

COUNTY OF LACKAWANNA, PENNSYLVANIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Lackawanna County, Pennsylvania:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lackawanna, Pennsylvania (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 Lackawanna County Area Agency on Aging (a Special Revenue Fund) and the Lackawanna County Commission on Drug and Alcohol Abuse (a blended component unit) for the year ended December 31, 2006, which represent 1% and 1%, respectively, of the total assets and 5% and 2%, respectively, of the total revenues of the governmental activities and 11% and 16%, respectively, of the total assets and 19% and 7%, respectively, of total revenues of the Health and Human Services Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lackawanna County Area Agency on Aging and the Lackawanna County Commission on Drug and Alcohol Abuse, is based on the report of the other auditors. In addition, we did not audit the financial statements of the Pension Trust Fund for the year ended December 31, 2006, which represents 96% of the total assets of the Fiduciary Funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund, is based on the report of the other auditors. Last, we did not audit the financial statements of the aggregate discretely presented component units (with the exception of the Multi-Purpose Stadium Authority of Lackawanna County and the Lackawanna County Performing Arts Center Authority, which represent 9% and 4%, respectively, of total assets and 7% and 3%, respectively, of total revenues of the discretely presented component units). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for the discretely presented component units (excluding amounts for the Multi-Purpose Stadium Authority of Lackawanna County and Lackawanna County Performing Arts Center Authority), is based on the reports of the other auditors.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Lackawanna, Pennsylvania as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the County has restated the net assets of its governmental and business type activities for 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2008 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.

The Management's Discussion and Analysis on pages 5 through 18, the budgetary comparison information on page 65 and the Pension Trust Fund schedules on page 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Scranton, Pennsylvania
May 6, 2008

**COUNTY OF LACKAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(UNAUDITED)
DECEMBER 31, 2006**

This Management's Discussion and Analysis ("MD & A") is intended to provide a narrative overview and analysis of the financial activities of the County of Lackawanna, Pennsylvania for the year ended December 31, 2006. The County's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. The discussion focuses on the County primary government. Component units, unless otherwise noted are not included in this discussion.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensated absences).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the county include all of the County's activities except for the operation of the Montage Ski Resort, which is considered a business-type activity.

The government-wide financial statements can be found on pages 19-27 of this report.

FINANCIAL HIGHLIGHTS

Overall the County's liabilities exceed the assets by \$37,481,838 at December 31, 2006.

General Fund expenses exceeded revenues in 2006. This reduced the General Fund balance from \$7,732,310 at December 31, 2005 to \$6,058,116 at December 31, 2006.

The County sold the Montage Ski Resort during 2006 and transferred the remaining land and debt to the governmental activities of the County.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The County used three types of funds: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the County's major funds, which are the General Fund, Health and Human Services Fund, Landfill Trust Fund, Debt Service Fund and the Capital Projects Fund. All the governmental funds are not considered individually significant and have been aggregated and reported under the caption "Nonmajor".

The County adopts an annual budget for its General, Debt Service and Liquid Fuels Funds. A budgetary comparison statement has been provided to demonstrate compliance with these budgets on page 65.

The basic fund financial statements can be found on pages 21-27 of this report.

FIDUCIARY FUNDS

The County accounts for the assets held under trust or in an agent capacity in fiduciary funds. Assets held in trust in the County retirement plan are accounted for in the Pension Trust fund. Assets held in a custodial or agent function are accounted for in the Agency Fund.

Fiduciary funds are not reported in the government-wide financial statements since they are not available to support the County operation.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 – 64 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County prepares a budget each year for the General Fund, Debt Service, Liquid Fuels and various other funds according to Pennsylvania Law and the Lackawanna County Home Rule Charter. The 2006 budget was adopted on a cash basis and included various transfers and salary and benefits for the other funds (i.e. Health Care Facility, Area Agency on Aging, Day Care).

The significant variances in Human Services expenditures and transfers is due to the budget including salaries and benefits and associated reimbursements from other funds on a gross basis. In 2006, the County's new financial systems records expenditures for salaries and benefits directly to the related fund. The Budget to Actual Analysis can be found on page 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County adopted the financial statement-reporting model required by GASB STATEMENT NO. 34 in 2003. Information for 2006 along with prior year information for comparison purposes is provided below:

**CONDENSED STATEMENT OF NET ASSETS
 GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current and Other Assets	\$ 90,410,562	\$ 71,435,866
Capital Assets	<u>85,206,804</u>	<u>79,697,602</u>
Total Assets	<u>\$175,617,366</u>	<u>\$151,133,468</u>
<u>LIABILITIES & NET DEFICIT</u>		
Current Liabilities	\$ 33,399,976	\$ 30,820,848
Long Term & Other Liabilities	<u>179,699,228</u>	<u>146,926,870</u>
Total Liabilities	<u>213,099,204</u>	<u>177,747,718</u>
<u>NET ASSETS (DEFICIT)</u>		
Invested in Capital Assets, Net of Related Debt	(32,283,722)	(3,628,572)
Restricted	10,429,807	32,193,785
Unrestricted	<u>(15,627,923)</u>	<u>(55,179,463)</u>
Total Net Deficit	<u>(37,481,838)</u>	<u>(26,614,250)</u>
TOTAL	<u>\$175,617,366</u>	<u>\$151,133,468</u>

**CONDENSED STATEMENT OF GOVERNMENTAL ACTIVITIES
 YEAR ENDED DECEMBER 31, 2006 AND 2005**

GOVERNMENTAL ACTIVITIES

	<u>2006</u>	<u>2005</u>
PROGRAM REVENUES:		
CHARGES FOR SERVICES	\$ 52,262,422	\$ 41,185,013
OPERATING GRANTS AND CONTRIBUTIONS	41,411,223	41,778,484
CAPITAL GRANTS & CONTRIBUTIONS	4,652,392	4,831,296
GENERAL REVENUES:		
TAX LEVY FOR GENERAL PURPOSES NET	53,753,995	58,192,694
CONTRIBUTIONS AND OTHER	3,939,828	5,405,923
TRANSFERS	<u>(4,703,930)</u>	<u>(1,167,279)</u>
TOTAL REVENUES	<u>151,315,930</u>	<u>150,226,131</u>
EXPENSES		
GENERAL GOVERNMENT	27,376,772	15,166,737
JUDICIAL	16,718,724	17,376,067
CORRECTIONS	27,538,924	28,169,537
PUBLIC WORKS & ENTERPRISES	7,999,890	7,207,710
HUMAN SERVICES	54,492,003	54,913,835
CULTURE & RECREATION	10,812,222	9,099,665
CONSERVATION & DEVELOPMENT	4,097,056	3,707,776
OTHER	-	5,567,406
DEPRECIATION	4,257,410	-
INTEREST - LONG TERM DEBT	<u>5,384,458</u>	<u>6,425,956</u>
TOTAL EXPENSES	<u>158,677,459</u>	<u>147,634,689</u>
CHANGES IN NET ASSETS	(7,361,529)	2,591,442
NET DEFICIT BEGINNING AS PREVIOUSLY REPORTED	(26,614,250)	(29,317,599)
PRIOR YEAR ADJUSTMENT	<u>(3,506,059)</u>	<u>111,907</u>
NET (DEFICIT) AS RESTATED	<u>(30,120,309)</u>	<u>(29,205,692)</u>
NET DEFICIT ENDING	<u>\$(37,481,838)</u>	<u>\$(26,614,250)</u>

**CONDENSED STATEMENT OF ACTIVITIES
BUSINESS TYPE ACTIVITIES
YEAR ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
REVENUES:		
CHARGES FOR SERVICES	\$1,416,644	\$ 2,904,081
GAIN ON SALE OF CAPITAL ASSETS	784,322	1,756
TRANSFERS	<u>4,703,930</u>	<u>1,167,279</u>
TOTAL REVENUES	<u>6,904,896</u>	<u>4,073,116</u>
EXPENSES,		
SKI RESORT	<u>3,217,918</u>	<u>4,801,567</u>
CHANGE IN NET ASSETS	3,686,978	(728,451)
NET DEFICIT- BEGINNING	(3,184,869)	(2,456,418)
PRIOR PERIOD ADJUSTMENT	<u>(502,109)</u>	<u>-</u>
NET DEFICIT, BEGINNING AS RESTATED	<u>(3,686,978)</u>	<u>-</u>
NET DEFICIT, ENDING	<u>\$ -</u>	<u>\$(3,184,869)</u>

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR FUND)

The following represents a summary of General fund revenue, by source, along with changes from 2005.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Taxes	\$54,616,070	\$55,818,536	\$(1,202,466)	(2.15)%
Intergovernmental	17,915,421	16,608,812	1,306,609	7.90
Charges for service	17,091,805	15,048,659	2,043,146	13.60
Other	1,374,833	978,551	396,282	(40.51)
Transfers in	<u>3,323,626</u>	<u>428,820</u>	<u>2,894,806</u>	<u>100.00</u>
Total revenues and other financing sources	<u>\$94,321,755</u>	<u>\$88,883,378</u>	<u>\$5,438,377</u>	<u>6.20%</u>

Tax Revenue decreased due to a 5% or 2 mill tax cut in the 2006 budget. This equates to a cut of \$2,300,000. Applying this to the analysis tax collections after the tax cut collections after the tax cut actually increased by approximately \$1,100,000 in 2006.

The large increase in County charges and earnings is due to the housing of federal prisoners at the Lackawanna County Prison to offset costs. This increase amounted to over \$3.8 million in 2006.

COUNTY OF LACKAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2006

GENERAL FUND (MAJOR FUND)

The following represents a summary of General Fund expenditures, by function along with changes from 2005.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>(Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
General Government	\$ 24,260,739	\$13,938,202	\$10,322,537	74.0%
Judicial	13,784,554	14,356,715	(572,161)	(4.0)
Corrections	23,072,495	23,255,471	(182,976)	(.8)
Public Works	181,827	289,471	(107,644)	(37.2)
Human Services	15,162,391	15,593,099	(430,708)	2.8
Culture and Recreation	4,504,264	5,463,114	(958,850)	(17.6)
Community Development	406,666	598,171	(191,505)	(32.0)
Miscellaneous	810,553	891,228	(80,675)	(9.1)
Transfers	<u>13,812,461</u>	<u>1,671,249</u>	<u>12,141,212</u>	<u>10.0</u>
TOTAL	<u>\$ 95,995,950</u>	<u>\$76,056,720</u>	<u>\$19,939,230</u>	<u>8.1%</u>

The net effect of these revenue and expense schedules is that the expenditures of the County exceeded the revenues by \$1,674,194. This reduced the County fund balance from \$7,732,310 at December 31, 2005 to \$6,058,116 at December 31, 2006.

HEALTH AND HUMAN SERVICES FUND (MAJOR FUND)

The Health and Human Services Fund accounts for revenues and expenses for the provision of social services within the County. These services include the County Nursing Home, Area Agency on Aging, Day Care Services, and Medical Transportation Services.

Total revenues in 2006 were \$38,499,741 versus \$38,301,128 in 2005 or an increase of \$198,613 or .5%.

Total expenditures in 2006 were \$38,528,926 versus \$37,903,474 in 2005 for an increase of \$625,452 or 1.7%.

This resulted in an ending fund deficit at December 31, 2006 of \$(434,727).

LANDFILL TRUST FUND (MAJOR FUND)

The Landfill Trust Fund was established in 2003 with the receipt of \$8.5 million from the termination of trust funds established by the Commonwealth of Pennsylvania relating to the post-closure of landfills located in the county.

In 2003, approximately \$2.4 million was transferred to the county. There were no transfers in 2004 or 2005 or 2006. Investment of funds yielded \$273,691 in revenues bringing the fund balance at December 31, 2006 to \$6,733,518.

DEBT SERVICE FUND (MAJOR FUND)

The Debt Service fund accounts for resources accumulated for the payment of long term obligations, primarily bonds. A portion of the County real estate tax levy is used to fund the expenditures within this fund as well as transfers from other funds for which the specific debt was issued.

CAPITAL PROJECTS FUND (MAJOR FUND)

The County issued \$41,365,000 in bonds during 2006 (Series A 2006). These bonds were used to refund old debt and to fund approximately \$33,000,000 in Capital projects including the new 911 Center and the Courthouse Construction project.

ENTERPRISE FUND (MAJOR FUND)

The Enterprise Fund accounts for the activity of the Montage Ski Resort. The resort was sold on November 6, 2006 to a private entity. Activity during the year can be found in the schedules on pages 26-27 of this report.

INTERNAL SERVICE FUND

The Internal Service Fund accounts for the County's self-insured workers compensation program. This program is monitored by the Commonwealth of Pennsylvania Bureau of Labor and Industry, which requires that the county maintain an irrevocable trust account for the payment of future benefits. The funds total assets at December 31, 2006 were \$1,114,130.

This amount adheres to the state minimum level and as a result the fund has a deficit fund balance of \$1,245,819 as of December 31, 2006. This is an increase of \$55,531 in the fund deficit of (\$1,190,288) reported at December 31, 2005.

PENSION TRUST FUND

The Pension Trust Fund is a fiduciary fund and holds the assets of the County Retirement Plan, which amounted to \$126,578,303 as of December 31, 2006. This represents an increase of \$15,245,584 over the assets reported as of December 31, 2005.

A County contribution in the amount of \$2,856,077 was made in 2006. Plan members contributed \$3,826,253 and investment earnings were \$13,607,762.

AGENCY FUND

The Agency Fund accounts for assets held by the County in a custodial function for individuals or other governments. The County held \$4,678,868 in that role as of December 31, 2006.

COUNTY OF LACKAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2006

CAPITAL ASSETS

The County investment in capital assets at December 31, 2006 is summarized below:

	January 1, <u>2006</u>	<u>Acquisitions</u>	<u>Transfers</u>	December 31, <u>2006</u>
Capital assets, not being depreciated:				
Land	\$ 1,363,626		\$914,311	\$ 2,277,937
Construction in Progress	<u>4,059,983</u>	<u>\$14,242,469</u>	<u> </u>	<u>18,302,452</u>
Total Capital Assets, not being depreciated	<u>5,423,609</u>	<u>14,242,469</u>	<u>914,311</u>	<u>20,580,389</u>
Capital assets, being depreciated:				
Buildings and Improvements	60,558,175	2,594,350		63,152,525
Machinery and Equipment	26,200,609	1,113,204		27,313,813
Equipment under capital lease	1,190,325	233,000		1,423,325
Infrastructure	30,759,354	1,030,688		31,790,042
Investment in Airport	<u>6,422,975</u>	<u>1,774,592</u>		<u>8,197,567</u>
Total Capital Assets, being Depreciated	<u>125,131,438</u>	<u>6,745,834</u>		<u>131,877,272</u>
Less: Accumulated depreciation:				
Buildings and Improvements	(17,882,446)	(1,576,347)		(19,458,793)
Machinery and equipment	(15,491,846)	(2,301,272)		(17,793,118)
Equipment under capital lease	-	(81,944)		(81,944)
Infrastructure	(27,555,893)	(115,090)		(27,670,983)
Investment in Airport	<u>(2,063,262)</u>	<u>(182,757)</u>		<u>(2,246,019)</u>
Total Accumulated Depreciation	(62,993,447)	(4,257,410)		(67,250,857)
Total Capital Assets being depreciated, Net	<u>62,137,991</u>	<u>2,488,424</u>		<u>64,626,415</u>
Governmental Activities Capital Assets, Net	<u>\$67,561,600</u>	<u>\$16,730,893</u>	<u>\$914,311</u>	<u>\$ 85,206,804</u>

At December 31, 2006 the County has various ongoing construction projects primarily a Courthouse Construction Project and a new Emergency Management 911 Center. Total costs related to these projects amount to approximately \$18,300,000, which is included in construction in progress at December 31, 2006. The County is committed to approximately \$34,000,000 related to these projects.

COUNTY OF LACKAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2006

Capital asset activity for business-type activities for the year ended December 31, 2006, was as follows:

	<u>January 1,</u> <u>2006</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>December 31,</u> <u>2006</u>
Capital Assets, not being depreciated,					
Land	\$ 1,404,000	\$ _____	\$ (489,689)	\$(914,311)	\$ _____
Capital Assets being depreciated:					
Land Improvements	\$ 8,447,916		(8,447,916)		
Buildings and Improvements	3,526,764		(3,557,294)		
Machinery and Equipment	<u>7,887,511</u>		<u>(7,887,511)</u>		
Total Capital Assets, being					
Depreciated	<u>19,862,191</u>		<u>(19,892,721)</u>		_____
Less: Accumulated depreciation					
Land Improvements	(7,095,346)	(610,000)	7,705,346		
Buildings and Improvements	(2,455,302)	(85,000)	2,540,302		
Machinery and Equipment	<u>(5,802,908)</u>	<u>(135,000)</u>	<u>5,937,908</u>		
Total Accumulated Depreciation	<u>(15,353,556)</u>	<u>(830,000)</u>	<u>16,183,556</u>		
Total Capital Assets Being					
Depreciated	<u>4,508,635</u>	<u>(830,000)</u>	<u>(3,709,165)</u>	_____	_____
Business-Type Activities Capital					
Assets, NET	<u>\$ 5,912,635</u>	<u>\$(830,000)</u>	<u>\$(4,198,854)</u>	<u>\$(914,311)</u>	<u>\$ _____</u>

The analysis above relates to the Montage Ski Resort. Balances as of December 31, 2006 are not shown as the Resort was sold to a private owner on November 6, 2006.

LONG TERM DEBT

As of December 31, 2006 the County net general obligation debt was \$177,124,122. This amount is approximately 48.75% of the County legal limit as calculated in 2006. Approximately 6.5 million in principal of this debt is scheduled for payment in 2007.

ECONOMIC CONDITION AND OUTLOOK

Lackawanna County increased its real estate tax millage by 14 mills in 2005. This was done to increase funding to the County Library System, to create a Culture and Education fund, to fund payments on an unfunded debt issue (\$20,145,000) and to correct the structural deficit.

The County generated its first surplus in five (5) years during 2005. With this in mind and the fact that the structural deficit of the County had been reduced, the County decreased the real estate tax millage by 5% or 2 mill in 2006. Though the two (2) mills tax reduction would have generated 2.4 million in tax revenues the County fund balance decreased by only \$1,674,000.

On November 6, 2006 the county sold its Ski Resort to a private business. The Ski Resort had recorded operating losses for many years which were absorbed by the County General Fund. The sale should have a positive impact on the County financial statements along with adding a major taxpayer to the County tax base.

The County faces a large shortfall in its debt service fund for the year 2009. This shortfall is due to the structure of the 2007 bond issue along with an increase in debt service payments starting in 2009. The County hopes to cover this shortfall by restructuring as much of its debt portfolio as possible along with looking at interest rate SWAPS.

During 2006, the County had the first full year of operating its new Financial Accounting System. It now has the ability to view its finances on an accrual basis which is the manner in which businesses operate.

The County continues to analyze its operations both internally and with its component units to realize the most cost effective manner in which to serve the citizens of Lackawanna County.

REQUESTS FOR INFORMATION

Questions concerning any of the information contained in this report or requests for additional information should be addressed to the office of the Lackawanna County Commissioners, County of Lackawanna, 200 Adams Avenue, Scranton, Pennsylvania 18503.