

COUNTY OF LACKAWANNA, PENNSYLVANIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	16
STATEMENT OF ACTIVITIES.....	17
BALANCE SHEET - GOVERNMENTAL FUNDS.....	18
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS.....	19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	21
STATEMENT OF NET ASSETS - PROPRIETARY FUND	22
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET DEFICIT - PROPRIETARY FUND.....	23
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	24
STATEMENT OF FIDUCIARY NET ASSETS	25
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	26
COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS.....	27
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS.....	28
NOTES TO FINANCIAL STATEMENTS	29

ADDITIONAL INFORMATION:

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES –
GENERAL, LIQUID FUELS AND DEBT SERVICE FUNDS BUDGET AND ACTUAL
(BUDGETARY MODIFIED CASH BASIS) – UNAUDITED 59

NOTE TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION – UNAUDITED 60

REQUIRED SUPPLEMENTARY PENSION INFORMATION – UNAUDITED 61

INDEPENDENT AUDITORS' REPORT

Commissioners of Lackawanna County
Scranton, Pennsylvania:

We have audited the accompanying financial statements of the governmental 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, 2007, 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, 2007, 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 15%, respectively, of the total assets and 17% and 8%, respectively, of total revenues of the Health and Human Services Fund. Those 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, 2007, which represents 98% of the total assets of the Fiduciary Funds. Those 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 7% and 3%, respectively, of total assets and 1% 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 our 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 opinions.

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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Lackawanna, Pennsylvania as of December 31, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2009 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 15, the budgetary comparison information on page 59 and the schedule of funding progress for the Pension Trust Fund on page 61 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
April 13, 2009

COUNTY OF LACKAWANNA, PENNSYLVANIA MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)
DECEMBER 31, 2007

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, 2007 compared to 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

Overall, the County's liabilities exceed the assets by \$52,849,269 at December 31, 2007.

General Fund expenses exceeded revenues in 2007 by \$2,570,737. This reduced the General Fund balance from \$6,058,116 at December 31, 2006 to \$3,487,379 at December 31, 2007.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net assets and the statement of activities. The statement of net assets reports all of the assets and liabilities of the government. 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.)

The government-wide financial statements can be found on pages 16 and 17 of this report.

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.

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, Debt Service Fund and the Capital Projects Fund. All other governmental funds are not considered individually significant and have been aggregated and reported under the caption "Non-major".

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 59.

The basic fund financial statements can be found on pages 18 and 20 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's operations.

The basic Fiduciary Fund financial statements can be found on pages 25-26 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 29 to 58 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County prepares a budget each year according to Pennsylvania Law and the Lackawanna County Home Rule Charter.

An analysis of the budget to actual of its major funds (General Fund, Liquid Fuels Fund and Debt Service Fund) can be found on page 59 of this report.

The year of this report is the first year the County has budgeted all salaries and benefits in the proper funds. In previous years, salaries and healthcare costs were budgeted in the General Fund. Reimbursements were budgeted under transfers to reimburse the General Fund for these expenses.

COUNTY OF LACA KAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**CONDENSED STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current and Other Assets	\$ 69,926,889	\$ 90,410,562
Capital Assets	<u>113,958,632</u>	<u>85,206,804</u>
Total Assets	<u>\$183,885,521</u>	<u>\$175,617,366</u>
<u>LIABILITIES & NET DEFICIT</u>		
Current Liabilities	\$ 35,873,607	\$ 33,399,976
Long Term & Other Liabilities	<u>200,861,183</u>	<u>179,699,228</u>
Total Liabilities	<u>236,734,790</u>	<u>213,099,204</u>
<u>NET ASSETS (DEFICIT)</u>		
Invested in Capital Assets, Net of Related Debt	(48,125,664)	(32,283,722)
Restricted	9,833,963	10,429,807
Unrestricted	<u>(14,557,568)</u>	<u>(15,627,923)</u>
Total Net Deficit	<u>(52,849,269)</u>	<u>(37,481,838)</u>
TOTAL	<u>\$183,885,521</u>	<u>\$175,617,366</u>

COUNTY OF LACA KAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2007

**CONDENSED STATEMENT OF GOVERNMENTAL ACTIVITIES
YEAR END DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
PROGRAM REVENUES:		
CHARGES FOR SERVICES	\$ 55,755,668	\$ 52,262,422
OPERATING GRANTS AND CONTRIBUTIONS	42,882,002	41,411,223
CAPITAL GRANTS & CONTRIBUTIONS	2,936,583	4,652,392
GENERAL REVENUES:		
TAX LEVY FOR GENERAL PURPOSES, NET	51,861,608	53,753,995
CONTRIBUTIONS AND OTHER	1,377,643	3,939,828
TRANSFERS	-	<u>(4,703,930)</u>
TOTAL REVENUES	<u>154,813,504</u>	<u>151,315,930</u>
EXPENSES		
GENERAL GOVERNMENT	24,985,154	27,376,772
JUDICIAL	17,687,848	16,718,724
CORRECTIONS	31,389,322	27,538,924
PUBLIC WORKS & ENTERPRISES	9,550,365	7,999,890
HUMAN SERVICES	59,618,917	54,492,003
CULTURE & RECREATION	6,174,920	10,812,222
CONSERVATION & DEVELOPMENT	7,108,414	4,097,056
DEPRECIATION	5,705,263	4,257,410
INTEREST - LONG TERM DEBT	<u>7,960,732</u>	<u>5,384,458</u>
TOTAL EXPENSES	<u>170,180,935</u>	<u>158,677,459</u>
CHANGES IN NET ASSETS	(15,367,431)	(7,361,529)
NET DEFICIT, BEGINNING, AS PREVIOUSLY REPORTED	(37,481,838)	(26,614,250)
PRIOR YEAR ADJUSTMENT	-	<u>(3,506,059)</u>
NET DEFICIT, BEGINNING, AS RESTATED	<u>(37,481,838)</u>	<u>(30,120,309)</u>
NET DEFICIT ENDING	<u>\$(52,849,269)</u>	<u>\$(37,481,838)</u>

At December 31, 2006, the County reported revenue of \$6,904,896 and expenses of \$3,217,918 for Montage Ski Resort, a business-type activity. In 2006, the County sold Montage and transferred the remaining land and debt to the governmental activities. Consequently, no business-type activities were reported in 2007.

COUNTY OF LACA KAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR FUND)

The following represents a summary of General Fund revenue, by source, along with changes from 2006.

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Change	
Taxes	\$52,527,624	\$54,616,070	\$(2,088,446)	(3.8)	%
Intergovernmental	20,494,658	17,915,421	2,579,237	14.4	
County Charges and Earnings & Contribution	16,315,145	17,091,805	(776,660)	(4.5)	
Other	1,246,085	1,374,833	(128,748)	(9.4)	
Transfers in	<u>2,816,329</u>	<u>3,323,626</u>	<u>(507,297)</u>	<u>(15.3)</u>	
Total Revenues	<u>\$93,399,841</u>	<u>\$94,321,755</u>	<u>\$ (921,914)</u>	<u>(1.0)</u>	<u>%</u>

Total revenue in the General Fund decreased by 1.0%, or \$921,914, in 2007. This was primarily due to a tax decrease of 2.1 mills or 5% in 2007 which would have generated \$2,544,938 in tax revenue. Intergovernmental revenue increased from the prior year primarily due to increased funding for housing of federal prisoners.

COUNTY OF LACA WANNA, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (UNAUDITED)
 DECEMBER 31, 2007

GENERAL FUND (MAJOR FUND)

The following represents a summary of General Fund expenditures, by function, along with changes from 2006.

	<u>2007</u>	<u>2006</u>	<u>(Increase Decrease)</u>	<u>% Change</u>	
General Government	\$18,580,655	\$ 24,260,739	\$(5,680,084)	(23.4)	%
Judicial	15,217,622	13,784,554	1,433,068	10.4	
Corrections	25,265,734	23,072,495	2,193,239	9.5	
Public Works	240,020	181,827	58,193	32.0	
Human Services	16,086,877	15,162,391	924,486	6.1	
Culture and Recreation	3,138,405	4,504,264	(1,365,859)	(30.3)	
Community Development	638,060	406,666	231,394	56.9	
Miscellaneous	921,405	810,553	110,852	13.7	
Transfers	<u>15,881,800</u>	<u>13,812,461</u>	<u>2,069,339</u>	<u>15.0</u>	
TOTAL	<u>\$95,970,578</u>	<u>\$95,995,950</u>	<u>\$ (25,372)</u>	<u>(0.03)</u>	%

The decrease in general government expenditures relates primarily to decreases in employee benefits. Increases in corrections relate to the additional expenses for housing of federal prisoners. Culture and recreation expenditures decreased significantly due to a large bad debt write-off in the prior year. Additional transfers relate primarily to the Debt Service Fund for payment of principal and interest on general obligations of the County.

The net effect of the activity for 2007 of the Revenue and Expense Schedules is that the County expenditures exceeded revenues by \$2,570,737. This reduced the County Fund balance from \$6,058,116 at January 1, 2007 to \$3,487,379 at December 31, 2007.

COUNTY OF LACA WANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2007

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 2007 were \$43,448,998 versus \$38,499,741 in 2006 or an increase of \$4,949,257 or 12.86%.

Total expenditures in 2007 were \$42,676,587 versus \$38,528,926 in 2006 for an increase of \$4,147,661 or 10.77%.

This resulted in an increase in the fund balance from a deficit of \$434,727 at January 1, 2007 to a deficit of \$294,736 at December 31, 2007.

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. In addition, the County issued \$33,735,000 of General Obligation bonds (Series B of 2007) to refund a portion of Series A of 2004, Series B of 2004 and Series B of 1999 issues. At December 31, 2007, the County's Debt Service Fund had a fund balance of \$5,999,529 for payment of future debt service obligations.

CAPITAL PROJECTS FUND (MAJOR FUND)

The County issued \$21,090,000 of General Obligation bonds (Series A of 2007) to finance capital projects. Total capital outlay in 2007 amounted to \$44,040,054 for various capital projects including the new 911 Center and Courthouse Construction project. At December 31, 2007, the County's Capital Projects Fund had a fund balance of \$12,321,880 for future capital expenditures.

COUNTY OF LACA WANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2007

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 Fund's total assets at December 31, 2007 were \$1,073,215. The total assets adheres to the state minimum level.

PENSION TRUST FUND

The Pension Trust Fund is a fiduciary fund and holds the assets of the County Retirement Plan, which amounted to \$132,675,432 as of December 31, 2007. This represents an increase of \$6,097,129 over the assets reported as of December 31, 2006.

Plan contributions by members in 2007 were \$4,184,148 while benefits paid to retired members totaled \$5,286,150. Investment earnings in 2007 were \$7,199,131 or 5.4% of the accounts balance at December 31, 2006.

AGENCY FUND

The Agency Fund accounts for assets held by County in a custodial function for individuals or other governments. The County held \$1,005,404 in that role as of the December 31, 2007.

COUNTY OF LACAKAWANNA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
DECEMBER 31, 2007

CAPITAL ASSETS

The County investment in capital assets at December 31, 2007 is summarized below:

	January 1, <u>2007</u>	<u>Acquisitions</u>	<u>Deletions</u>	<u>Transfers</u>	December 31, <u>2007</u>
Capital assets, not being depreciated:					
Land	\$ 2,277,937	\$ 4,041,801	\$(3,268,265)	\$ -	\$ 3,051,473
Construction in Progress	<u>18,302,452</u>	<u>28,686,361</u>	<u>-</u>	<u>(14,908,072)</u>	<u>32,080,741</u>
Total Capital Assets, not being depreciated	<u>20,580,389</u>	<u>32,728,162</u>	<u>(3,268,265)</u>	<u>(14,908,072)</u>	<u>35,132,214</u>
Capital assets, being depreciated:					
Buildings and Improvements	63,152,525	171,288	(5,074)	14,022,770	77,341,509
Machinery and Equipment	27,313,813	2,945,260	(63,564)	885,302	31,080,811
Equipment under capital lease	1,423,325	-	-	-	1,423,325
Infrastructure	31,790,042	1,364,179	-	-	33,154,221
Investment in Airport	<u>8,197,567</u>	<u>530,000</u>	<u>-</u>	<u>-</u>	<u>8,727,567</u>
Total Capital Assets, being depreciated	<u>131,877,272</u>	<u>5,010,727</u>	<u>(68,638)</u>	<u>14,908,072</u>	<u>151,727,433</u>
Less: Accumulated depreciation:					
Buildings and Improvements	(19,458,793)	(1,893,589)	4,989	-	(21,347,393)
Machinery and equipment	(17,793,118)	(3,542,235)	50,116	-	(21,285,237)
Equipment under capital lease	(81,944)	(94,888)	-	-	(176,832)
Infrastructure	(27,670,983)	-	-	-	(27,670,983)
Investment in Airport	<u>(2,246,019)</u>	<u>(174,551)</u>	<u>-</u>	<u>-</u>	<u>(2,420,570)</u>
Total Accumulated Depreciation	<u>(67,250,857)</u>	<u>(5,705,263)</u>	<u>55,105</u>	<u>14,908,072</u>	<u>(72,901,015)</u>
Total Capital Assets being depreciated, Net	<u>64,626,415</u>	<u>(694,536)</u>	<u>(13,533)</u>	<u>14,908,072</u>	<u>78,826,418</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 85,206,804</u>	<u>\$32,033,626</u>	<u>\$(3,281,798)</u>	<u>\$ -</u>	<u>\$113,958,632</u>

The County has committed to various ongoing construction projects. Total expenditures of \$32,080,741 which relate primarily to the Courthouse renovations are included in construction in progress at December 31, 2007.

LONG TERM DEBT

As of December 31, 2007, the County net general obligation debt was \$198,106,319. This amount represents approximately 51.7% of the legal limit as calculated in 2007. See footnote 6 in the financial statements for more detail.

ECONOMIC CONDITION AND OUTLOOK

In 2006 and 2007, the County decreased real estate taxes.

In 2007, the County decreased real estate millage by 2.1 mills. The 2.1 mills reduced Real Estate tax revenue by \$2,544,938. This decreased revenue was the principal reason that the 2007 statements reflect a \$2,570,737 reduction in the County's fund balance.

In order to better manage debt service, the County undertook major debt restructuring during 2008. The leveling off of annual debt service payments is critical in managing the County's operations as we head into uncertain economic times.

Facing potential deficits, the new administration has begun a complete streamlining of County government, including reductions in force, innovative energy savings, technological innovations, restructuring the purchasing process as well as implementing new vehicle and travel policies.

The County's utilization of its Financial Accounting system continues to expand availability and access to information for all departments as well as taxpayers. 2007 was the first year that the County was able to maintain its own Fixed Asset and Depreciation records as a result of expanding the use of the system. The next and final phase of the full implementation of the system will be realized when the County completes implementation of the retirement modules in the County's pension office.

As the County finds its way through these challenging economic times, it continues its constant analysis of 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 Lackawanna County Commissioners, County of Lackawanna, 200 Adams Avenue, Scranton, PA 18503.

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,974,804	\$ 3,972,005
Restricted cash		4,744,210
Investments	6,942,507	2,176,490
Restricted investments		51,753,945
Accounts receivable, net		161,200,003
Inventory	40,049	
Due from other governments, net	12,983,108	924,902
Taxes receivable, net	7,403,308	353,815
Other assets		317,942
Total current assets	45,343,776	225,443,312
CAPITAL ASSETS, NET	113,958,632	58,755,592
CASH HELD FOR CAPITAL PROJECTS	19,390,116	
OTHER NONCURRENT ASSETS		1,939,874
DEFERRED CHARGES	5,192,997	
Total assets	\$ 183,885,521	\$ 286,138,778
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 20,044,509	\$ 1,140,216
Accrued expenses	3,499,925	709,264
Current portion:		
Bond and notes payable	7,578,124	2,627,950
Capital lease obligations	136,750	
Compensated absences	532,665	487,956
Due to component units	818,433	
Due to primary government		13,401,864
Deferred revenues	271,456	666,666
Escrow liability		46,741,483
Claims payable	2,991,745	
Other liabilities		28,091
Total current liabilities	35,873,607	65,803,490
NONCURRENT LIABILITIES:		
Bonds and notes payable	190,528,195	15,122,993
Capital lease obligation	1,078,484	
Nonrecourse debt issues		158,558,255
Net pension obligation	6,554,393	
Compensated absences	2,700,111	680,380
Total liabilities	236,734,790	240,165,118
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	(48,125,664)	47,882,583
Restricted	9,833,963	10,712,403
Unrestricted	(14,557,568)	(12,621,326)
Total net assets (deficit)	(52,849,269)	45,973,660
Total liabilities and net assets (deficit)	\$ 183,885,521	\$ 286,138,778

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
PRIMARY GOVERNMENT:						
Governmental activities:						
General government - administrative	\$ (24,985,154)	\$ 2,961,604	\$ 288,685		\$ (21,734,865)	
General government - judicial	(17,687,848)	6,676,854	1,734,985		(9,276,009)	
Public safety - corrections	(31,389,322)	15,390,004	777,925		(15,221,393)	
Public works and enterprises	(9,550,365)	3,621,160	2,241,416	\$ 2,604,500	(1,083,289)	
Health and human services	(59,618,917)	22,418,077	35,469,549	332,083	(1,399,208)	
Culture and recreation	(6,174,920)	2,078,548			(4,096,372)	
Community and economic development	(7,108,414)	2,609,421	2,369,442		(2,129,551)	
Unallocated depreciation	(5,705,263)				(5,705,263)	
Interest on long-term debt	(7,960,732)				(7,960,732)	
Total governmental activities	\$ (170,180,935)	\$ 55,755,668	\$ 42,882,002	\$ 2,936,583	(68,606,682)	
COMPONENT UNITS:						
Scranton Lackawanna Health and Welfare Authority	\$ (18,414,383)	\$ 70,522				\$ (18,343,861)
Lackawanna County Library System	(5,424,260)	250,000	\$ 1,478,064			(3,696,196)
Lackawanna County Redevelopment Authority	(1,157,875)		253,924			(903,951)
Lackawanna County River Basin Sewer Authority	(6,303,948)	6,263,975		\$ 615,117		575,144
County of Lackawanna Transit System Authority	(6,865,251)	2,265,505	2,836,868	2,010,609		247,731
Multi-Purpose Stadium Authority of Lackawanna County	(969,790)	512,034				(457,756)
Lackawanna County Performing Arts Center Authority	(2,043,396)	1,071,270				(972,126)
Total component units	\$ (41,178,903)	\$ 10,433,306	\$ 4,568,856	\$ 2,625,726		(23,551,015)
General revenues and transfers:						
Taxes levied for general purposes, net					\$ 51,861,608	\$ 4,340,041
Rental income						17,356,355
Interest revenue					1,039,079	1,754,954
Contributions and other revenue					290,338	1,297,526
Gain on sale of assets					48,226	
Total general revenues					53,239,251	24,748,876
Change in net assets					(15,367,431)	1,197,861
Net assets (deficit), beginning					(37,481,838)	44,775,799
Net assets (deficit), ending					\$ (52,849,269)	\$ 45,973,660

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	GENERAL FUND	HEALTH AND HUMAN SERVICES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL
ASSETS						
Cash and cash equivalents	\$ 5,117,490	\$ 2,231,042	\$ 5,808,566	\$ 19,390,116	\$ 4,816,136	\$37,363,350
Investments					5,870,862	5,870,862
Inventory					40,049	40,049
Due from other funds	3,660,609		263,053			3,923,662
Due from other governments, net	5,116,666	4,197,037		1,050,000	2,619,405	12,983,108
Taxes receivable, net	<u>7,403,308</u>					<u>7,403,308</u>
TOTAL	<u>\$21,298,073</u>	<u>\$ 6,428,079</u>	<u>\$ 6,071,619</u>	<u>\$ 20,440,116</u>	<u>\$13,346,452</u>	<u>\$67,584,339</u>
LIABILITIES AND FUND BALANCES (DEFICIT)						
LIABILITIES:						
Accounts payable	\$ 6,817,651	\$ 3,206,116	\$ 72,090	\$ 8,109,627	\$ 1,804,893	\$20,010,377
Accrued liabilities	1,280,363	547,931			65,308	1,893,602
Accrued pension	2,099,854					2,099,854
Due to other funds		2,698,259		8,609	1,196,770	3,903,638
Due to component units	667,651				150,782	818,433
Deferred revenue	<u>6,945,175</u>	<u>270,509</u>				<u>7,215,684</u>
Total liabilities	<u>17,810,694</u>	<u>6,722,815</u>	<u>72,090</u>	<u>8,118,236</u>	<u>3,217,753</u>	<u>35,941,588</u>
FUND BALANCES (DEFICIT):						
Unreserved	3,487,379	(294,736)				3,192,643
Reserved			5,999,529	12,321,880	10,128,699	28,450,108
Total fund balances	<u>3,487,379</u>	<u>(294,736)</u>	<u>5,999,529</u>	<u>12,321,880</u>	<u>10,128,699</u>	<u>31,642,751</u>
TOTAL	<u>\$21,298,073</u>	<u>\$ 6,428,079</u>	<u>\$ 6,071,619</u>	<u>\$ 20,440,116</u>	<u>\$13,346,452</u>	<u>\$67,584,339</u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 31,642,751
Amounts reported for governmental activities in the statement of net assets are different because:		
Net assets (deficit) of the Internal Service Fund are included in governmental activities since they primarily benefit the County's governmental activities.		(1,972,686)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in government funds.		113,958,632
Deferred revenue in the government fund balance sheet includes accounts receivable balances that were not considered a current resource.		6,944,228
Bond issue costs are deferred and amortized over the life of the underlying bonds in the statement of net assets.		5,192,997
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and notes payable	\$ 198,106,319	
Net pension obligation	4,454,539	
Capital lease obligation	1,215,234	
Compensated absences	<u>3,232,776</u>	
		(207,008,868)
Accrued interest payable is included in the statement of net assets.		<u>(1,606,323)</u>
TOTAL DEFICIT - GOVERNMENTAL ACTIVITIES		<u><u>\$(52,849,269)</u></u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	MAJOR FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	HEALTH AND HUMAN SERVICES FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	
REVENUES:						
Taxes	\$52,527,624					\$ 52,527,624
Payments in lieu of taxes	210,636					210,636
Intergovernmental	20,494,658	\$21,440,698		\$ 3,527,118	\$ 6,616,190	52,078,664
Charges for service	16,315,145	21,957,259			7,695,182	45,967,586
Court costs, fines and forfeitures	24,267					24,267
Interest and rent	1,011,182	51,041	\$ 407,179	930,080	627,942	3,027,424
Contributions and other				845,900	1,183,484	2,029,384
Total revenues	90,583,512	43,448,998	407,179	5,303,098	16,122,798	155,865,585
EXPENDITURES						
Current:						
General government- administrative	18,580,655		2,302,677		84,175	20,967,507
General government - judicial	15,217,622				2,698,018	17,915,640
Public safety and corrections	25,265,734				6,030,551	31,296,285
Public works and enterprises	240,020				2,909,956	3,149,976
Health and human services	16,086,877	42,676,587			335,103	59,098,567
Culture and recreation	3,138,405			638,041	3,433,814	7,210,260
Community and economic development	638,060				2,906,762	3,544,822
Miscellaneous expenses	921,405				328,480	1,249,885
Debt service			42,238,574			42,238,574
Capital outlay				44,040,054		44,040,054
Total expenditures	80,088,778	42,676,587	44,541,251	44,678,095	18,726,859	230,711,570
OTHER FINANCING SOURCES (USES):						
Bond proceeds			33,735,000	21,090,000		54,825,000
Premium on bond issue			1,729,304			1,729,304
Bond issue costs			(2,039,853)			(2,039,853)
Transfers in	2,816,329		14,775,410	733,756	3,009,482	21,334,977
Transfers out	(15,881,800)	(632,420)	(733,756)	(2,945,745)	(1,141,256)	(21,334,977)
Total other financing sources (uses)	(13,065,471)	(632,420)	47,466,105	18,878,011	1,868,226	54,514,451
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,570,737)	139,991	3,332,033	(20,496,986)	(735,835)	(20,331,534)
FUND BALANCES, BEGINNING	6,058,116	(434,727)	2,667,496	32,818,866	10,864,534	51,974,285
FUND BALANCES, ENDING	\$ 3,487,379	\$ (294,736)	\$ 5,999,529	\$ 12,321,880	\$10,128,699	\$ 31,642,751

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

TOTAL NET CHANGE IN FUND BALANCES -GOVERNMENTAL FUNDS	\$(20,331,534)
Amounts reported for governmental activities in the statement of activities are different because:	
Net loss of the Internal Service Fund is included in governmental activities since it primarily benefits the County's governmental activities.	(726,867)
Capital asset additions are reported as expenditures in the governmental funds.	37,738,889
Depreciation expense on capital assets is reported in the statement of activities.	(5,705,263)
Disposition of capital assets net of any proceeds is reported in the statement of activities	(3,281,798)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the net change in revenue accrued between the prior and current year.	(666,011)
Proceeds from the issuance of bonds payable and capital lease obligations are considered current financial resources and reported in the funds but not the statement of activities.	(56,554,304)
Repayment of bonds payable and capital lease obligations uses current financial resources and is reported in the funds but not the statement of activities.	34,892,042
Bond issue costs are reported as expenditures in the funds.	2,039,853
Amortization and write-offs of premiums and deferred refunding charges.	(22,410)
Amortization and write-offs of bond issue costs.	(2,566,979)
Change in the net pension obligation.	221,732
Change in accrued interest on bonds payable.	(552,099)
Change in compensated absences.	<u>147,318</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$(15,367,431)</u></u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2007

INTERNAL SERVICE
FUND

ASSETS

Current assets:

Cash and cash equivalents \$ 1,570
Investments 1,071,645

TOTAL \$1,073,215

LIABILITIES AND NET DEFICIT

Current liabilities:

Accounts payable \$ 34,132
Due to other funds 20,024
Claims payable 2,991,745

Total current liabilities 3,045,901

NET DEFICIT,

Unrestricted (1,972,686)

TOTAL \$1,073,215

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET DEFICIT -
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	INTERNAL SERVICE FUND
OPERATING REVENUES, Charges for services	<u>\$ 1,529,830</u>
OPERATING EXPENSES: Workers' compensation claims	2,151,649
Administrative	<u>177,830</u>
Total operating expenses	<u>2,329,479</u>
OPERATING LOSS	(799,649)
NONOPERATING REVENUES, Interest income	<u>72,782</u>
NET LOSS	(726,867)
NET DEFICIT, BEGINNING	<u>(1,245,819)</u>
NET DEFICIT, ENDING	<u>\$ (1,972,686)</u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 DECEMBER 31, 2007

	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 1,529,830
Cash payments for goods and services	(30,001)
Cash payments for insurance claims	<u>(1,499,829)</u>
Net cash provided by operating activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	72,782
Purchase of investments	<u>(72,711)</u>
Net cash provided by investing activities	<u>71</u>
NET INCREASE IN CASH	71
CASH, BEGINNING	<u>1,499</u>
CASH, ENDING	<u><u>\$ 1,570</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (799,649)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase or decrease in:	
Prepaid expenses	113,697
Accounts payable	34,132
Claims payable	<u>651,820</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2007

	PENSION TRUST FUND	AGENCY FUND	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 288,904	\$ 1,005,404	\$ 1,294,308
Accrued interest	484,085		484,085
Investments, at fair value:			
Federated money market funds	675,665		675,665
U.S. government securities	35,229,326		35,229,326
Certificates of deposit	3,316,040		3,316,040
Corporate bonds	10,683,629		10,683,629
Notes and mortgages	330,717		330,717
Common stocks	65,669,370		65,669,370
Mutual funds	<u>15,997,696</u>		<u>15,997,696</u>
Total investments	<u>131,902,443</u>		<u>131,902,443</u>
TOTAL	<u>\$ 132,675,432</u>	<u>\$ 1,005,404</u>	<u>\$ 133,680,836</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES,			
Escrow liabilities		<u>\$ 1,005,404</u>	\$ 1,005,404
NET ASSETS,			
Held in trust for pension benefits	<u>\$ 132,675,432</u>		<u>132,675,432</u>
TOTAL	<u>\$ 132,675,432</u>	<u>\$ 1,005,404</u>	<u>\$ 133,680,836</u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	PENSION TRUST FUND
ADDITIONS,	
Contributions:	
Plan members	\$ 4,184,148
Total contributions	<u>4,184,148</u>
INVESTMENT INCOME:	
Net appreciation in fair value of investments	1,279,745
Interest	2,749,005
Dividends	3,235,880
Investment expense	<u>(65,499)</u>
Net investment earnings	<u>7,199,131</u>
Total additions	<u>11,383,279</u>
DEDUCTIONS,	
Benefits paid	<u>5,286,150</u>
Total deductions	<u>5,286,150</u>
INCREASE IN NET ASSETS	6,097,129
NET ASSETS, BEGINNING	<u>126,578,303</u>
NET ASSETS, ENDING	<u>\$ 132,675,432</u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

COMBINING BALANCE SHEET -
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2007

	SCRANTON LACKAWANNA HEALTH AND WELFARE AUTHORITY	LACKAWANNA COUNTY LIBRARY SYSTEM	LACKAWANNA COUNTY REDEVELOPMENT AUTHORITY	LACKAWANNA COUNTY RIVER BASIN SEWER AUTHORITY	COUNTY OF LACKAWANNA TRANSIT SYSTEM AUTHORITY	MULTI-PURPOSE STADIUM AUTHORITY OF LACKAWANNA COUNTY	LACKAWANNA COUNTY PERFORMING ARTS CENTER AUTHORITY	TOTALS
CURRENT ASSETS:								
Cash and cash equivalents		\$ 524,178	\$ 2,233,616	\$ 176,349	\$ 787,157	\$ 197,042	\$ 53,663	\$ 3,972,005
Restricted cash	\$ 119,192	-		145,978	4,321,502		157,538	4,744,210
Investments	1,285,685	399,335			491,470			2,176,490
Restricted investments	45,338,249			6,415,696				51,753,945
Due from other governments					638,376	286,526		924,902
Other receivables	158,558,255	69,144	250,142	2,269,892	12,944		39,626	161,200,003
Taxes receivable, net		353,815						353,815
Other current assets				205,509	109,100	3,333		317,942
Total current assets	205,301,381	1,346,472	2,483,758	9,213,424	6,360,549	486,901	250,827	225,443,312
CAPITAL ASSETS NOT BEING DEPRECIATED								
		50,000		1,726,449	1,544,489			3,320,938
CAPITAL ASSETS, net								
		973,003		20,566,773	7,086,049	18,820,123	7,988,706	55,434,654
OTHER ASSETS								
	13			701,211		1,238,650		1,939,874
TOTAL	\$205,301,394	\$ 2,369,475	\$ 2,483,758	\$32,207,857	\$14,991,087	\$20,545,674	\$8,239,533	\$286,138,778
LIABILITIES:								
Current liabilities:								
Accounts payable		\$ 35,933	\$ 237,478	\$ 304,038	\$ 382,749	\$ 123,345	\$ 56,673	\$ 1,140,216
Accrued expenses	\$ 1,643				545,167		162,454	709,264
Current portion of long-term debt			1,479,523	623,427			525,000	2,627,950
Current portion of compensated absences				135,096	352,860			487,956
Due to primary government			30,490			13,221,374	150,000	13,401,864
Deferred revenue							666,666	666,666
Escrow liability	46,741,483							46,741,483
Other liabilities		28,091						28,091
Total current liabilities	46,743,126	64,024	1,747,491	1,062,561	1,280,776	13,344,719	1,560,793	65,803,490
LONG-TERM DEBT								
			5,284,053	3,879,958			5,958,982	15,122,993
COMPENSATED ABSENCES								
				219,948	460,432			680,380
NONRECOURSE DEBT ISSUES								
	158,558,255							158,558,255
Total liabilities	205,301,381	64,024	7,031,544	5,162,467	1,741,208	13,344,719	7,519,775	240,165,118
NET ASSETS:								
Invested in capital assets, net of related debt		1,023,003		17,904,195	8,630,538	18,820,123	1,504,724	47,882,583
Restricted		270,200		8,415,696	3,868,969		157,538	10,712,403
Unrestricted	13	1,012,248	(4,547,786)	2,725,499	750,372	(11,619,168)	(942,504)	(12,621,326)
Total net assets	13	2,305,451	(4,547,786)	27,045,390	13,249,879	7,200,955	719,758	45,973,660
TOTAL	\$205,301,394	\$ 2,369,475	\$ 2,483,758	\$32,207,857	\$14,991,087	\$20,545,674	\$8,239,533	\$286,138,778

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS -
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2007

	SCRANTON LACKAWANNA HEALTH AND WELFARE AUTHORITY	LACKAWANNA COUNTY LIBRARY SYSTEM	LACKAWANNA COUNTY REDEVELOPMENT AUTHORITY	LACKAWANNA COUNTY RIVER BASIN SEWER AUTHORITY	COUNTY OF LACKAWANNA TRANSIT SYSTEM AUTHORITY	MULTI-PURPOSE STADIUM AUTHORITY OF LACKAWANNA COUNTY	LACKAWANNA COUNTY PERFORMING ARTS CENTER AUTHORITY	TOTALS
REVENUES:								
Charges for services	\$ 70,522	\$ 250,000		\$ 6,263,975	\$ 2,265,505	\$ 512,034	\$ 1,071,270	\$ 10,433,306
Real estate taxes		3,395,983						3,395,983
Tax Incremental financing			\$ 944,058					944,058
Rental income	17,356,355							17,356,355
Interest income	987,506	80,944	31,750	326,326	293,431	-	34,997	1,754,954
Operating grants and contributions		1,478,064	253,924		2,836,868			4,568,856
Capital grants and contributions		-		615,117	2,010,609			2,625,726
Other		4,874	633,448	588,540	70,664			1,297,526
Total revenues	18,414,383	5,209,865	1,863,180	7,793,958	7,477,077	512,034	1,106,267	42,376,764
EXPENSES:								
Public works and enterprises		5,424,260		6,148,687	6,865,251			18,438,198
Culture and recreation						-	1,595,095	1,595,095
Operating expenses						55,697		55,697
Community and economic development			755,468					755,468
Debt service	18,414,383		402,407	155,261		-	448,301	19,420,352
Other	-					914,093		914,093
Total expenses	18,414,383	5,424,260	1,157,875	6,303,948	6,865,251	969,790	2,043,396	41,178,903
CHANGE IN NET ASSETS	-	(214,395)	705,305	1,490,010	611,826	(457,756)	(937,129)	1,197,861
NET ASSETS (DEFICIT) BEGINNING	13	2,519,846	(5,253,091)	25,555,380	12,638,053	7,658,711	1,658,887	44,775,799
NET ASSETS (DEFICIT), ENDING	\$ 13	\$ 2,305,451	\$ (4,547,786)	\$ 27,045,390	\$ 13,249,879	\$ 7,200,955	\$ 719,758	\$ 45,973,660

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. 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. The County operates under a Home Rule charter form of government. An elected three member Board of Commissioners governs the County, which provides general governmental services, public safety, health and welfare, recreation and community enrichment programs.

FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program* revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING,
AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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.

The County reports the following nonmajor governmental funds:

Landfill Trust, Liquid Fuels, Community Development, 911, Domestic Relations, Hotel Rental Tax, Help America Vote and other miscellaneous activities.

The County reports the following proprietary fund:

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.

The County's Fiduciary Funds account for the Pension Trust Fund and the Agency Fund. The Pension Trust Fund accounts for assets held by the County as trustee for individuals currently or previously employed by the County. The Agency Fund accounts for assets held by the County in a custodial or agent function.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's Human Services Fund and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 modified cash basis.

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.

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.

TAXES RECEIVABLE

All property tax receivables are shown net of an allowance for uncollectible accounts. The property tax receivable allowance is calculated based on collection history and was \$8,613,604 at December 31, 2007.

DUE FROM OTHER GOVERNMENTS

Due from other governments includes an allowance for doubtful accounts in the County's Health and Human Services Fund of \$746,000 at December 31, 2007.

CASH HELD FOR CAPITAL PROJECTS

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

CAPITAL ASSETS

General capital assets 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.

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting general capital assets at \$5,000. Donations or contributions of capital assets are recorded at fair market value when received.

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 recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

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

BOND ISSUE COSTS

Costs incurred in connection with the issuance of certain general obligation bonds have been deferred in the statement of net assets and are being amortized over the life of the related obligation.

ESCROW LIABILITIES

Escrow liabilities represent amounts that are held by the County primarily for items such as undistributed fees, fines and costs held by row offices, bail collections, proceeds from sheriff's sales, child support collections, various taxes, fees and licenses and taxes to be distributed to municipalities and school districts.

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 employees may accumulate vacation days.

DERIVATIVE FINANCIAL INSTRUMENT

The County has entered into interest rate and basis swap agreements, which are considered derivative financial instruments, to swap the variable interest rate on a portion of its long-term debt to a fixed rate (Note 10). Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements.

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.

INTERFUND ACTIVITY

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements.

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.

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.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. REPORTING ENTITY

In accordance with the guidance contained in Governmental Accounting Standards Board ("GASB") Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, the County has evaluated all related entities (authorities, commissions, and affiliates) for the possible inclusion in the financial 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 component 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 Health and Human Services and the other Special Revenue Fund. The component units reported in this way are:

- The Lackawanna County Commission on Drug and Alcohol Abuse ("LCCDAA") is responsible for developing and implementing a plan for the prevention and treatment of drug and alcohol abuse in Lackawanna County. The LCCDAA receives funding primarily from the Commonwealth of Pennsylvania.

- The Lackawanna County Solid Waste Management Authority ("LCSWMA") is responsible for implementing the County's recycling program and operates the County recycling center.

DISCRETELY PRESENTED COMPONENT UNIT

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:

- The Scranton Lackawanna Health and Welfare Authority ("SLHWA") acts as a conduit for tax-exempt financing in the County. The County Commissioners appoint the governing board of the SLHWA.
- The Lackawanna County Library System ("LCLS") 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 LCLS.
- The Lackawanna County Redevelopment Authority ("LCRA") administers grants on behalf of the Commonwealth of Pennsylvania and the County. The County Commissioners appoint the governing board of the LCRA.
- The Lackawanna County River Basin Sewer Authority ("LCRBSA") owns and operates a sewer collection and treatment system covering various municipalities in the County. The County Commissioners appoint the governing board of the LCRBSA. The County has also guaranteed the long-term debt of the LCRBSA.
- The County of Lackawanna Transit System Authority ("COLTS") operates the County's mass transit system. The County Commissioners appoint the governing board of COLTS.
- The Multi-Purpose Stadium Authority of Lackawanna County ("MPSA") operates the Lackawanna County Multi-Purpose Stadium. The County Commissioners appoint the governing board of the MPSA. The MPSA owes the County \$13,221,374 of which the County has reserved the entire balance.
- The Lackawanna County Performing Arts Center Authority ("LCPACA") operates a performing arts amphitheatre. The County Commissioners appoint the governing board of the LCPACA. The County has also guaranteed the long-term debt of the LCPACA.

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 2007, the County provided \$530,000 of capital. In addition, the County loaned the Airport \$900,000 for completion of the new terminal at the Airport in 2004, which is still outstanding at December 31, 2007. The County has included a net investment in Airport of \$6,306,997 in its capital assets at December 31, 2007.
- Lackawanna Susquehanna Mental Health / Mental Retardation Program. A joint venture with the County of Susquehanna, the commissioners of each county appoint 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. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Under the County Administrative Code, the County is authorized to invest its funds in the following:

- United States Treasury bills.
- Short-term obligations of the United States government or its agencies or instrumentalities.

- Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation ("FDIC") or other like insurer.
- Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth of Pennsylvania, or any agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania which are insured by the FDIC or other like insurer. For any amounts in excess of the insured maximum, such deposits must be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly of the Commonwealth of Pennsylvania. Certificates of deposit may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets net of its liabilities.
- Commercial paper and prime commercial paper meeting certain requirements.

In addition, the County Administrative Code provides that a pension or retirement fund may make any investment authorized by 20 PA C.S. 73 (relating to fiduciary investments).

DEPOSITS WITH FINANCIAL INSTITUTIONS

CUSTODIAL CREDIT RISK

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The County does not have a policy for custodial credit risk. At December 31, 2007, the bank balance of the County's deposits with financial statements, including cash equivalents, was \$41,084,654 compared to the carrying amount of \$38,659,228. The difference is caused by items in-transit and outstanding checks. \$40,152,255 of the County's deposits was exposed to custodial credit risk and was uninsured and collateralized by securities pledged by the financial institutions for such funds but not in the County's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

INVESTMENTS

As of December 31, 2007, the County's investments are classified as restricted assets and investments and are carried at fair market value and consist of the following:

<u>GOVERNMENTAL FUNDS</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
U.S. government agency	1-10 years	\$6,192,311
Money market funds		<u>750,196</u>
Total		<u><u>\$6,942,507</u></u>

<u>PENSION TRUST FUND</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
Common stock		\$ 65,669,370
U.S. government obligations	6-30 years	35,229,326
Mutual funds		15,997,696
Corporate bonds	1-30 years	10,683,629
Certificates of deposit	≥1 year	3,316,040
Money market		675,665
Notes and mortgages	11-30 years	<u>330,717</u>
Total		<u><u>\$131,902,443</u></u>

INTEREST RATE RISK

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CREDIT RISK AND CONCENTRATION OF CREDIT RISK

The County has limits on the amount that may be invested in any one issuer. At December 31, 2007, no one issuer totaled more than five percent of the Plan's net assets. The Plan's investment policy requires all bonds to be rated as "investment grade" by Standard & Poor's and Moody's Investors Service.

The County's investments in debt securities of the Governmental funds had the following credit risk at December 31, 2007:

<u>INVESTMENT</u>	<u>S&P RATING</u>	<u>%</u>
U.S government obligations	AAA	<u>100.00%</u>

The County's investments in debt securities of the Pension trust fund had the following credit risk at December 31, 2007:

<u>INVESTMENT</u>	<u>S&P RATING</u>	<u>%</u>
U.S government obligations	AAA	76.18%
Corporate bonds	Aaa	4.39
Corporate bonds	Aa1	1.79
Corporate bonds	Aa2	3.76
Corporate bonds	Aa3	2.45
Notes and mortgages	A	.88
Corporate bonds	A1	5.15
Corporate bonds	A2	2.02
Corporate bonds	A3	.73
Corporate bonds	Baa1	.82
Corporate bonds	Baa1c	.57
Corporate bonds	Baa2	.45
Corporate bonds	Baa3	<u>.81</u>
Total		<u>100.00%</u>

4. REAL ESTATE TAXES

The total tax on real estate in 2007 was 39.998 mills (\$39,998 per \$1,000 of assessed valuation). Of this amount, 36.498 mills were levied for general and debt service purposes, 2.5 mills were levied for library services in the County and 1.0 mill was levied for culture and education fund purposes. 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 taxed 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, 2007 were \$16,016,912. The amount of delinquent taxes receivable is reported net of an allowance for doubtful accounts of \$8,613,604.

COUNTY OF LACKAWANNA, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2007, was as follows:

	January 1, <u>2007</u>	<u>Acquisitions</u>	<u>Deletions</u>	<u>Transfers</u>	December 31, <u>2007</u>
Capital assets not being depreciated:					
Land	\$ 2,277,937	\$ 4,041,801	\$(3,268,265)	\$ -	\$ 3,051,473
Construction-in-progress	<u>18,302,452</u>	<u>28,686,361</u>	<u>-</u>	<u>(14,908,072)</u>	<u>32,080,741</u>
Total capital assets, not being depreciated	<u>20,580,389</u>	<u>32,728,162</u>	<u>(3,268,265)</u>	<u>(14,908,072)</u>	<u>35,132,214</u>
Capital assets being depreciated:					
Buildings and improvements	63,152,525	171,288	(5,074)	14,022,770	77,341,509
Machinery and equipment	27,313,813	2,945,260	(63,564)	885,302	31,080,811
Equipment under capital lease	1,423,325	-	-	-	1,423,325
Infrastructure	31,790,042	1,364,179	-	-	33,154,221
Investment in Airport	<u>8,197,567</u>	<u>530,000</u>	<u>-</u>	<u>-</u>	<u>8,727,567</u>
Total capital assets, being depreciated	<u>131,877,272</u>	<u>5,010,727</u>	<u>(68,638)</u>	<u>14,908,072</u>	<u>151,727,433</u>
Less accumulated depreciation for:					
Buildings and improvements	(19,458,793)	(1,893,589)	4,989	-	(21,347,393)
Machinery and equipment	(17,793,118)	(3,542,235)	50,116	-	(21,285,237)
Equipment under capital lease	(81,944)	(94,888)	-	-	(176,832)
Infrastructure	(27,670,983)	-	-	-	(27,670,983)
Investment in Airport	<u>(2,246,019)</u>	<u>(174,551)</u>	<u>-</u>	<u>-</u>	<u>(2,420,570)</u>
Total accumulated depreciation	<u>(67,250,857)</u>	<u>(5,705,263)</u>	<u>55,105</u>	<u>-</u>	<u>(72,901,015)</u>
Total capital assets being depreciated, net	<u>64,626,415</u>	<u>(694,536)</u>	<u>(13,533)</u>	<u>14,908,072</u>	<u>78,826,418</u>
Governmental activities capital assets, net	<u>\$ 85,206,804</u>	<u>\$32,033,626</u>	<u>\$ (3,281,798)</u>	<u>\$ -</u>	<u>\$113,958,632</u>

At December 31, 2007, the County has committed to various ongoing construction projects. Total costs related to these projects amount to approximately \$32,000,000, which is included in construction in progress at December 31, 2007. The County is committed to additional costs of approximately \$2,400,000 related to these projects.

6. LONG-TERM OBLIGATIONS

GOVERNMENTAL ACTIVITIES

During 1995, the County issued \$725,000 of general obligation bonds (Series B of 1995) to repay a 1994 bank loan. These bonds are due in varying annual installments plus interest at rates ranging from 6.00% to 7.25%, with final maturity scheduled for 2009. Principal due in 2008 is \$70,000.

During 1999, the County issued \$27,865,000 of general obligation bonds (Series A of 1999) to refund a 1993 bond issue, advance refund a portion of a 1994 bond issue, advance refund a portion of a 1996 bond issue, advance refund a portion of a 1997 bond issue as well as finance capital projects. These bonds are due in varying annual installments plus interest at rates ranging from 3.00% to 5.00%, with final maturity scheduled for 2022. Principal due in 2008 is \$1,500,000.

During 1999, the County issued \$5,225,000 of general obligation bonds (Series B of 1999) to fund construction of an amphitheatre. These bonds are due in varying annual installments plus interest at rates ranging from 5.875% to 7.000%, with final maturity scheduled for 2019. In 2002, the County transferred \$4,000,000 of the bonds to the Lackawanna County Performing Arts Center Authority, a component unit of the County. Principal due in 2008 is \$55,000.

During 2002, the County issued \$19,540,000 of general obligation bonds (Series A of 2002) to refund a 1992 and a 1995 bond issue and finance various capital projects. These bonds are due in varying annual installments plus interest at rates ranging from 2.000% to 5.125%, with final maturity scheduled for 2020. Principal due in 2008 is \$1,095,000.

During 2004, the County issued \$10,110,000 of general obligation bonds (Series A of 2004) to currently refund a 1994 bond issue, finance various capital projects, and fund a deposit to the Debt Service Fund. These bonds are due in varying annual installments plus interest at rates ranging from 2.00% to 5.00%, with final maturity scheduled for 2015. Principal due in 2008 is \$1,025,000.

During 2004, the County issued \$4,210,000 of general obligation bonds (Series C of 2004) to finance the payment of unfunded accrued actuarial pension obligations of the County and fund a deposit to the Debt Service Fund. These bonds are due at varying annual installments to begin in 2008 plus interest at rates ranging from 3.76% to 5.35%, with final maturity scheduled for 2019. Principal due in 2008 is \$320,000.

During 2004, the County issued \$20,145,000 of general obligation bonds (Series D of 2004) to finance unfunded debt of the County, including certain outstanding obligations of the current and prior years. These bonds are due at varying quarterly installments plus interest at a variable rate (4.38% at December 31, 2007), with final maturity scheduled for 2014. Principal due in 2008 is \$1,880,000.

During 2005, the County issued \$38,650,000 of general obligation bonds (Series B of 2005) to advance refund a 1997 bond issue and a portion of the 2002 Series A general obligation bonds. These bonds are due in varying annual installments plus monthly interest installments at a variable rate (3.65% at December 31, 2007), with final maturity scheduled for 2020. Principal due in 2008 is \$25,000.

During 2006, the County issued \$41,365,000 of general obligation bonds (Series A of 2006) to currently refund the 2005 Series A bond issue and to finance various capital projects. These bonds are due in varying annual installments plus monthly interest installments at a variable rate (3.42% at December 31, 2007), with final maturity scheduled for 2029. Principal due in 2008 is \$1,055,000.

During 2007, the County issued \$21,090,000 of general obligation bonds (Series A of 2007) to finance various capital projects. The bonds are due in varying annual installments plus interest at rates ranging from 3.65% to 5.00%, with final maturity scheduled for 2029. There is no principal due in 2008.

During 2007, the County issued \$33,735,000 of general obligation bonds (Series B of 2007) to currently refund all or a portion of the Series A of 2004, Series B of 2004, and Series B of 1999 bond issues. The bonds are due in varying annual installments plus interest at rates ranging from 3.75% to 5.00%, with final maturity scheduled for 2029. Principal due in 2008 is \$550,000.

The County and the County of Luzerne have equally assumed the debt of Northeastern PA Sports Development Corporation ("NPSDC"), the entity established to purchase the professional baseball team operated by the Multi-Purpose Stadium Authority of Lackawanna County. The debt requires monthly payments of \$9,248, including interest at a rate of 7.85% through January of 2008. The County's portion of the monthly payment is \$4,624. In the event of the sale of the professional baseball team, the County of Luzerne would be entitled to one-half of the proceeds of the sale. Principal due in 2008 is \$3,124.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following summarizes the changes in bonds and note payable in 2007:

	Balance January 1, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2007</u>
Bonds:				
Series B of 1995	\$ 215,000		\$ (65,000)	\$ 150,000
Series A of 1997	5,000		(5,000)	-
Series A of 1999	22,770,000		(1,425,000)	21,345,000
Series B of 1999	985,000		(50,000)	935,000
Series A of 2002	13,285,000		(1,055,000)	12,230,000
Series A of 2004	9,565,000		(995,000)	8,570,000
Series B of 2004	29,270,000		(29,270,000)	-
Series C of 2004	4,200,000		(5,000)	4,195,000
Series D of 2004	16,755,000		(1,810,000)	14,945,000
Series B of 2005	38,650,000		(25,000)	38,625,000
Series A of 2006	41,365,000		-	41,365,000
Series A of 2007	-	\$21,090,000		21,090,000
Series B of 2007	-	33,735,000		33,735,000
Notes:				
NPSDC Note	<u>59,122</u>	<u>-</u>	<u>(55,998)</u>	<u>3,124</u>
	177,124,122	54,825,000	(34,760,998)	197,188,124
Bond premiums and deferred charges	<u>(833,519)</u>	<u>1,820,654</u>	<u>(68,940)</u>	<u>918,195</u>
Total	<u>\$176,290,603</u>	<u>\$56,645,654</u>	<u>\$(34,829,938)</u>	<u>\$198,106,319</u>

Interest paid on these bonds and notes was \$7,408,636 in 2007.

The County has advance-refunded various bond issues by creating separate irrevocable trust funds containing U.S. government securities or securities collateralized by U.S. government securities. The securities and earnings therein are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes, the bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets. At December 31, 2007, the amount of defeased bonds outstanding was \$225,000.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following summarizes the County's estimated future debt service requirements on these bonds and note payable, net of the effect of the interest rate swaps (Note 10), as of December 31, 2007. As rates vary, net interest rate swap payments will vary.

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2008	\$ 7,578,124	\$ 7,664,106	\$ 831,725	\$ 16,073,955
2009	9,640,000	7,515,064	910,041	18,065,105
2010	10,055,000	6,916,906	891,345	17,863,251
2011	10,525,000	6,575,041	871,844	17,971,885
2012	11,870,000	6,208,967	851,301	18,930,268
2013-2017	58,210,000	24,571,028	3,508,881	86,289,909
2018-2022	46,965,000	13,219,148	1,901,569	62,085,717
2023-2027	28,720,000	8,226,386	910,482	37,856,868
2028-2029	<u>13,625,000</u>	<u>1,026,918</u>	<u>109,411</u>	<u>14,761,329</u>
Total	<u>\$197,188,124</u>	<u>\$81,923,564</u>	<u>\$10,786,599</u>	<u>\$289,898,287</u>

Discretely Presented Component Unit

The following is a summary of long-term debt for the discretely presented component units at December 31, 2007:

	<u>AMOUNT</u>
<u>Lackawanna County Redevelopment Authority</u>	
Term note, due in varying semiannual installments plus interest at 7.5%, maturing 2011	\$ 5,234,276
Term note, due in varying semiannual installments plus interest a 6.5%, maturing 2011	179,784
Term note, due in varying semiannual installments plus interest at 6.5, maturing 2012	<u>1,349,516</u>
Total	<u>6,763,576</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	<u>AMOUNT</u>
<u>Lackawanna River Basin Sewer Authority</u>	
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 \$36,914	\$ 3,398,086
PENNVEST note, due in monthly installments of \$17,432 including interest at 1 %; maturing 2011	668,641
General obligation note of 2007, due in varying annual installments plus interest at 5.00%; final maturity scheduled for 2010	<u>436,658</u>
Total	<u>4,503,385</u>
<u>Lackawanna County Performing Arts Center Authority</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. Reported net of unamortized discount of \$21,018.	3,038,982
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.	<u>3,445,000</u>
Total	<u>6,483,982</u>
TOTAL	<u>\$17,750,943</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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>
2008	\$ 2,627,950
2009	2,746,054
2010	3,199,437
2011	2,461,168
2012	1,279,266
2013-2017	4,050,000
2018-2020	<u>1,435,000</u>
Total	17,798,875
Less unamortized discount	<u>47,932</u>
Total	<u>\$17,750,943</u>

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, 2007, there were seven general obligation bond issues outstanding and seven notes and mortgages outstanding with an aggregate balance of \$158,558,255.

7. CAPITAL LEASE PAYABLE

The County entered into a capital lease for energy conservation equipment in 2005. The lease agreement requires 120 payments of \$13,106 through July 1, 2015.

The following is a summary of changes in capital lease payable:

Balance, January 1, 2007	\$1,346,278
Decrease	<u>(131,044)</u>
Balance, December 31, 2007	1,215,234
Less current portion	<u>136,750</u>
Long-term portion of capital lease payable	<u>\$1,078,484</u>

The County makes its capital lease payments from the General Fund.

The following is a summary of future minimum lease payments required under the capital leases along with the present value of the net minimum lease payments as of December 31, 2007:

<u>YEARS ENDING DECEMBER 31</u>	<u>AMOUNT</u>
2008	\$ 190,617
2009	190,617
2010	190,617
2011	190,617
2012	190,617
2013-2015	<u>492,427</u>
Total minimum lease payments	1,445,512
Less amounts representing interest	<u>230,278</u>
Present value of net minimum lease payments	<u>\$1,215,234</u>

Total interest paid on this capital lease in 2007 was \$59,573.

8. COMPENSATED ABSENCES

The changes in the County's compensated absences in 2007 are summarized as follows:

Balance, January 1, 2007	\$ 3,380,094
Increase	2,475,200
Decrease	<u>(2,622,518)</u>
Balance, December 31, 2007	3,232,776
Less current portion	<u>532,665</u>
Long-term compensated absences	<u>\$ 2,700,111</u>

The County pays its compensated absences from the General Fund.

9. PENSION PLANS

PLAN DESCRIPTION

The Lackawanna County Retirement Fund (the "Plan") is a single-employer defined benefit pension plan that covers all full-time employees of the County. The Plan provides retirement, disability and death benefits to its members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Lackawanna County Employees' Retirement Board. The Plan is covered under the Commonwealth of Pennsylvania's Act 96 of 1971, as amended, commonly referred to as the County Pension law. The County Pension law provides for the creation, maintenance and operation of this plan. A copy of the Plan's financial statements may be obtained from the County Commissioner's office.

Membership of the Plan consisted of the following at December 31, 2007, the date of its latest actuarial valuation:

Retirees and beneficiaries receiving benefits	455
Terminated plan members entitled to but not yet receiving benefits	116
Active plan members	<u>1,423</u>
Total	<u>1,994</u>
Number of participating employers	<u>1</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Prior to December 31, 1987, as a condition of employment, each employee of Lackawanna County was required to contribute 7% of their salary to the Plan. As of January 1, 1988, each new employee is required to contribute eight percent (8%) of their salary to the Plan. Members in the Plan prior to January 1, 1988 may continue to contribute seven percent (7%) or elect the option to contribute eight percent (8%). The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contributions requirements of the plan members and the County are established and may be amended by the general Assembly of the Commonwealth of Pennsylvania. Administrative costs are generally paid by the County's General Fund, though they may be financed through investment earnings.

The annual pension cost was \$2,099,854 based on an actuarial valuation using the entry age method. There were no contributions to the Plan were in 2007. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% - 4.50%; graduated in .25% increments over 2 years, and (c) cost-of-living adjustments provided at the discretion of the Lackawanna County Employees' Retirement Board. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Prior to January 1, 2005, the aggregate actuarial cost method was used to determine costs.

Historical trend information for the Plan is presented below:

	Annual Pension <u>Cost (APC)</u>	County <u>Contribution</u>	Percentage Of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/03	\$2,442,365	\$ -0-	0%	\$3,775,083
12/31/04	3,172,042	3,911,821	123%	2,856,077
12/31/05	2,756,065	-0-	0%	5,475,244
12/31/06	2,317,365	2,856,077	123%	4,676,271
12/31/07	2,099,854	-0-	0%	6,554,393

Information regarding the Plan can be obtained from the County.

10. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

OBJECTIVE OF THE INTEREST RATE SWAPS

As a means to manage interest rate exposure, the County entered into interest rate swaps to effectively change the County's variable interest rate on certain bonds to a synthetic fixed rate. In addition, to mitigate some of the risks inherent in the variable to fixed rate swaps the County has entered into variable to variable basis swaps in connection with the same bonds.

TERMS

The County entered into a pay-fixed, receive-variable interest rate swap and a pay-variable, receive-variable basis swap with PNC on its Series B of 2005 general obligation bonds. The agreements terminate on September 15, 2020. The notional value of the swaps at inception was \$38,650,000 and at December 31, 2007 was \$38,625,000. The net effect of the rate swap and the basis swap requires the County to receive a variable payment based on 61.434% of the five year ISDA rate (2.58% at December 31, 2007) and to pay a fixed rate of 3.54% on the 15th of each month. The variable rate of the swap creates an average synthetic fixed coupon of the variable rate plus .96% or 4.61% at December 31, 2007.

The County also entered into a pay-fixed, receive-variable interest rate swap and a pay-variable, receive-variable basis swap with PNC on its Series A of 2006 general obligation bonds. The agreements terminate on September 1, 2029. The notional value of both swaps at inception and at December 31, 2007 was \$41,365,000. The net effect of the rate swap and the basis swap requires the County to receive a variable payment based on 61.863% of the five year ISDA rate (2.60% at December 31, 2007) and to pay a fixed rate of 3.94% on the 15th of each month. The variable rate of the swap creates an average synthetic fixed coupon of the variable rate plus 1.34% or 5.29% at December 31, 2007.

FAIR VALUE

At December 31, 2007, the swaps had fair values as follows:

2005 Series B:	
Rate Swap	\$(1,331,119)
Basis Swap	\$ 77,994
2006 Series A:	
Rate Swap	\$(2,881,238)
Basis Swap	\$ 36,892

The fair values were provided by PNC and are based on a proprietary model.

CREDIT RISK

As of December 31, 2007, the County was not exposed to credit risk because the swaps 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.

BASIS RISK

The swap exposes the government to basis risk should the relationship between LIBOR and the weekly interest rate as determined by the remarketing agent converge, changing the synthetic rate on the bonds.

INTEREST RATE RISK

The swaps increase the County's exposure to interest rate risk. As the ISDA Index decreases, the County's net payments on the swaps increase.

TERMINATION RISK

The derivative contracts use the ISDA master agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swaps have a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

11. DEFICIT FUND BALANCES

The Internal Service Fund has a net deficit of \$1,972,686 at December 31, 2007. This deficit results from the County electing only to fund the minimum asset reserve required by the Commonwealth of Pennsylvania for self-insured entities.

The Lackawanna County Redevelopment Authority, a discretely presented component unit, has a net deficit of \$4,547,786 at December 31, 2007. The deficit resulted from the financing of the PEI Power Park infrastructure through the use of tax increment financing notes. Debt service payments on these notes are made from incremental real estate tax levies by the taxing authorities within whose jurisdictions the project exists. The Redevelopment Authority anticipates the deficit to be substantially eliminated by the year 2011 when the notes mature.

12. SELF INSURANCE

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 for which the County carries commercial insurance.

The County has elected to self-insure its workers' compensation risk. The County established an Internal Service Fund to account for all the transactions associated with its self-insurance. The Internal Service Fund charges the County's other funds an amount equal to its estimated annual cost. A stop loss policy limits the County's exposure to large claims to \$500,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The County uses an actuary to determine the amount of claim liabilities at year-end.

Changes in the balance of claims liabilities in 2007 are as follows:

Balance, January 1, 2007	\$2,339,925
Claims incurred	2,151,649
Claims paid	<u>(1,499,829)</u>
Balance, December 31, 2007	<u>\$2,991,745</u>

The County has recorded an estimated liability for known claims, based on estimates of the ultimate cost of reported claims (including future claims adjustment expenses) as well as claims that have been incurred but not reported, using amounts as determined by an independent actuary. Adjustments to these claim liabilities are charged or credited to expense in the periods in which they are made.

13. INTERFUND BALANCES/TRANSFERS

Interfund receivable and payable balances are normally settled in the following year and the balances at December 31, 2007 are as follows:

	Due From Other <u>Funds</u>	Due To Other <u>Funds</u>
General Fund	\$3,660,609	
Health and Human Services Funds		\$2,698,259
Debt Service Fund	263,053	
Capital Projects Fund		8,609
Non-Major Funds		1,196,770
Internal Service Fund	<u> </u>	<u>20,024</u>
Totals	<u>\$3,923,662</u>	<u>\$3,923,662</u>

The amounts due to the General Fund are generally for payroll. All of these items were repaid in 2008.

Interfund transfers in 2007 are summarized as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund:		
Debt Service Fund		\$12,872,318
Capital Projects Fund	\$1,945,745	
Non-Major Funds	<u>870,584</u>	<u>3,009,482</u>
Total General Fund	<u>\$2,816,329</u>	<u>\$15,881,800</u>
Health and Human Services Fund, Debt Service Fund		<u>\$ 632,420</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund:		
General Fund	\$12,872,318	
Capital Projects Fund	1,000,000	\$ 733,756
Health and Human Services Fund	632,420	
Non-Major Funds	<u>270,672</u>	
Total Debt Service Fund	<u>14,775,410</u>	<u>733,756</u>
Capital Projects Fund:		
General Fund		1,945,745
Debt Service Fund	<u>733,756</u>	<u>1,000,000</u>
Total Capital Projects Fund	<u>733,756</u>	<u>2,945,745</u>
Non-Major Funds:		
General Fund	3,009,482	870,584
Debt Service Fund		<u>270,672</u>
	<u>\$ 3,009,482</u>	<u>\$ 1,141,256</u>

Transfers in to the General Fund were used to reimburse prior expenditures. Transfers out by the General Fund were primarily for debt service and operational costs.

Transfers in to the Debt Service Fund were primarily used for debt service.

Transfers in to the Non-Major Funds were primarily used for operational costs, while transfers out were primarily for debt service.

DUE FROM/TO COMPONENT UNITS

At December 31, 2007, the County owed the COLTS \$667,651 for its portion of the required local match. Since COLTS has a fiscal year-end of June 30, 2007, the amounts shown in the financial statements do not agree.

The County has advanced \$13,221,374 to the MPSA primarily to fund MPSA's debt service payments and capital projects. 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.

14. CONTINGENCIES

The County participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The County is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The County is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

The County is involved, from time to time, in various legal actions. In the opinion of the County, these matters either are adequately covered by insurance or will not have a material effect on the County's financial statements.

15. SUBSEQUENT EVENTS

On April 11, 2008, the County terminated the basis swaps on its Series B of 2005 and Series A of 2006 general obligation bonds. The County received cash consideration of \$1,100,000 upon termination

On June 25, 2008, the County issued \$44,540,000 (Series A of 2008), \$44,540,000 (Series B of 2008) and \$6,745,000 (Series C of 2008) of general obligation notes. The proceeds of the Series A, B and C notes were used to currently refund a portion of the County's Series A of 2002 general obligation bonds, the outstanding Series B of 2005 and Series A of 2006 general obligation bonds and to finance various capital projects. The County also rolled the rate swaps on its Series B of 2005 and Series A of 2006 general obligation bond into an interest rate swap on the new notes. The County did not pay or receive any cash as a result of this transaction.

On December 17, 2008, the County issued \$13,858,652 (Series D of 2008) of general obligation notes and \$17,960,000 (Series E of 2008) of general obligation bonds. The proceeds of the Series D notes and Series E bonds were used to currently refund a portion of the County's Series A of 1999 general obligation bonds and to finance various capital projects.

Subsequent to December 31, 2007, events in financial markets have led to declines in the fair value of investment securities. As a result, the fair value of the County's investment securities in the Pension Trust Fund was \$100,780,523 at December 31, 2008.

16. NEW ACCOUNTING PRONOUNCEMENT

In July 2004, the GASB issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes accounting and financial reporting standards for state and local employers that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). As defined in GASB Statement No. 45, OPEB are (1) postemployment healthcare benefits and (2) other types of postemployment benefits (for example, life insurance) if provided separately from a pension plan.

The County has not yet determined the effect of the adoption GASB Statement No. 45 on its financial statements.

COUNTY OF LACKAWANNA, PENNSYLVANIA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
GENERAL LIQUID FUELS AND DEBT SERVICE FUNDS BUDGET AND ACTUAL (BUDGETARY MODIFIED CASH BASIS) - UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2007

	GENERAL FUND			LIQUID FUELS FUND			DEBT SERVICE FUND		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:									
Taxes	\$ 40,790,272	\$ 41,348,033	\$ 557,761				\$ 11,460,750	\$ 11,244,945	\$ (215,805)
Payments in-lieu of taxes	230,730	210,635	(20,095)						
Grants	21,418,362	20,902,738	(515,624)	\$ 845,000	\$ 2,251,328	\$ 1,406,328			
Charges for services	15,687,818	16,315,145	627,327						
Interest and rent	575,000	1,011,182	436,182	9,000	29,460	20,460	125,000		
Fines and forfeits	10,000	24,267	14,267						
Contributions and other				10,000	12,637	2,637	791,225	407,179	(384,046)
Total receipts	<u>78,712,182</u>	<u>79,812,000</u>	<u>1,099,818</u>	<u>864,000</u>	<u>2,293,425</u>	<u>1,429,425</u>	<u>12,376,975</u>	<u>11,652,124</u>	<u>(599,851)</u>
DISBURSEMENTS:									
General government - administrative	17,975,839	18,580,655	(604,816)						
General government - judicial	14,605,907	15,217,622	(611,715)						
Public safety	25,819,105	25,265,734	553,371						
Public works	226,950	240,019	(13,069)	1,304,805	2,446,754	(1,141,949)			
Human services	17,364,891	16,086,877	1,278,014						
Culture and recreation	2,947,286	3,138,405	(191,119)						
Conservation and development	611,750	638,060	(26,310)						
Miscellaneous expense	851,150	805,713	45,437						
Debt service							14,263,661	42,238,574	(27,974,913)
Total disbursements	<u>80,402,878</u>	<u>79,973,085</u>	<u>429,793</u>	<u>1,304,805</u>	<u>2,446,754</u>	<u>(1,141,949)</u>	<u>14,263,661</u>	<u>44,480,236</u>	<u>(30,216,575)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,690,696)</u>	<u>(161,085)</u>	<u>1,529,611</u>	<u>(440,805)</u>	<u>(153,329)</u>	<u>287,476</u>	<u>(1,886,686)</u>	<u>(32,828,112)</u>	<u>(34,714,798)</u>
OTHER FINANCING SOURCES (USES):									
Bond proceeds, net								54,514,451	
Transfers in	1,656,921	2,725,411	1,068,490				1,840,000	3,530,162	1,690,162
Transfers out		(7,545,937)	(7,545,937)		(51,491)	(51,491)		(21,823,756)	(21,823,756)
Total other financing sources (uses), net	<u>1,656,921</u>	<u>(4,820,526)</u>	<u>(6,477,447)</u>		<u>(51,491)</u>	<u>(51,491)</u>	<u>1,840,000</u>	<u>36,220,857</u>	<u>(20,133,594)</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING SOURCES	<u>(33,775)</u>	<u>(4,981,611)</u>	<u>(4,947,836)</u>	<u>(440,805)</u>	<u>(204,820)</u>	<u>184,494</u>	<u>(46,686)</u>	<u>3,392,745</u>	<u>3,439,431</u>
FUND BALANCE, BEGINNING	<u>1,076,371</u>	<u>6,893,142</u>	<u>5,816,771</u>	<u>859,382</u>	<u>665,733</u>	<u>(193,649)</u>	<u>77,188</u>	<u>2,415,821</u>	<u>2,338,633</u>
FUND BALANCE, ENDING	<u>\$ 1,042,596</u>	<u>\$ 1,911,531</u>	<u>\$ 868,935</u>	<u>\$ 418,577</u>	<u>\$ 460,913</u>	<u>\$ (9,155)</u>	<u>\$ 30,502</u>	<u>\$ 5,808,566</u>	<u>\$ 5,778,064</u>

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED DECEMBER 31, 2007

1. RECONCILIATION OF BUDGETARY CASH BASIS TO GAAP BASIS

A reconciliation of the County's budgetary cash basis to GAAP basis for 2007 is as follows:

	<u>GENERAL FUND</u>	<u>LIQUID FUELS</u>	<u>DEBT SERVICE</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary cash basis)	\$(4,981,611)	\$ (204,820)	\$3,392,745
Reversal of prior year:			
Receivables	(16,365,538)	(84,237)	
Liabilities	11,735,405	196,170	11,075
Record current year:			
Receivables	14,653,833		303
Liabilities	<u>(7,612,826)</u>	<u>(1,347,152)</u>	<u>(72,090)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (2,570,737)</u>	<u>\$ (1,440,039)</u>	<u>\$3,332,033</u>

For budget purposes, taxes collected by the General Fund and transferred to the Debt Service Fund were reported net. The actual revenue and transfers were reported gross on the General Fund.

See Independent Auditors' Report

COUNTY OF LACKAWANNA, PENNSYLVANIA

REQUIRED SUPPLEMENTAL PENSION INFORMATION
 UNAUDITED
 DECEMBER 31, 2007

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)
1/1/05	\$ 94,225,794	\$ 106,277,698	\$ 12,051,904	88.7%	\$43,311,008	27.8%
1/1/06	104,954,131	114,543,257	9,589,126	91.6%	45,474,796	21.1%
1/1/07	118,608,487	124,198,042	5,589,555	95.5%	48,978,779	11.4%
1/1/08	133,074,285	135,787,677	2,713,392	98.0%	53,566,168	5.1%

See Independent Auditors' Report