

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the County of Lackawanna, Pennsylvania (the "County") are summarized below.

NATURE OF OPERATIONS

The County is located in northeastern Pennsylvania and was established under the laws of the Commonwealth of Pennsylvania in 1879. It operates under a Home Rule Charter form of government. An elected, three-member Board of Commissioners governs the County. The County provides general governmental services, public safety, health and welfare, recreation and community enrichment programs.

REPORTING MODEL CHANGE

In June 1999, the Governmental Accounting Standards Board ("GASB") issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). GASB 34 requires significant changes including the preparation of full accrual financial statements on a government-wide basis, the addition of a management discussion and analysis section providing an overall analysis of the County's financial position and results of operations, and a change in focus of the fund financial statements to major funds.

In June 2001, GASB issued Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, which amended GASB 34 by clarifying or modifying certain of its provisions and Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified, established or rescinded certain financial statement disclosure requirements.

The County was required to adopt GASB 34, 37 and 38 in 2003. Accordingly, the accompanying financial statements and notes thereto reflect the changes required by these statements.

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 14. The specific criteria used in determining whether other organizations should be included in the County's financial reporting entity are financial accountability, fiscal dependency and legal separation.

Based on the above, the accompanying financial statements include those of the County (the primary government) and its component units. The component units (discussed in Note 2) are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements report information separately for the primary government and the component units, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and intergovernmental revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The County's General, Special Revenue, Capital Projects, Debt Service and Internal Service Funds are classified as governmental activities. The County's Enterprise Fund has been classified as a business-type activity. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for service to users of the County's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are exposed to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The accounts of the County are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. Certain funds are considered "Major" funds and are separately reported in the fund financial statements. Funds that do not meet the criteria for reporting as "Major" funds are combined and reported under the caption "Nonmajor". The County uses the following fund types:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the County:

GENERAL FUND (MAJOR)

The General Fund accounts for the general operations of the County and all financial transactions not accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The County uses the following Special Revenue Funds:

HEALTH AND HUMAN SERVICES FUND (MAJOR)

The Health and Human Services Fund accounts for the provision of specified social services such as nursing home, aging, daycare, drug and alcohol treatment and prevention and medical transportation services.

LANDFILL TRUST (MAJOR)

The Landfill Trust Fund accounts for the funds received from the termination of state-established post-closure landfill tax funds. Such funds may be used only for conservation purposes under Pennsylvania law.

OTHER (NONMAJOR)

The Other Fund accounts for liquid fuels, domestic relations, conservation and development and other miscellaneous activities.

CAPITAL PROJECTS FUND (NONMAJOR)

The Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation or construction of major capital assets.

DEBT SERVICE FUND (NONMAJOR)

The Debt Service Fund accounts for resources accumulated for the purpose of funding long-term debt obligations.

PROPRIETARY FUND TYPES

Proprietary funds account for the operations of the County that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:

ENTERPRISE FUND (MAJOR)

The Enterprise Fund accounts for the operation of the Montage Ski Resort. The Enterprise Fund distinguishes between operating revenues and expenses and nonoperating items. Operating revenues consist of charges for use of the ski area. Operating expenses are costs incurred in operating the ski area, administrative costs and depreciation and amortization. All other revenues and expenses are reported as nonoperating.

INTERNAL SERVICE FUND (MAJOR)

The Internal Service Fund provides services to other funds of the County on a cost-reimbursement basis. This fund is used to account for the County's self-insurance program for workers' compensation. Operating revenues consist of charges for insurance services. Operating expenses consist of payments made for workers' compensation claims and administrative costs. All other revenues and expenses are reported as nonoperating.

FIDUCIARY FUND TYPES

Fiduciary funds account for the assets held by the County as a trustee or agent for individuals currently or previously employed by the County, private organizations and/or other governmental units. The funds included in this category are:

PENSION TRUST FUND

The Pension Trust Fund accounts for the assets held in trust in the County's retirement plan.

AGENCY FUND

The Agency Fund accounts for assets held by the County in a custodial or agent function.

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the County's net total assets.

FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

ACCRUAL BASIS

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

MODIFIED ACCRUAL BASIS

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The County considers property and other taxes as available if they are collected within 60 days after year-end. A one-year availability period is generally used for revenue recognition for all other governmental fund revenues. Expenditures, other than principal and interest on bonds payable and compensated absences, are recorded when the related fund liability is incurred. Principal and interest on bonds payable and compensated absences are recorded as fund liabilities when due and unpaid.

The County reports deferred revenue on its fund financial statements. Deferred revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues may also arise when the County receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

APPLICATION OF FASB PRONOUNCEMENTS

The County applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The County does not apply FASB pronouncements issued after November 30, 1989.

BUDGETARY DATA

In accordance with provisions of Section 1782 of Public Law No. 323, as amended, of the Commonwealth of Pennsylvania, commonly known as the County Code, the County prepares and adopts a budget on or before December 31 for the following fiscal year. Budgets are prepared on a cash basis and are adopted for the General, Liquid Fuels, and Debt Service Funds. Accordingly, the Statement of Receipts, Disbursements, and Changes in Cash Balances – General Fund, Liquid Fuels, and Debt Services Funds - Budget and Actual is prepared on the cash basis.

In addition to being prepared on a cash basis, the County's budgets contain one other significant feature. The County processes payrolls for a number of affiliated organizations (some of which are reported as Special Revenue Funds). The County accounts for the payment of these payrolls in the General Fund. Periodically, these organizations reimburse the General Fund for the payrolls. The County budgets the disbursement of such payrolls as General Fund appropriations and the reimbursements as General Fund revenues. The payrolls are, in some cases, budgeted as appropriations in the other Special Revenue Funds, which duplicates the disbursements for payroll costs in statements prepared on the County's budgetary basis of accounting.

In general, the County maintains budgetary control by major expenditure classification (salaries, fringe benefits, materials and supplies, purchased services and capital outlay) within departments. The County Commissioners must approve budgetary transfers and/or additional appropriations not spent in prior years. Expenditures cannot legally exceed the appropriations at the budgetary control levels described above. Appropriations that are not expended lapse at the end of the fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and certificates of deposit with an original maturity of three months or less, which are carried at cost.

DUE FROM OTHER GOVERNMENTS

Due from other governments includes an allowance for doubtful accounts at the County's nursing home of \$562,834 at December 31, 2003.

CASH HELD FOR CAPITAL PROJECTS

Cash held for capital projects represents unspent proceeds of bond issues and grants.

INVESTMENTS

Investments in all funds of the primary government are stated at fair value based on quoted market prices. Investments held by the Internal Service Fund are restricted to paying claims of the workers' compensation program.

INVENTORIES

Business-type activity inventories consist of ski apparel and other miscellaneous ski items and are stated at the lower of cost (first-in, first-out method) or market.

Materials and supplies used by governmental activities are charged to expense upon acquisition.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the Enterprise Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the Enterprise Fund are reported both in the business-type activity column of the government-wide statement of net assets and in the fund financial statements.

All capital assets are valued at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their fair value on the date received. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land and construction in progress, are depreciated. Land is never depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITY</u>
Infrastructure and airport	20-50 years	N/A
Land improvements	N/A	20 years
Buildings and improvements	25 years	25 years
Furniture and equipment	5-20 years	5-20 years

DEFERRED CHARGES

Deferred charges consist of bond issuance costs that are being amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Amortization expense was \$12,210 in 2003. Accumulated amortization was \$156,768 at December 31, 2003.

COMPENSATED ABSENCES

The County's collective bargaining agreements specify the sick and vacation leave policies for employees covered by those agreements. Generally, covered employees are paid for unused sick days, up to maximum amounts established by the contracts, upon separation from the County. Nonunion County employees are paid for unused sick leave, up to a maximum of 100 days, at retirement. Vacation days generally do not accumulate; however, certain nonunion employees may accumulate vacation days.

SELF-INSURANCE

The County is self-insured for workers' compensation claims. The County maintains a stop loss policy limiting its liability for any one specific claim. The County accounts for its self-insurance activity in its Internal Service Fund, which charges other funds based on the estimated annual cost.

FUND BALANCE RESERVES

Fund balance reserves represent resources restricted for the acquisition of capital assets, the payment of long-term obligations and for other uses.

ELIMINATIONS AND INTERNAL BALANCES

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net assets.

RESTRICTED NET ASSETS

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

ALLOCATION OF INDIRECT EXPENSES

The County does not allocate any indirect expenses including depreciation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. REPORTING ENTITY

The County has evaluated all related entities (authorities, commissions and affiliates) for the possible inclusion in the reporting entity. The component units discussed below are included in the County's reporting entity because of the significance of financial and operational relationships with the County.

BLENDED COMPONENT UNITS

Some components units, despite being legally separate from the County, are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government in the Other Special Revenue Fund. The component units reported in this way are:

- Lackawanna County Commission on Drug and Alcohol Abuse. The Commission is responsible for developing and implementing a plan for the prevention and treatment of drug and alcohol abuse in Lackawanna County. The Commission receives funding primarily from the Commonwealth of Pennsylvania.
- Lackawanna County Solid Waste Management Authority. The Authority is responsible for implementing the County's recycling program and operates the County recycling center.

DISCRETELY PRESENTED COMPONENT UNITS

Component units that are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government to emphasize that they are legally separate from the County. The following component units are discretely presented in the accompanying financial statements:

- Lackawanna County Redevelopment Authority. The Authority administers grants on behalf of the Commonwealth of Pennsylvania and the County. The County Commissioners appoint the governing board of the Authority.
- Lackawanna County River Basin Sewer Authority. The Authority owns and operates a sewer collection and treatment system covering various municipalities in the County. The County Commissioners appoint the governing board of the Authority. The County has also guaranteed the long-term debt of the Authority.
- County of Lackawanna Transit System Authority. The Authority operates the County's mass transit system. The County Commissioners appoint the governing board of the Authority.
- Lackawanna County Railroad Authority. The Authority operates railroad lines in the County. The County Commissioners appoint the governing board of the Authority.
- Multi-Purpose Stadium Authority of Lackawanna County. The Authority operates the Lackawanna County Multi-Purpose Stadium and the Scranton/Wilkes-Barre Red Barons, a professional baseball team. The County Commissioners appoint the governing board of the Authority. The County has also guaranteed the long-term debt of the Authority.
- Lackawanna County Library System. The System oversees the distribution of funds to seven not-for-profit libraries in the County. The funding is generated from a special real estate tax levied by the County as well as from the Commonwealth of Pennsylvania. The County Commissioners appoint the governing board of the System.
- Lackawanna County Performing Arts Center Authority. The Authority operates a performing arts amphitheatre. The County Commissioners appoint the governing board of the Authority. The County has also guaranteed the long-term debt of the Authority.

- Scranton Lackawanna Health and Welfare Authority. The Authority acts as a conduit for tax-exempt financing in the County. The County Commissioners appoint the governing board of the Authority.

RELATED ORGANIZATIONS

Organizations for which the County is not financially accountable even though the County appoints a voting majority of the organization's governing board are:

- Lackawanna County Housing Authority
- Lackawanna County Industrial Development Authority
- Lackawanna Heritage Valley Authority
- Northeast Pennsylvania Convention and Visitors Bureau

JOINT VENTURES

The County is a participant with other counties in joint ventures that provide services to the constituents of all the participants. The County is a participant in the following joint ventures:

- Wilkes-Barre / Scranton International Airport ("Airport"). A joint venture with the County of Luzerne, the County Commissioners of each county serve as the members of the governing board. The County has an ongoing financial interest in the Airport by providing operating and capital funding. In 2003, the County provided approximately \$640,000 of operating subsidies and \$750,000 of capital subsidies. In addition, the County is committed to approximately \$1,800,000 of additional capital funding for completion of the new terminal at the Airport. The County has included a net investment in Airport of \$3,424,383 in its capital assets at December 31, 2003.
- Lackawanna Susquehanna Wayne Mental Health Mental Retardation Program. A joint venture with the Counties of Susquehanna and Wayne, each county appoints three members of the governing board. The County has no equity interest in this joint venture but does provide an annual match of funds. The Commonwealth of Pennsylvania primarily funds the joint venture.

All separately published audit reports of the component units and joint ventures are available for public inspection in the Office of the County Commissioners.

3. CASH AND INVESTMENTS

Pennsylvania statutes provide for investment into certain authorized investment types, including United States Treasury bills, other short-term United States and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition, the County provides that a pension or retirement fund may make an investment in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

CASH

Bank balances are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes bank balances that are insured (by federal depository insurance) or collateralized with securities held by the County or its agent in the County's name. Category 2 includes bank balances collateralized with securities held by the bank or its agent in the County's name. Category 3 includes bank balances that are uncollateralized, including any bank balance that is collateralized with securities held by the bank or its agent but not in the County's name. Category 3 includes balances collateralized under Act 72 of the Commonwealth of Pennsylvania, which requires all public funds in excess of \$100,000 be collateralized.

At December 31, 2003, the bank balance of the primary government's deposits was \$15,917,466 compared to the carrying amount of \$13,618,247. The total bank balance that was secured by federal depository insurance was \$536,099 (Category 1). The remainder was secured by securities pledged by the financial institutions for such funds but not in the County's name (Category 3). The County also holds funds in a fiduciary role (Pension Trust and Agency Funds). The bank balance of these deposits was \$4,849,391 compared to the carrying amount of \$4,311,531. The total bank balance classified as Category 1 was \$557,211 and the remainder is classified as Category 3. The County reclassified the \$1,045,222 balance due the General Fund by the Agency Fund at December 31, 2003 as cash in the government-wide financial statements.

INVESTMENTS

Investments of governmental units are also categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes securities that are insured or registered or which are held by the County or its agent in the County's name. Category 2 includes securities held by the counterparty or agent in the County's name. Category 3 includes uninsured and unregistered investments held by the counterparty or agent, but not in the County's name. Certain investments are not categorized (e.g., mutual funds) because securities are not used as evidence of the investment.

At December 31, 2003, the carrying amount of the primary government's investments was \$98,875,056. The carrying amount of investments classified as Category 1 was \$82,911,616. The carrying amount of investments classified as Category 3 was \$6,271,147. The remainder consists of mutual funds that are uncategorized as to investment risk.

Discretely presented component unit financial statements do not provide all the credit risk disclosures on cash and cash equivalents and investments. Therefore, no information on credit risk for these entities has been provided.

4. REAL ESTATE TAXES

The total tax on real estate in 2003 was 29.7293 mills (\$29.7293 per \$1,000 of assessed valuation). Of this amount, 27.6293 mills were levied for general and debt service purposes and 2.1 mills were levied for library services in the County. Amounts collected for library services are remitted to the Lackawanna County Library System.

Real estate taxes are collected by the Single Tax Office and remitted to the County. The County's Tax Assessor Office is responsible for establishing assessed values.

The schedule for real estate taxes levied each year is as follows:

February 1	Levy date
February 1 - February 28	2.5% discount period
March 1 - April 30	2.0% discount period
May 1 - June 30	Face payment period
July 1 - December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at December 31, 2003 were \$13,051,943. The amount of delinquent taxes receivable is reported net of an allowance for doubtful accounts of \$7,215,511.

5. DUE FROM/TO COMPONENT UNITS

At December 31, 2003, the County owed the County of Lackawanna Transit System Authority ("COLTS") \$509,809 for its portion of the required local match. Since COLTS has a fiscal year-end of June 30, 2003, the amounts shown in the financial statements do not agree.

In 2003, the County advanced \$1,514,069 to the Multi-Purpose Stadium Authority of Lackawanna County ("MPSA"), primarily to fund MPSA's debt service payments. Based on the current financial condition of MPSA, the County does not believe MPSA has the current ability to repay this advance and, accordingly, has recorded an allowance for the entire amount.

6. CAPITAL ASSETS

The changes in the County's capital assets in 2003 is summarized as follows:

	BALANCE JANUARY 1, <u>2003</u>	<u>ACQUISITIONS</u>	<u>DISPOSITIONS</u>	BALANCE DECEMBER 31, <u>2003</u>
<u>Governmental activities:</u>				
Cost:				
Land	\$ 1,321,626			\$ 1,321,626
Buildings and improvements	60,841,046	\$ 150,928		60,991,974
Furniture and equipment	24,171,383	506,852		24,678,235
Infrastructure	30,759,354			30,759,354
Investment in airport	<u>4,557,627</u>	<u>750,918</u>	\$ -	<u>5,308,545</u>
Total cost	<u>121,651,036</u>	<u>1,408,698</u>	<u>-</u>	<u>123,059,734</u>
Less accumulated depreciation:				
Buildings and improvements	13,694,604	1,598,428		15,293,032
Furniture and equipment	8,993,291	2,097,829		11,091,120
Infrastructure	26,559,496	332,133		26,891,629
Investment in airport	<u>1,794,612</u>	<u>89,550</u>	<u>-</u>	<u>1,884,162</u>
Total accumulated depreciation	<u>51,042,003</u>	<u>4,117,940</u>	<u>-</u>	<u>55,159,943</u>
Governmental activities capital assets, net	<u>\$ 70,609,033</u>	<u>\$2,709,242</u>	<u>\$ -</u>	<u>\$ 67,899,791</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	BALANCE JANUARY 1, 2003	ACQUISITIONS	DISPOSITIONS	BALANCE DECEMBER 31, 2003
<u>Business-type activity:</u>				
Cost:				
Land	\$ 1,404,000			\$ 1,404,000
Land improvements	7,533,605			7,533,605
Buildings and improvements	3,496,234			3,496,234
Furniture and equipment	<u>7,288,340</u>	\$ 181,022	\$ -	<u>7,469,362</u>
Total cost	<u>19,722,179</u>	<u>181,022</u>	<u>-</u>	<u>19,903,201</u>
Less accumulated depreciation:				
Land improvements	5,473,850	502,241		5,976,091
Buildings and improvements	2,165,380	114,018		2,279,398
Furniture and equipment	<u>5,144,337</u>	<u>265,340</u>	<u>-</u>	<u>5,409,677</u>
Total accumulated depreciation	<u>12,783,567</u>	<u>881,599</u>	<u>-</u>	<u>13,665,166</u>
Business-type activity capital assets, net	<u>\$ 6,938,612</u>	<u>\$700,577</u>	<u>\$ -</u>	<u>\$ 6,238,035</u>

7. TAX ANTICIPATION NOTE

The County issued a \$7,000,000 tax and revenue anticipation note on January 2, 2003. This note bore interest at a rate of 1.88% and matured on December 31, 2003. The County did not pay the \$7,000,000 until January 2004 when it paid \$7,131,600, including interest of \$131,600. There were no outstanding borrowings at the beginning of 2003.