
Eden	10.155	10.815	10.165	10.165	10.5830	10.9330	11.1670	11.8750	11.8095	12.1971
Elizabeth	15.075	15.635	15.615	15.615	15.7130	17.2130	18.9470	20.9050	18.1620	18.7620
Ephrata	14.705	15.845	16.055	17.055	18.1530	19.8030	20.0370	21.9950	19.7620	20.7620
Fulton	9.775	10.335	10.315	10.315	10.7330	11.0830	11.3170	12.0250	11.4195	11.8071
Lancaster	19.025	20.035	20.015	20.015	20.1130	21.4830	21.7170	22.3750	22.9420	24.0020
Leacock	13.586	14.535	15.215	15.415	15.9130	17.0130	17.8470	18.7050	16.5920	17.9920
Little Britain	9.975	10.535	10.515	10.515	10.9330	11.2830	11.5170	12.2250	11.5995	11.9871
Manheim	16.245	16.785	16.765	17.165	17.7530	18.7430	19.9270	21.0250	18.9620	19.5920
Manor	15.045	16.555	17.225	17.535	17.6330	18.1830	18.4170	18.7750	17.8120	18.4720
Martic	14.195	15.705	16.325	16.635	16.7330	17.2830	17.5170	17.8750	17.0320	17.6920
Mount Joy Part(2)	14.675	14.105	15.375	15.855	17.1480	18.1730	18.8270	19.5550	17.7920	20.2437
Mount Joy Part(3)	12.82	15.135	15.165	15.415	16.2380	17.0630	17.2970	18.1550	16.3160	18.3937
Paradise	14.125	14.985	15.665	15.865	16.9130	18.0130	18.8470	19.7050	17.4820	18.8820
Penn	15.875	17.005	17.565	18.135	18.2330	18.9830	19.2170	20.2950	18.3320	19.0140
Pequea	15.319	16.82865	17.4487	17.7587	17.8566	18.8930	19.2170	19.5750	18.5820	19.2420
Providence	9.775	10.335	10.315	10.315	10.7330	11.0830	11.3170	12.0250	11.4025	11.7901
Rapho	15.375	16.505	16.815	17.385	17.4830	18.2330	18.4670	19.2950	17.5220	18.2020
Sadsbury	15.825	17.145	17.735	19.325	20.2330	22.2130	23.8970	24.4750	23.8820	26.8720
Salisbury	13.505	14.265	14.945	15.145	15.6430	16.7430	17.5770	18.4350	16.3420	17.7420
Strasburg	14.255	15.635	15.805	16.065	16.5130	18.1530	18.9870	20.2450	18.4820	19.3620
Upper Leacock	13.575	14.485	14.665	14.925	15.2230	15.7330	16.6170	17.5650	15.7720	16.2220
Warwick	15.405	15.9654	15.9454	15.9454	16.0434	17.5434	19.2774	21.2354	18.4360	19.0360
West Cocalico	15.335	16.895	17.125	17.625	18.4730	19.4730	19.7070	20.1650	20.8150	21.3950
West Donegal	13.62	15.005	16.165	16.165	16.6130	17.1130	17.3470	18.2050	16.4463	18.6623
West Earl	13.24	14.185	14.295	14.925	15.0230	15.4230	16.3070	17.0650	15.8620	16.3120
West Hempfield	14.595	15.155	15.135	15.635	16.2830	17.1030	17.8370	18.4950	17.3010	18.5600
West Lampeter	14.19	15.47	15.6988	16.1057	16.5537	18.3530	19.1870	20.4450	18.6410	19.5210

Source: www.state.pa.us website

(1) Includes millage for municipal, school, and county real estate tax per \$1,000 of assessed value. In 1997 and 2005, county wide reassessments were implemented.

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

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

County of Lancaster, Pennsylvania
Principal Property Taxpayers
December 31, 2006

Table 7

Taxpayer	Type of Business	2006			1997		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
High Properties	Construction/Real Estate	\$ 194,173,200	1	0.65%	\$ 176,909,600	1	0.83%
Spitzer James Et Al (Park City)	Retailing	143,327,300	2	0.48%	150,056,500	2	0.70%
Willow Valley Retirement	Retirement Community	108,792,500	3	0.37%			
Lancaster General Foundation	Medical Services	92,291,900	4	0.31%			
Willow Valley Manor	Retirement Community	84,499,100	5	0.28%	110,125,300	3	0.52%
Dart Container Corp of PA	Manufacturing	61,635,300	6	0.21%			
Rockvale Group	Retailing	58,186,700	7	0.20%			
Granite Properties	Retailing	57,232,500	8	0.19%			
Exelon Generation Co LLC	Electric Utility	54,429,800	9	0.18%			
ASP Realty Inc	Warehousing	50,996,100	10	0.17%			
Armstrong World Industries Inc	Manufacturing				91,961,700	4	0.43%
Willow Valley Assoc Inc	Retirement Community				36,499,700	5	0.17%
New Holland Inc	Farm Equip/Manufacturing				35,134,500	6	0.16%
R.R. Donnelley Printing	Publishing				30,247,300	7	0.14%
Warner-Lambert Co	Manufacturing				26,090,700	8	0.12%
Howmet Aluminum Corp (Alumax)	Manufacturing				23,538,600	9	0.11%
Brethern Home Inc	Retirement Community				23,102,800	10	0.11%
Total		<u>\$ 905,564,400</u>		<u>3.05%</u>	<u>\$ 703,666,700</u>		<u>3.30%</u>

Source: County of Lancaster, Assessment Office

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

Table 8

Year	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (2)	Ratio of Delinquent Taxes to Total Tax Levy
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%
2005	83,612,635	82,200,782	98.31%	1,509,305	83,710,087	100.12%	635,982	0.76%
2006	86,161,049	84,398,755	97.95%	1,839,425	86,238,180	100.09%	722,830	0.84%

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

(1) County of Lancaster, Assessment Office

(2) County of Lancaster, Tax Bureau

Note: Total tax collections include penalties and interest.

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

Table 9

Year	Governmental Activities							Debt Per Capita (1)	
	General Obligation Bonds		Lease Rental Bond Debt		Capital Equipment Lease		Total Primary Government		
1997	\$ 53,012,751	\$ -	-	\$ -	-		\$ 53,012,751	0.47%	\$ 115.22
1998	49,241,731	-	-	1,096,932	-		50,338,663	0.42%	108.42
1999	45,745,234	-	-	822,699	-		46,567,933	0.37%	99.53
2000	98,605,913	-	-	548,466	-		99,154,379	0.73%	210.19
2001	122,326,369	-	-	274,233	-		122,600,602	0.91%	258.35
2002	129,684,581	573,000	-	664,945	-		130,922,526	0.96%	273.69
2003	151,950,075	949,000	-	392,401	-		153,291,476	1.08%	317.63
2004	174,728,072	934,000	-	102,939	-		175,765,011	1.17%	361.39
2005	192,883,456	919,000	-	94,200	-		193,896,656	1.24%	395.76
2006	237,706,173	904,000	-	86,245	-		238,696,418	*	482.72

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

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

* Information not available for this year.

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

Table 10

Year	General Obligation Bonds	Lease Rental Bond Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Debt Per Capita (2)
1997	\$ 53,012,751	-	\$ 5,647,204	\$ 47,365,547	0.22%	\$ 102.95
1998	49,241,731	-	7,496,084	41,745,647	0.19%	89.92
1999	45,745,234	-	7,286,011	38,459,223	0.19%	82.20
2000	98,605,913	-	8,136,843	90,469,070	0.40%	191.78
2001	122,326,369	-	8,846,710	113,479,659	0.49%	239.13
2002	129,684,581	573,000	9,391,894	120,865,687	0.52%	252.67
2003	151,950,075	949,000	6,778,720	146,120,355	0.61%	302.77
2004	174,728,072	934,000	3,986,246	171,675,826	0.61%	352.98
2005	192,883,456	919,000	1,796,517	192,005,939	0.66%	391.90
2006	237,706,173	904,000	850,916	237,759,257	0.80%	480.82

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

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

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

County of Lancaster, Pennsylvania
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

Table 11

Jurisdiction:	(1) Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding
County of Lancaster	\$ 238,610,173
Overlapping:	
City of Lancaster	\$ 65,188,365
School Districts:	
Cocalico	\$ 43,266,297
Columbia Borough	11,400,471
Conestoga Valley	56,438,888
Donegal	20,350,203
Eastern Lancaster County	16,255,526
Elizabethtown Area	19,790,000
Ephrata Area	71,877,932
Hempfield	77,631,454
Lampeter-Strasburg	55,052,530
Lancaster	75,264,770
Manheim Central	57,314,832
Manheim Township	102,331,494
Octorara	58,212,659
Penn Manor	52,468,420
Pequea Valley	41,011,420
Solanco	19,378,700
Warwick	93,270,000
Total School Districts	\$ 871,315,596
Municipal Authorities:	
Adamstown Borough	\$ 910,606
Akron Borough	666,072
Bainbridge Water Authority	-
Blue Ball Water Authority	-
Christiana Borough Authority	585,847
Columbia Municipal Authority	1,293,065
Denver Borough	129,856
Earl Township Sewer Authority	2,625,000
East Cocalico Township Water & Sewer Authority	4,495,000
East Donegal Township Sewer Authority	-
East Donegal Township Water Authority	1,294,613
East Earl Sewer Authority	665,000
East Hempfield Municipal Authority	-
East Lampeter Sewer Authority	10,606,000
East Lampeter Township	9,614,000
Elizabethtown Area Regional Authority	17,802,466
Ephrata Area Joint Authority	4,040,000
Ephrata Borough Authority	17,610,000
Ephrata Township Sewer Authority	2,470,202
Georgetown Area Sewer Authority	378,115
Lancaster Airport Authority	35,097
Lancaster Area Sewer Authority	81,550,000
Lancaster County Hospital Authority	*
Lancaster County Solid Waste Management Authority	96,239,567

* Data not available.

(Continued)

County of Lancaster, Pennsylvania
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

Table 11 (Cont.)

Jurisdiction:	Net General Obligation Bonded Debt and/or Revenue Bonds Outstanding (1)
Lancaster County Vo-Tech School Authority	\$ 8,296,994
Lancaster Downtown Investment District Authority	-
Lancaster-Lebanon Joint Authority	2,615,000
Lancaster Municipal Authority	-
Lancaster Parking Authority	17,338,250
Leacock Township Sewer Authority	2,492,084
Leola Sewer Authority	1,044,401
Lititz Sewer Authority	93,474
Manheim Borough Authority	12,006,983
Manheim Township Authority	2,933,037
Marietta Borough	-
Marietta-Donnegal Joint Authority	6,056,362
Mount Joy Borough Authority	18,050,000
Mount Joy Township Authority	10,786,094
Mountville Borough Authority	123,000
New Holland Borough Authority	1,921,204
Northern Lancaster County Sewer Authority	1,645,000
Northwestern Lancaster Co Water & Sewer Authority	7,345,000
Paradise Township Sewer Authority	2,508,344
Quarryville Borough Authority	-
Redevelopment Authority	2,857,045
Red Rose Transit Authority	-
Sadsbury Township Municipal Authority	1,560,444
Suburban Lancaster Sewer Authority	18,750,000
Warwick Township Municipal Authority	9,605,000
West Cocalico Township Authority	1,546,010
West Donegal Township Authority	6,082,930
West Earl Sewer Authority	6,426,845
West Earl Water Authority	1,380,210
Western Heights Water Authority	-
Total Municipalities	\$ 396,474,217
Total Overlapping Debt	\$ 1,332,978,178
Total direct and overlapping debt	\$ 1,571,588,351

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

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

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

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

Table 12

	Fiscal Year					
	1997	1998	1999	2000	2001	2002
Borrowing base revenues (1):						
Two years prior						\$ 100,212,634
Prior year	\$ 78,804,736	\$ 71,689,430	\$ 80,864,860	\$ 94,431,590	\$ 97,623,975	\$ 100,212,634
Current year	71,689,430	80,864,860	94,431,590	97,623,975	100,212,634	105,046,643
Total borrowing base revenues	80,864,860	94,431,590	97,623,975	100,212,634	105,046,643	114,988,835
	<u>\$ 231,359,026</u>	<u>\$ 246,985,880</u>	<u>\$ 272,920,425</u>	<u>\$ 292,268,199</u>	<u>\$ 302,883,252</u>	<u>\$ 320,248,112</u>
Average borrowing base revenues	\$ 77,119,675	\$ 82,328,627	\$ 90,973,475	\$ 97,422,733	\$ 100,961,084	\$ 106,749,371
Net Nonelectoral Debt Limit:						
Average borrowing base revenues	\$ 77,119,675	\$ 82,328,627	\$ 90,973,475	\$ 97,422,733	\$ 100,961,084	\$ 106,749,371
Debt limit percentage	300%	300%	300%	300%	300%	300%
Net Nonelectoral Debt Limit	<u>231,359,026</u>	<u>246,985,880</u>	<u>272,920,425</u>	<u>292,268,199</u>	<u>302,883,252</u>	<u>320,248,112</u>
Total amount of debt applicable to debt limit	53,012,751	49,241,731	45,745,234	98,605,913	122,326,369	130,257,581
Total Remaining Nonelectoral Debt Capacity	<u>\$ 178,346,275</u>	<u>\$ 197,744,149</u>	<u>\$ 227,175,191</u>	<u>\$ 193,662,286</u>	<u>\$ 180,556,883</u>	<u>\$ 189,990,531</u>
Total net debt applicable to the limit as a percentage of debt limit	22.91%	19.94%	16.76%	33.74%	40.39%	40.67%

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

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

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

Table 12 (Cont.)

	Fiscal Year		
	2003	2004	2005
Borrowing base revenues (1):			
	\$ 105,046,643	\$ 114,988,835	\$ 126,410,082
	114,988,835	126,410,082	131,266,881
	126,410,082	131,266,881	129,499,678
	<u>\$ 346,445,560</u>	<u>\$ 372,665,798</u>	<u>\$ 387,176,641</u>
Total borrowing base revenues			
	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
Average borrowing base revenues			
	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
	300%	300%	300%
	<u>346,445,558</u>	<u>372,665,798</u>	<u>387,176,641</u>
Net Nonelectoral Debt Limit:			
Average borrowing base revenues			
Debt limit percentage			
Net Nonelectoral Debt Limit			
	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
	300%	300%	300%
	<u>151,950,075</u>	<u>174,728,072</u>	<u>192,883,456</u>
Total amount of debt applicable to debt limit			
Total Remaining Nonelectoral Debt Capacity			
	\$ 194,495,483	\$ 197,937,726	\$ 194,293,185
Total net debt applicable to the limit as a percentage of debt limit	43.86%	46.89%	49.82%
43.86%			61.82%
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit			
Average borrowing base revenues			
Debt limit percentage			
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit			
	\$ 115,481,853	\$ 124,221,933	\$ 129,058,880
	400%	400%	400%
	<u>461,927,413</u>	<u>496,887,732</u>	<u>516,235,520</u>
Less: Non-electoral Debt and Lease Rental Debt			
	152,899,075	175,662,072	193,802,456
Remaining Nonelectoral Debt and Lease Rental Debt Capacity			
	\$ 309,028,338	\$ 321,225,660	\$ 322,433,064
Total net debt applicable to the limit as a percentage of debt limit	33.10%	35.35%	37.54%
33.10%			46.54%

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

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

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

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

Table 13

Year	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Local Unemployment Rate (6)
1997	460,085	\$ 11,386,162	\$ 24,748	34.2	84,132	2.9%
1998	464,272	12,058,301	25,972	34.5	84,985	2.9%
1999	467,879	12,519,977	26,759	34.8	85,647	2.7%
2000	471,743	13,569,528	28,765	36.1	85,569	2.8%
2001	474,552	13,528,256	28,507	36.5	85,571	3.4%
2002	478,360	13,669,563	28,576	36.8	85,836	3.9%
2003	482,605	14,215,570	29,456	37.0	86,364	4.1%
2004	486,361	14,975,120	30,790	37.1	85,996	3.9%
2005	489,936	15,605,000	31,809	37.3	86,471	3.6%
2006	494,486	*	*	*	87,209	3.5%

Sources:

- (1) Population: 1997 - 2004 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
2005-2006 - Estimates provided by U.S. Census Bureau and are based on Fiscal Year
- (2) Personal Income: 1997 - 2005 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
- (3) Per Capita Personal Income: 1997 - 2004 - Estimates updated by Bureau of Economic Analysis, U.S. Department of Commerce
- (4) Median Age: Population Estimates, US Census Bureau; based on Fiscal Year
- (5) School Enrollment: PA Department of Education
- (6) Local Unemployment Rate: U.S. Department of Labor, Bureau of Labor Statistics

Note: Prior years' data has been updated to the most current information available by going to the above sources.
* Information not available for this year.

County of Lancaster, Pennsylvania
Principal Employers
December 31, 2006

Table 14

Employer (1)	2006			1997		
	Employees (2)	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lancaster General Hospital	6,607	1	2.39%	*	3	*
R.R. Donnelley & Sons Company	2,900	2	1.05%	*	2	*
Manheim Auto Auction Inc	2,490	3	0.90%	*	9	*
Lancaster County	2,085	4	0.76%	*	4	*
Armstrong World Industries Inc	1,850	5	0.67%	*	1	*
Dart Container Corp	1,630	6	0.59%	*	8	*
School District of Lancaster	1,571	7	0.57%	*	10	*
Ephrata Community Hospital Inc	1,557	8	0.56%			
QVC Inc	1,518	9	0.55%			
Masonic Homes	1,360	10	0.49%			
New Holland North America Inc				*	5	*
Weis Markets Inc				*	6	*
Tyson Foods Inc				*	7	*
Total	<u>23,568</u>			<u>*</u>		
Total Employees in County	<u>276,100 (3)</u>			<u>246,000 (4)</u>		

Source: (1) Center for Workforce Information & Analysis, PA Department of Labor & Industry
(2) Lancaster County Planning Commission
(3) Center for Workforce Information & Analysis, PA Department of Labor & Industry
(4) Department of Labor & Industry

* Information not available for this year.

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

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

Table 15

Function/Program:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
General government	244	250	253	254	265	263	269	261	264	266
Public safety	6	6	5	5	5	6	6	6	7	8
Roads and bridges	6	-	-	-	-	3	3	3	4	4
Health, education, and welfare	318	327	323	317	332	347	363	379	378	387
Judicial	458	466	467	497	529	541	545	556	556	576
Corrections	243	248	241	237	257	306	300	306	295	303
Cultural and recreation	25	28	30	31	31	32	32	33	35	35
Total governmental activities	1,300	1,325	1,319	1,341	1,419	1,495	1,518	1,544	1,539	1,579
Business-type activities										
Conestoga View	440	431	440	424	460	466	475	472	-	-
911 Operations	78	80	77	89	91	91	92	93	93	93
Total business type activities	518	511	517	513	551	557	567	565	93	93
Total	1,818	1,836	1,836	1,854	1,970	2,052	2,085	2,109	1,632	1,672

Source: County of Lancaster, Controller's Office

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

Table 16

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Property transfers recordec	12,403	13,789	13,883	12,911	13,843	14,584	16,499	15,708	15,445	14,643
County ordinances approv	164	134	125	84	76	96	83	76	99	92
Municipal ordinances review	334	375	379	394	386	392	394	410	387	384
General Election Information:										
Registered voters	235,282	236,373	249,173	265,877	269,273	274,270	278,540	311,934	293,329	299,412
Votes cast	65,642	98,139	62,968	180,098	64,573	127,765	76,609	221,251	72,708	151,843
Percent of votes cast	27.90%	41.52%	25.27%	67.74%	23.98%	46.58%	27.50%	70.93%	24.79%	50.71%
Judicial										
Estates and wills probate	1,583	1,562	1,658	1,737	1,712	1,747	1,654	1,685	1,764	1,716
Marriage licenses issued	3,252	3,418	3,376	3,281	3,280	3,313	3,155	3,131	3,098	3,235
Child adoptions	173	145	155	157	163	202	199	199	206	265
Child relinquishments	57	65	70	59	81	93	111	105	101	128
Criminal cases filed	4,649	5,305	5,390	5,512	5,500	5,999	5,972	5,999	5,975	6,027
Criminal cases disposed **	4,570	4,687	5,256	5,088	5,551	4,470	4,883	4,548	4,204	4,827
Civil suits filed	6,352	6,513	6,443	6,432	6,808	6,727	7,118	7,051	6,428	8,732
Civil judgments filed	3,384	3,059	4,266	2,823	3,122	3,418	3,405	3,861	3,776	3,999
Divorces filed	1,376	1,356	1,321	1,328	1,289	1,330	1,219	1,257	1,268	1,299
Protection from abuse cases filed	1,191	1,253	1,281	1,229	1,179	1,223	1,255	1,141	1,161	1,239
Naturalizations	138	135	196	241	201	217	201	205	279	290
Real estate executions (mortgage foreclosures) filed	426	527	580	583	755	730	702	796	764	779
District judge case filings	102,875	109,362	104,286	114,192	116,191	117,549	107,174	117,162	106,307	108,947
Domestic relations active cases	*	*	*	*	*	19,570	20,136	19,523	18,935	18,477
New juvenile probation cases	1,799	1,858	1,744	1,808	1,301	1,809	1,967	1,865	1,783	1,822
Juvenile probation placement days	*	*	*	*	*	77,194	71,951	75,142	70,574	64,278
New adult probation and parole cases	*	*	*	*	*	3,320	*	3,256	3,049	2,850
Corrections										
Average daily population	920	965	945	943	985	1,012	1,097	1,078	1,141	1,200
Annual admissions	4,950	5,239	5,406	5,281	5,333	5,336	5,641	5,793	5,888	6,169
Culture and Recreation										
Park attendance/reservations	*	*	*	*	*	*	*	*	*	721,558

Note: * information not available for this year
** 2005 information is estimated due to transition to new system

(Continued)

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

Table 16 (Cont.)

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Health, education, and welfare										
Employment and Training										
Services customers	*	*	*	*	415	772	907	1,874	2,078	2,341
Drug and Alcohol:										
Information and referral contacts	*	*	*	*	*	*	544	581	604	796
Inpatient non-hospital detox clients	*	*	*	667	698	732	584	607	482	341
Inpatient non-hospital rehab clients	*	*	*	379	412	334	396	418	435	385
Inpatient non-hospital halfway house clients	*	*	*	141	114	78	102	103	87	69
Inpatient hospital detox clients	*	*	*	2	7	1	3	3	6	2
Partial hospitalization clients	*	*	*	98	64	76	55	56	53	33
Outpatient drug free clients	*	*	*	1,463	1,713	1,679	1,521	1,388	1,645	1,869
Methadone maintenance clients	*	*	*	2	15	16	14	14	14	17
Intensive outpatient clients	*	*	*	29	32	38	87	105	134	169
Transitional living clients	*	*	*	7	7	-	-	-	-	-
Website visitors	*	*	*	*	*	*	*	*	45,168	46,428
Mental Health:										
Emergency/crisis intervention hours	*	*	*	*	*	*	*	1,728	2,832	3,276
Community residential days	*	*	*	*	*	*	24,347	24,614	28,385	26,933
Community employment hours	*	*	*	*	*	*	36,670	41,283	40,131	39,116
Service case management clients	*	*	*	*	*	*	*	1,552	1,888	2,114
Day treatment hours	*	*	*	*	*	*	5,547	4,144	4,774	5,235
Outpatient hours	*	*	*	*	*	*	2,299	2,691	2,919	3,384
Family based hours	*	*	*	*	*	*	1,056	879	996	747
Psychiatric rehab hours	*	*	*	*	*	*	42,759	37,928	33,578	37,611
Social rehab hours	*	*	*	*	*	*	21,462	28,311	29,000	30,008
Drop-in-Center hours	*	*	*	*	*	*	*	*	12,982	11,559
Host home days	*	*	*	*	*	*	*	338	397	282
Supported housing hours	*	*	*	*	*	*	10,915	7,682	7,907	6,705
Mental Retardation:										
Specialized support hours	*	*	*	*	*	*	3,933	7,719	6,550	13,300
Transportation trips	*	*	*	*	*	*	83,915	92,401	109,435	109,160
Employment hours	61,545	44,504	71,233	99,801	101,106	90,560	11,914	85,134	69,639	59,408
Residential services clients	*	*	*	*	*	*	355	317	364	367
Early intervention clients	*	*	*	*	*	*	949	767	1,083	1,068
Pre-Vocational hours	276,589	285,666	173,431	65,801	256,754	284,107	340,400	312,215	326,325	344,844
Respite clients	*	*	*	*	*	*	182	249	227	251
Home & community service hours	*	*	*	*	*	*	69,085	75,410	143,152	171,516
Family driven clients	317	378	405	436	348	305	268	120	63	86
Community habilitation hours	139,273	134,415	139,704	140,887	142,685	148,269	204,729	183,061	189,866	191,311
Adult day services hours	*	*	*	*	*	*	*	6,414	14,664	14,854
Community habilitation hours	*	*	*	*	*	*	*	176,647	175,202	176,457

Note: * information not available for this year

(Continued)

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

Table 16 (Cont.)

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Health Choices ***										
Inpatient psychiatric:										
Members served	-	-	-	-	-	375	726	823	860	942
Days of service	-	-	-	-	-	3,655	8,928	10,318	9,044	11,692
Outpatient psychiatric:										
Members served	-	-	-	-	-	2,472	4,148	4,998	6,036	6,973
Units of service	-	-	-	-	-	22,456	56,394	74,581	98,508	126,997
Inpatient drug and alcohol:										
Members served	-	-	-	-	-	48	52	29	15	25
Days of service	-	-	-	-	-	427	388	310	121	319
Non-hospital drug and alcohol:										
Members served	-	-	-	-	-	99	275	322	402	552
Days of service	-	-	-	-	-	2,811	8,509	10,556	14,021	21,878
Outpatient drug and alcohol:										
Members served	-	-	-	-	-	377	695	888	1,033	1,171
Units of service	-	-	-	-	-	15,844	17,903	21,789	22,966	24,567
Behavioral health rehabilitation										
Members served	-	-	-	-	-	580	856	905	1,186	1,298
Units of service	-	-	-	-	-	240,334	482,221	510,494	531,850	558,290
Residential treatment facility:										
JCAHO:										
Members served	-	-	-	-	-	88	161	168	139	131
Days of service	-	-	-	-	-	7,831	33,325	32,042	24,150	21,787
Non JCAHO:										
Members served	-	-	-	-	-	2	5	7	7	9
Days of service	-	-	-	-	-	122	713	1,226	721	953
Office of Aging:										
Case management clients	2,004	2,000	1,863	1,929	1,745	1,476	1,275	1,262	539	897
Protective services clients	217	250	340	427	539	642	745	784	470	506
Transportation clients	1,989	2,129	2,111	2,122	2,113	1,597	722	702	752	713
Meals provided	179,330	179,352	154,719	159,121	185,482	172,174	153,679	158,138	155,805	161,850
In-home services clients	905	849	600	748	843	623	530	569	498	547
Adult day care clients	122	159	101	146	175	105	111	122	102	137
PDA Waiver clients ****	-	-	34	29	49	62	75	118	152	165
Children and Youth:										
Children served	*	*	*	*	*	3,928	4,833	5,231	5,035	4,585
Placement days	*	*	*	*	*	193,563	199,417	190,920	201,963	180,047
Child abuse reports	*	*	*	*	*	680	650	682	632	649
Intake reports	*	*	*	*	*	819	845	1,124	1,103	910
Business-type										
911 Operations	148,917	152,593	164,995	173,150	182,376	192,877	204,603	204,604	210,518	217,333
9-1-1 calls										

Sources: various county departments.

Note: * information not available for this year

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

**** PDA Waiver Program did not start until 1999.

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

Table 17

Function/Program:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
General government										
Motor vehicles	1	1	1	2	3	4	4	5	5	5
Office buildings	4	4	4	4	4	4	4	5	4	4
Storage or maintenance buildings	2	2	2	2	2	2	2	2	2	2
Public safety										
Motor vehicles	2	3	3	3	4	4	4	4	6	7
Office buildings	-	-	-	-	-	-	1	1	1	1
Roads and bridges										
County-owned bridges	64	65	65	65	65	65	65	65	65	65
Inter-county bridges	4	4	4	4	4	4	4	4	4	4
Motor vehicles	6	6	6	6	6	7	7	9	9	9
Health, education, and welfare										
Motor vehicles	3	3	3	5	6	7	7	7	8	7
Office buildings	1	1	1	1	1	1	1	1	-	-
Judicial										
Motor vehicles	18	22	22	30	34	39	43	50	56	62
Office buildings	1	1	1	1	1	1	1	2	2	2
Corrections										
Motor vehicles	6	6	6	6	6	6	6	7	8	9
Office buildings	2	2	2	2	2	3	3	3	2	2
Cultural and recreation										
Number of parks	8	8	8	8	8	8	8	8	8	8
Park acreage	1,880	1,880	1,880	2,003	2,003	2,003	2,028	2,028	2,028	2,028
Pavilions	6	6	6	6	6	6	6	6	6	6
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Environmental/Educational Buildings	1	1	1	1	1	1	1	1	1	1
Motor vehicles	30	30	30	31	36	36	38	38	39	44
Office buildings	3	3	3	3	3	3	3	3	3	3
Storage buildings	3	3	3	3	3	3	3	3	3	3
Tenant Properties	3	3	3	3	3	3	3	3	3	3
Business-type activities										
Conestoga View	*	*	*	*	20	21	22	21	-	-
Motor vehicles	1	1	1	1	1	1	1	1	-	-
Office buildings	1	1	1	1	1	1	1	1	-	-
911 Operations	1	1	1	2	3	4	3	7	6	6
Motor vehicles										

Sources: various county departments.

Note: * Information not available for this year.

Conestoga View was sold effective September 30, 2005.

County of Lancaster, Pennsylvania
Salaries and Surety Bonds of Principal Officials
For the year ended December 31, 2006

Table 18

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Richard M. Shellenberger, Commissioner	\$ 81,617	\$ 7,500
Howard "Pete" Shaub, Commissioner	80,617	7,500
Molly S. Henderson, Commissioner	80,617	7,500
Dale R. Denlinger, Clerk of Courts	70,170	11,000
Dennis P. Stuckey, Controller	70,170	100,000
Dr. Gary G. Kirchner, Coroner	70,170	15,000
Vacant, Chief Administrative Officer		7,500
Vacant, Chief Services Officer		7,500
Andrea McCue, Chief Clerk	72,853	7,500
Donald R. Totaro, District Attorney	134,293	(1)
Judith Saylor, Jury Commissioner	6,950	(1)
Diane M. Collier, Jury Commissioner	6,950	(1)
Randall O. Wenger, Prothonotary	70,170	200,000
Stephen J. McDonald, Recorder of Deeds	70,170	385,000
Donna S. Reinaker, Register of Wills	72,170	25,000
Terry Bergman, Sheriff	70,170	60,000
Craig A. Ebersole, Treasurer	70,170	627,000
33 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, Pennsylvania - Children and Youth Agency
 Schedule of Insurance In-Force
 December 31, 2006

Name of Company/Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Liability Limit
St. Paul/Travelers Insurance Company	GP09311966	02/01/06-02/01/07	\$ 218,619	General Liability	General Total Limit Products And Completed Work Total Limit Personal Injury Each Person Limit Advertising Injury Each Person Limit Each Event Limit Premises Damage Limit Sexual Abuse Total Limit Sexual Abuse Each Person Limit Total Limit Each Wrongful Act Limit Each Wrongful Act Total Limit Each Wrongful Act Total Limit Each Wrongful Act Limit Total Limit Combined Single Limit Uninsured/Underinsured Motorists General Aggregate Each Occurrence Each Wrongful Act Total Limit
				Sexual Abuse Liability	\$ 100,000
				Law Enforcement Liability	\$ 250,000
				Law Enforcement Deductible - \$25,000	\$ 50,000
				Employee Benefit Plans Administration Liability	\$ 1,000,000
				Employee Benefit Plans Administration Liability Ded. - \$1,000	\$ 1,000,000
				Public Entity Management Liability - Claims Made	\$ 3,000,000
				Public Entity Management Liability Deductible - \$25,000	\$ 2,000,000
				Commercial Auto	\$ 4,000,000
				Umbrella Excess Liability	\$ 1,000,000
St. Paul/Travelers Insurance Company	GP09311966	02/01/06-02/01/07	Included in GL	(NOT included under the Umbrella)	
				Skateboard Park General Liability	
				Special Form: \$25,000 deductible,	\$ 181,521,811
				Locations with values in excess of \$500,000	\$ 60,000
				Boiler & Machinery	\$ 500,000
				Flood \$50,000 Deductible	\$ 181,521,811
				Flood \$50,000 Deductible	\$ 2,500,000
				Earthquake \$50,000 deductible	\$ 2,500,000
				Earthquake \$50,000 deductible	\$ 15,000,000
				Hardware: \$1,000 deductible	\$ 15,000,000
Chubb Insurance Company Building and Contents	35831933PHL	02/01/06-02/01/07	\$ 205,693	Software: \$1,000 deductible	\$ 18,418,903
				Fine Arts Floater, \$1,000 deductible	Included in Hardware
				Radio & Television Broadcasters - Transmission	\$ 232,725
				Towers - Replacement Cost; deductible \$25,000	\$ 8,985,325
				Voting Machines; deductible \$1,000	\$ 3,210,000
				Special Property Floater; deductible \$1,000	\$ 897,170
				Special Form: \$25,000 deductible,	\$ 181,521,811
				Locations with values in excess of \$500,000	\$ 60,000
				Boiler & Machinery	\$ 500,000
				Flood \$50,000 Deductible	\$ 181,521,811
Commercial Property Coverages				Per Occurrence Limit	\$ 2,500,000
				Annual Aggregate Limit	\$ 2,500,000
				Per Occurrence Limit	\$ 15,000,000
Computers				Annual Aggregate	\$ 15,000,000

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

(Continued)

County of Lancaster, Pennsylvania - Children and Youth Agency
 Schedule of Insurance In-Force
 December 31, 2006

Name of Company/Type of Coverage	Policy Number	Policy Period	Premium	Details of Coverage and Co-Insurance %	Statutory	Liability Limit
SAFETY NATIONAL Excess Workers Comp & Employers Liability	SP6529PA	01/01/06-01/01/07	\$ 59,190	Excess Workers Compensation Employers Liability (\$500,000 Cap Loss Limit)	Statutory 1,000,000 \$	Each Accident/Limit Each Employee Per Disease Each Accident/Limit Each Employee Per Disease
ENVIRONMENTAL COMPLIANCE SERVICES Pollution Liability	PEC0005845	08/22/00-06/30/09	\$ 29,601	Pollution insurance for the Training Facility location	\$ 5,000,000	Each Loss, Remediation Expense or Legal Defense Expense
Chubb Covered Bridge Policy	6636577	02/01/06-02/01/07	\$ 34,720	Bridge Property Damage, Deductible \$25,000	\$ 3,969,440	Total Limit, Schedule Of Bridges On File With Carrier
HARTFORD	103269075	02/01/05-02/01/07	\$ 16,840	Public Employees Blanket Bond, Deductible \$2,500	\$ 1,000,000	Per Loss Limit
BROTEMARKLE INS. (1): Foster Parent Liability Ins.	FPL - 122	07/01/06-06/30/07	\$ 15,210	Personal Liability Insurance for foster parents	\$ 300,000	Per Person, Per Occurrence

(1) Contracted directly by Children and Youth Agency

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