

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4: LONG-TERM OBLIGATIONS

Governmental Activities

At December 31, 2005, general long-term debt obligations were as follows:

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
<u>BONDS AND NOTES PAYABLE</u>				
1995 \$725,000 General Obligation Bonds (Series B of 1995), payable in varying annual installments plus interest of 6.00% to 7.25%, with final maturity scheduled for 2009. These bond proceeds were used to repay a 1994 bank loan.	\$ 340,000	\$ -	\$ 60,000	\$ 280,000
1997 \$8,475,000 General Obligation Bonds (Series of 1997). These bonds were repaid in 2005.	250,000	-	250,000	-
1997 \$34,485,000 General Obligation Bonds (Series A of 1997), these bond proceeds were used to finance the expansion and renovation of the County Prison. These bonds were partially repaid in 2005. The remaining balance is due by the 2022, maturity date.	34,455,000	-	34,445,000	10,000

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
1999 \$27,865,000 General Obligation Bonds (Series A of 1999), payable in varying annual installments plus interest of 3.00% to 5.00%, with final maturity scheduled for 2022. These bond proceeds were used to refund a 1993 bond issue, advance refund a portion of a 1994 bond issue, advance refund a portion of the 1997 bond issue as well as finance various capital projects.	24,700,000	-	925,000	23,775,000
1999 \$5,225,000 General Obligation Bonds (Series B of 1999), payable in varying annual installments plus interest of 5.875% to 7.000%, with final maturity scheduled for 2019. These bond proceeds were used to finance the construction of the amphitheatre. In 2002, the County transferred \$3,890,000 of the obligation to the Lackawanna County Performing Arts Center Authority.	1,075,000	-	45,000	1,030,000
2002 \$19,540,000 General Obligation Bonds (Series A of 2002), payable in varying annual installments plus interest of 2.000% to 5.125% , with final maturity scheduled for 2020. These bond proceeds were used to refund the 1992 and 1995 bond issues and finance various capital projects. These bonds were partially refunded by the 2005 Series B Bond Issue.	16,655,000	-	2,015,000	14,640,000

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
2004 \$10,110,000 General Obligation Bonds (Series A of 2004), payable in varying annual installments plus interest of 2.000% to 5.000%, with final maturity scheduled for 2015. These bond proceeds were used to refund the 1994 bond issues, finance a portion of the cost of certain capital projects of the County, fund a deposit to a debt service reserve fund and to pay the costs of issuing and insuring the 2004 A and 2004 B Bonds.	1,485,000	-	36,721	1,448,279
2004 \$29,270,000 General Obligation Bonds (Series B of 2004), payable in monthly installments of interest only at a fixed rate of 3.693% until 2016. In 2016 monthly payments of principal and interest at 3.693% will begin until the bonds mature in 2028. The bond agreement required the County to enter into an interest swap agreement with PNC Bank, in which the bank will pay the county a variable interest rate. These bond proceeds were used to refund the 1994 bond issues, finance a portion of the cost of certain capital projects of the County, fund a deposit to a debt service reserve fund and to pay the costs of issuing and insuring the 2004 A and 2004 B Bonds.	29,270,000	-	-	29,270,000

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
2004 \$4,210,000 General Obligation Bonds (Series C of 2004), payable in varying annual installments plus interest of 3.76% to 5.35%, starting in 2008, with final maturity scheduled for 2019. These bond proceeds were used to finance the payment of unfunded accrued actuarial pension obligations of the County, to fund a deposit to a debt service reserve fund and pay the costs of issuing and insuring the 2004C bonds.	4,210,000	-	5,000	4,205,000
2004 \$20,145,000 General Obligation Bonds (Series D of 2004), payable in varying quarterly installments of principal plus interest not to exceed 8.00% with final maturity scheduled for 2019. These bond proceeds were used to finance unfunded debt of the County, including certain outstanding obligations of the current and prior fiscal years.	20,145,000	-	1,660,000	18,485,000
Note payable to bank requiring monthly payments of \$9,428 including interest at a rate of 7.85%, through August 2008. Lackawanna County and Luzerne County have equally assumed the bank debt of the Northeastern Pa. Sports Development Corporation (NPSDC), the entity was established to purchase the professional baseball team operated by the Multi-purpose Stadium Authority of Lackawanna County. In the event of the sale of the professional baseball team, the County of Luzerne will be entitled to one-half of the proceeds of the sale.	161,709	-	45,562	116,147

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
<p>2005 \$10,000,000 General Obligation Bonds (Series A of 2005), payable in varying semi annual installments plus interest at prime rate plus .25%, not to exceed 12%, with final maturity scheduled for 2010. These bond proceeds were used to finance the construction and renovation at Lackawanna County Courthouse Square and at the Lackawanna County Multi-Purpose Stadium.</p>	-	10,000,000	865,000	9,135,000
<p>2005 \$38,650,000 General Obligation Bonds (Series B of 2005), payable in monthly installments of interest only at a fixed rate of 3.66% until 2007. In 2007 monthly payments of principle and interest of 3.66% will begin until the bonds mature in 2031. The bond agreement required the County to enter into an interest swap agreement with PNC Bank, in which the bank will pay the county a variable interest rate. These bond proceeds were used to refund the 1997 bond issues and a portion of the 2002 Series A bond issue, and to pay the costs of issuing and insuring the 2005 A and 2005 B Bonds.</p>	-	38,650,000	-	38,650,000
	<u>\$ 132,746,709</u>	<u>\$ 48,650,000</u>	<u>\$ 40,352,283</u>	<u>\$ 141,044,426</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Governmental Activities (Cont'd)

The following summarizes the County's future debt service requirements on the above bonds and note payable as of December 31, 2005:

<u>YEAR ENDED DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 6,290,421	\$ 5,985,882	\$ 12,276,303
2007	6,712,148	5,725,739	12,437,887
2008	7,288,614	5,449,886	12,738,500
2009	8,354,963	5,148,413	13,503,376
2010	7,390,104	4,814,747	12,204,851
2011-2015	37,578,176	19,319,160	56,897,336
2016-2020	39,660,000	11,216,475	50,876,475
2021-2025	14,300,000	4,669,414	18,969,414
2026-2030	<u>13,470,000</u>	<u>1,443,612</u>	<u>14,913,612</u>
Total	<u>\$ 141,044,426</u>	<u>\$ 63,773,328</u>	<u>\$ 204,817,754</u>

In December 2005, the County issued 38.65 million in General Obligation Bonds with a varying interest rate of 3.66%, and received a variable payment from PNC Bank under an interest rate swap agreement. In addition, \$2,015,000 of outstanding 2002 Series Bonds with a varying interest rate of 2.0% to 5.125% was advanced refunded.

As a result of the bond issue the County increased its aggregate debt service payments by \$440,000 over the next 15 years and obtained an economic gain (difference between the present values of the old and new debt service payment) of \$90,000.

The County entered into an interest rate swap agreement as a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in November 2004, in connection with its \$29,270,000 2004 Series B variable-rate bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 3.693 percent.

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4 : LONG-TERM OBLIGATIONS (CONT'D)

The bonds and the related swap agreement mature on October 15, 2029, and the swap's notional amount of \$29,270,000 matches the \$29,270,000 variable-rate bonds. The swap was entered into at the same time the bonds were issued (November 2004). Starting in fiscal year 2016, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the County pays the counterparty, PNC Bank, N.A., a fixed payment of 3.693 percent and receives a variable payment computed as 63 percent of the London Interbank Offered Rate (LIBOR) plus 25 basis points. Conversely, the bond's variable-rate is based upon a weekly interest rate as determined by the remarketing agent.

The swap had a negative fair value of \$1,209,443 as of December 31, 2005. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by the counterparty based on proprietary models rather than actual market quotations.

As of December 31, 2005, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Standard & Poor's and A-1 by Moody's Investors Service as of December 31, 2005.

The swap exposes the government to basis risk should the relationship between LIBOR plus 25 basis points and the weekly interest rate as determined by the remarketing agent converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate 3.693 percent and the synthetic rate as of December 31, 2005, 4.210 percent. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of December 31, 2005, the Weekly Interest rate was 3.53 percent, whereas 63 percent of LIBOR plus 25 basis points was 3.013 percent.

The 2004B Swap Agreement will terminate on October 15, 2029, unless terminated sooner in accordance with its terms. The County has the option to terminate all or part of the 2004B Swap Agreement at any time, so long as it has sufficient funds available to pay any termination amount due and owing in connection therewith. The 2004B Swap Agreement will terminate upon the event of a default termination event or additional termination events as set forth in the ISDA master agreement, and upon the following termination events:

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

The County fails to maintain ratings of at least "Baa3" from S&P and "BBB" from Moody's and one of certain adverse events has occurred with respect to the Bond Insurer and is continuing. These adverse events include: (i) nonpayment by the Bond Insurer of amounts due under its policy to the Counterparty; (ii) the Bond Insurer's policy is not in full force and effect or its validity is challenged by the Bond Insurer; (iii) it becomes unlawful for the Bond Insurer to perform under its policy; (iv) certain events of bankruptcy for the Bond Insurer; and (v) the claims paying ability rating of the Bond Insurer falls below "A" by S&P and the financial strength rating of the Bond Insurer falls below "A2" by Moody's, or any such ratings withdrawn or suspended and not reinstated within 30 days.

With respect to the County, if the ordinance authorizing the 2004B Swap Agreement is amended in a manner which materially and adversely affects the rights of the Counterparty without the prior written consent of Party A (which consent may not be unreasonably withheld).

With respect to the County, if amounts payable by the County to the Counterparty cease to be general obligations of the County.

In the event that the 2004B Swap Agreement terminates prior to its stated termination date (including as a result of any optional termination by the County), the County may be required to make a termination payment to the Counterparty. Termination payments by the County and the Counterparty will be determined using the Second Method - Market Quotation (as defined in the 2004B Swap Agreement) method at the time of such early termination.

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of December 31, 2005, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows:

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

<u>Year Ending</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate Swaps, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2006	\$ -	\$ 1,033,231	\$ 199,039	\$ 1,232,270
2007	-	1,033,231	199,039	1,232,270
2008	-	1,033,231	199,039	1,232,270
2009	-	1,033,231	199,039	1,232,270
2010	-	1,033,231	199,039	1,232,270
2011	-	1,033,231	199,039	1,232,270
2012	-	1,033,231	199,039	1,232,270
2013	-	1,033,231	199,039	1,232,270
2014	-	1,033,231	199,039	1,232,270
2015	-	1,033,231	199,039	1,232,270
2016	500,000	1,033,231	199,039	1,732,270
2017	520,000	1,015,581	195,639	1,731,220
2018	535,000	997,225	192,103	1,724,328
2019	555,000	978,340	188,464	1,721,804
2020	575,000	958,748	184,690	1,718,438
2021	2,075,000	938,451	180,780	3,194,231
2022	2,155,000	865,203	166,670	3,186,873
2023	2,855,000	789,132	152,016	3,796,148
2024	2,960,000	688,350	132,602	3,780,952
2025	3,070,000	583,862	112,473	3,766,335
2026	3,185,000	475,491	91,597	3,752,088
2027	3,305,000	363,061	69,939	3,738,000
2028	3,425,000	246,394	47,465	3,718,859
2029	3,555,000	125,492	24,174	3,704,666
	<u>\$ 29,270,000</u>	<u>\$ 20,390,871</u>	<u>\$ 3,928,041</u>	<u>\$ 53,588,912</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

The County entered into an interest rate swap agreement as a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in 2005, in connection with its \$38,650,000 2005 Series B variable-rate bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 3.54 percent.

The bonds and the related swap agreement mature on September 15, 2020 and the swap's notional amount of \$38,650,000 matches the \$38,650,000 variable-rate bonds. The swap was entered into at the same time the bonds were issued (December 2005). Starting in 2007, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the County pays the counterparty, PNC Bank, N.A., a fixed payment of 3.54 percent and receives a variable payment computed as 63 percent of the London Interbank Offered Rate (LIBOR) plus 25 basis points. Conversely, the bond's variable-rate is based upon a weekly interest rate as determined by the remarketing agent.

The swap had a negative fair value of \$746,611 as of December 31, 2005. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by the counterparty based on proprietary models rather than actual market quotations.

As of December 31, 2005, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Standard & Poor's and A-1 by Moody's Investors Service as of December 31, 2005.

The swap exposes the government to basis risk should the relationship between LIBOR plus 25 basis points and the weekly interest rate as determined by the remarketing agent converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate 3.54 percent and the synthetic rate as of December 31, 2005, 4.027 percent. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of December 31, 2005, the Weekly Interest rate was 3.50 percent, whereas 63 percent of LIBOR plus 25 basis points was 3.013 percent.

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4 : LONG-TERM OBLIGATIONS (CONT'D)

The 2005B Swap Agreement will terminate on October 15, 2020, unless terminated sooner in accordance with its terms. The County has the option to terminate all or part of the 2005B Swap Agreement at any time, so long as it has sufficient funds available to pay any termination amount due and owing in connection therewith. The 2005B Swap Agreement will terminate upon the event of a default termination event or additional termination events as set forth in the ISDA master agreement, and upon the following termination events:

The County fails to maintain ratings of at least "Baa3" from S&P and "BBB" from Moody's and one of certain adverse events has occurred with respect to the Bond Insurer and is continuing. These adverse events include: (i) nonpayment by the Bond Insurer of amounts due under its policy to the Counterparty; (ii) the Bond Insurer's policy is not in full force and effect or its validity is challenged by the Bond Insurer; (iii) it becomes unlawful for the Bond Insurer to perform under its policy; (iv) certain events of bankruptcy for the Bond Insurer; and (v) the claims paying ability rating of the Bond Insurer falls below "A" by S&P and the financial strength rating of the Bond Insurer falls below "A2" by Moody's, or any such ratings withdrawn or suspended and not reinstated within 30 days.

With respect to the County, if the ordinance authorizing the 2005B Swap Agreement is amended in a manner which materially and adversely affects the rights of the Counterparty without the prior written consent of Party A (which consent may not be unreasonably withheld).

With respect to the County, if amounts payable by the County to the Counterparty cease to be general obligations of the County.

In the event that the 2005B Swap Agreement terminates prior to its stated termination date (including as a result of any optional termination by the County), the County may be required to make a termination payment to the Counterparty. Termination payments by the County and the Counterparty will be determined using the Second Method - Market Quotation (as defined in the 2005B Swap Agreement) method at the time of such early termination.

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of December 31, 2005, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows:

	<u>Variable-Rate Bonds</u>			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2006	\$ -	\$ 1,352,750	\$ 203,689	\$ 1,556,439
2007	5,000	1,352,750	203,689	1,561,439
2008	5,000	1,352,575	203,663	1,561,238
2009	365,000	1,352,400	203,636	1,921,036
2010	380,000	1,339,625	201,713	1,921,338
2011	395,000	1,326,325	199,710	1,921,035
2012	2,100,000	1,312,500	197,628	3,610,128
2013	3,540,000	1,239,000	186,561	4,965,561
2014	3,690,000	1,115,100	167,905	4,973,005
2015	4,210,000	985,950	148,458	5,344,408
2016	4,380,000	838,600	126,271	5,344,871
2017	4,550,000	685,300	103,188	5,338,488
2018	4,730,000	526,050	79,209	5,335,259
2019	4,925,000	360,500	54,282	5,339,782
2020	5,375,000	188,125	28,327	5,591,452
	<u>\$ 38,650,000</u>	<u>\$ 15,327,550</u>	<u>\$ 2,307,929</u>	<u>\$ 56,285,479</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Business-Type Activity

At December 31, 2005, general long-term debt obligations were as follows:

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
<u>Bonds Payable</u>				
2004 \$8,625,000 General Obligation Bonds (Series A of 2004), payable in varying annual installments plus interest of 2.000% to 5.000%, with final maturity scheduled for 2015. These bond proceeds were used to refund the 1994 bond issues.	\$ 9,087,541	\$ -	\$ 255,329	\$ 8,832,212
Deferred amount on Refunding (1994 General Obligation Bonds)	<u>(712,697)</u>	<u>64,542</u>	<u>-</u>	<u>(648,155)</u>
Total	<u>\$ 8,374,844</u>	<u>\$ 64,542</u>	<u>\$ 255,329</u>	<u>\$ 8,184,057</u>

Interest paid on these bonds was \$314,490 in 2005.

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

The following summarizes the future debt service requirements on the above bonds as of December 31, 2005:

<u>YEAR ENDING DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 251,669	\$ 338,814	\$ 590,483
2007	848,850	332,524	1,181,374
2008	874,444	307,058	1,181,502
2009	900,037	280,824	1,180,861
2010	929,896	249,324	1,179,220
2011-2015	<u>4,606,825</u>	<u>682,984</u>	<u>5,289,809</u>
Total	8,411,721	2,191,528	10,603,249
Add: Premium on 2004 Bond Issue	420,491	-	420,491
Less: Deferred amount on refunding	<u>(648,155)</u>	<u>-</u>	<u>(648,155)</u>
	<u>\$ 8,184,057</u>	<u>\$ 2,191,528</u>	<u>\$ 10,375,585</u>

OTHER CHANGES IN LONG-TERM DEBT

Governmental Activities:

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
Compensated absences	<u>\$ 4,306,346</u>	<u>\$ 807,735</u>	<u>\$ 778,870</u>	<u>\$ 4,335,211</u>
Capital lease obligations	<u>\$ -</u>	<u>\$ 1,190,325</u>	<u>\$ 32,445</u>	<u>\$ 1,157,880</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

The county has entered into a capital lease agreement with GE Capital Public Finance Inc. to finance the cost of energy effieicent improvements throughout the county.

The following is a summary of future minimum lease payments required under these capital leases along with the present value of the net minimum lease payments as of December 31, 2005:

<u>YEARS ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2006	\$ 157,269
2007	157,269
2008	157,269
2009	157,269
2010	157,269
Thereafter	<u>720,820</u>
Total minimum lease payments	1,507,165
Less amounts representing interest	<u>(349,285)</u>
Present value of net minimum lease payments	<u>\$ 1,157,880</u>

Business-Type Activity:

	Balance Outstanding January 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2005</u>
Capital lease obligations	<u>\$ 254,198</u>	<u>\$ -</u>	<u>\$ 144,993</u>	<u>\$ 109,205</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Montage Ski Resort has entered into two capital leases for equipment. The first lease agreement requires twenty-five payments of \$26,187 (five payments per year, payable December through April). The lease expired in October 2006. The second lease requires monthly payments of \$298 through October 2007.

The following is a summary of future minimum lease payments required under these capital leases along with the present value of the net minimum lease payments as of December 31, 2005:

<u>YEARS ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2006	107,729
2007	<u>2,980</u>
Total minimum lease payments	110,709
Less amounts representing interest	<u>(1,504)</u>
Present value of net minimum lease payments	<u>\$ 109,205</u>

Discretely Presented Component Unit

The following is a summary of long-term debt for the discretely presented component units at December 31, 2005:

<u>Lackawanna County Redevelopment Authority</u>	<u>Amount</u>
Term note, due in varying semiannual installments plus interest at 5.0%; maturing 2011	\$ 7,210,403
Term note, due in varying semiannual installments plus interest at 6.5%, maturing 2011	<u>308,748</u>
	<u>7,519,151</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Lackawanna River Basin Sewer Authority

Guaranteed Sewer Revenue Refunding Bonds, Series 2004, due in varying annual installments plus interest at rates ranging from 2.8% to 5.25%; final maturity scheduled for 2011. Reported net of unamortized discount of \$37,446 and issuance cost of \$156,136. 4,230,000

PENNVEST note, due in monthly installments of \$17,432 including interest at 1%; maturing 2011 1,069,445

5,299,445

Lackawanna County Railroad Authority

Mortgage note, due in annual installments of \$9,250 with no interest; maturing 2012 64,750

Demand note, due upon cessation of operations 750,000

814,750

Multi-Purpose Stadium Authority of Lackawanna County

Guaranteed Stadium Revenue Bonds, Series 2002, due in varying annual installments plus interest at an average rate of 2.9%; final maturity scheduled for 2007 2,970,230

Term note, due in monthly payments of \$4,602 including interest at 3.84 %; maturing 2007 71,685

Term note, due in monthly payments of \$9,852 including interest at 2.79%; final maturity scheduled for 2008 283,899

3,325,814

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Discretely Presented Component Unit (Cont'd)

<u>Lackawanna County Performing Arts Center Authority</u>	<u>Amount</u>
General obligation bonds, Series B of 1999, due in varying annual installments plus interest at rates ranging from 5.87% to 7.00%; final maturity scheduled for 2018.	3,070,000
General obligation bonds, Series B of 2002, due in varying annual installments plus interest at rates ranging from 2.65% to 6.85%; final maturity scheduled for 2020. Reported net of unamortized discount of \$26,351.	<u>3,900,531</u>
	<u>6,970,531</u>
TOTAL	<u>\$ 23,929,691</u>

Scheduled principal maturities of long-term debt of the discretely presented component units are summarized as follows:

<u>YEARS ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2006	\$ 4,891,328
2007	3,335,317
2008	2,116,344
2009	2,105,281
2010	2,105,243
Thereafter	<u>9,596,111</u>
	24,149,624
Less unamortized discount	<u>(219,933)</u>
Total	<u>\$ 23,929,691</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4: LONG-TERM OBLIGATIONS (CONT'D)

Discretely Presented Component Unit (Cont'd)

Scranton Lackawanna Health and Welfare Authority

The Scranton Lackawanna Health and Welfare Authority ("SLHWA") has entered into lease, sublease and guarantee agreements for facilities being financed through the issuance of bonds by SLHWA. SLHWA leases the facilities, limited to the project, from the various entities for a fixed rental amount equal to the proceeds from the sale of the bonds. SLHWA subleases the facilities back to the various entities for periodic lease payments in amounts sufficient to pay principal and interest on the bonds when due, the redemption premium, if any, and to pay all expenses and fees of SLHWA and trustee, if applicable, as related to the bonds. Accordingly, future lease payments due over the remaining terms of the leases (net of the portion applicable to interest) have been reflected as a receivable in SLHWA's balance sheet. The facilities revert to the lessee upon full and final payment of the bonds, and expiration of the lease. Accordingly, the cost of the facilities acquired with proceeds of bond issues has not been capitalized in the financial statements of SLHWA. SLHWA has executed a trust indenture with a trustee bar of SLHWA's rights, title and interest in the facilities under the various bond agreements.

SLHWA, as a result of the assignments, has no ongoing obligation for the debt but has chosen to include the debt and the related future rental receivable in its financial statements. As of December 31, 2005, there were ten general obligation bond issues outstanding and seven notes and mortgages outstanding with an aggregate balance of \$226,959,284.