County of Lackawanna, Pennsylvania

Financial Statements and
Supplementary Information

December 31, 2015

BAKER TILLY

Candor. Insight. Results.

BAKER TILLY

Baker Tilly Virchow Krause, LLP
46 Public Sq, Ste 400
Wilkes-Barre, PA 18701-2609
tel 570 820 0100
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report

Commissioners of Lackawanna County
Scranton, Pennsylvania

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lackawanna County Department of Human Services Office of Youth and Family Services (a department of the General Fund), which represents 14.0% of the revenues of the General Fund and 7.9% of the revenues of the Governmental Activities. We did not audit the Lackawanna County Area Agency on Aging and Child Care Information Services of Lackawanna County (departments of the Health and Human Services Fund) and the Lackawanna County Commission on Drug and Alcohol Abuse (a blended component unit of the Health and Human Services Fund), which collectively represent 51.0%, 84.0%, and 61.0%, respectively, of the assets, fund balance, and revenues of the Health and Human Services Fund and 3.0%, (0.6)%, and 12.0%, respectively, of the assets, net position, and revenues of the Governmental Activities. We did not audit the financial statements of the Pension Trust Fund which represents 97.0%, 100% and 100% of the assets, net position, and revenues, respectively, of the Fiduciary Fund. Finally, we did not audit the Scranton Lackawanna Health and Welfare Authority, the Lackawanna County Library System, the Lackawanna County Redevelopment Authority, the Lackawanna County River Basin Sewer Authority, the Lackawanna County Transit System Authority, the Multi-purpose Stadium Authority of Lackawanna County and the Lackawanna County Performing Arts Center Authority which represent 100% of the assets, net position and revenues of the aggregate discretely presented component units.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Lackawanna County Department of Human Services Office of Children and Family Services, Lackawanna County Area Agency on Aging, Child Care Information Services of Lackawanna County, Lackawanna County Commission on Drug and Alcohol Abuse, Pension Trust Fund, Scranton Lackawanna Health and Welfare Authority, Lackawanna County Library System, Lackawanna County Redevelopment Authority, Lackawanna County River Basin Sewer Authority, Lackawanna County Transit System Authority, Multi-purpose Stadium Authority of Lackawanna County and Lackawanna County Performing Arts Center Authority, is based solely on the report 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. The financial statements of Scranton Lackawanna Health and Welfare Authority, the Multi-purpose Stadium Authority of Lackawanna County and the Lackawanna County Performing Arts Center Authority, reported as discretely presented component units, and the Pension Trust Fund, reported as a blended fiduciary fund, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1, 12, and 19 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement ("GASB") No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in 2015 to conform to accounting principles generally accepted in the United States of America. The County restated its beginning net position at January 1, 2015 for this adoption. Our opinion was not modified with respect to these adoptions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 14, the budgetary comparison information on page 63, the schedule of changes in net pension liability and related ratios on page 64, and the schedule of employer contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated September 29, 2016 on our consideration of the County's internal control over financial reporting and 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* in considering the County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
September 29, 2016

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 (the "County") for the year ended December 31, 2015 compared to the year ended December 31, 2014. 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 which is considered the primary government. Component units, unless otherwise noted, are not included in this discussion.

Financial Highlights

Overall, the County's liabilities exceed the assets by $99,337,110 at December 31, 2015.

General Fund revenues exceeded expenditures in 2015 by $9,936,979. This increased the General Fund balance from $12,968,108 at December 31, 2014 to a fund balance of $22,905,087 at December 31, 2015.

The County Commissioners continued along the path of fiscal constraint through responsible management of expenses as well as increasing realizable revenues, without impairing the provision of essential services to the residents of the County. There was no need, in 2015, to raise taxes due to the continued fiscal restraint spearheaded by the County Commissioners. The County's financial position has become more stable, with operating surpluses being attained in 2013, 2014 and 2015. The Commissioners are committed to continuing to look at the way Lackawanna County does business and to make the necessary changes needed to maintain the operational efficiencies which have been achieved.

With the continued emphasis on governmental reorganization and the fiscal restraints implemented by the Commissioners, the County was able to hold the line on taxes and the Commissioners were able to present both the 2015 and 2016 County budgets without any real estate tax increase, and the Commissioners, based on better performance over the last three years, expect to present a 2017 County Budget, without the need for an increase in real estate taxes.

During 2015, the County implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*. This standard was designed to improve the accounting and financial reporting by state and local governments for pension benefits provided to employees. As required by GASB 68, a liability was recorded using the actuarial report of the County's Pension Plan for the year ended December 31, 2015. The actuarially determined net pension liability at December 31, 2015 was $39,019,206. Additional details and information can be found in Note 12 and within the required supplementary information, which is comprised of the schedule of changes in net pension liability and related ratios on page 64 and the schedule of employer contributions on page 65.

Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net position (deficit) and the statement of activities. The statement of net position (deficit) reports all of the assets and liabilities of the government. The statement of activities presents information showing how the County's net position (deficit) changed during the most recent fiscal year. All changes in the net position (deficit) 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 15-16 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. The County uses three types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change 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 change 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 of the governmental funds that are not considered individually significant have been aggregated and are collectively reported under the caption "Non-Major".

The County adopts an annual budget according to Pennsylvania Law and the Lackawanna County Home Rule Charter for its General and Debt Service Funds. A budgetary comparison statement has been provided to demonstrate compliance with these budgets on page 63.

The basic fund financial statements can be found on pages 17-23 of this report.

Fiduciary Funds

The County accounts for the assets held under trust or in an agent capacity in fiduciary funds. Assets held in trust in the County retirement plan are accounted for in the Pension Trust Fund. Assets held in a custodial or agent function are accounted for in the Agency Fund. Fiduciary funds are not reported in the government-wide financial statements since they are not available to support the County operation.

The basic Fiduciary Fund financial statements can be found on pages 24-25 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 28-62 of this report.

Governmental Activities Condensed Statement of Net Position (Deficit)
December 31, 2015 and 2014

	2015	2014
Assets and Deferred Outflows of Resources		
Current and other assets	$ 76,771,109	$ 72,697,359
Capital assets, net	123,185,713	119,915,849
Total assets	199,956,822	192,613,208
Deferred outflows of resources - pension	1,696,363	-
Total	201,653,185	192,613,208
Liabilities, Deferred Inflows of Resources		
Current liabilities	37,836,381	36,921,672
Long term and other liabilities	262,469,736	267,055,621
Total liabilities	300,306,117	303,977,293
Deferred inflows of resources - pension	684,178	-
Net Position (Deficit)		
Net investment in capital assets	(66,568,231)	(76,252,290)
Restricted	9,028,372	3,643,725
Unrestricted	(41,797,251)	(38,755,520)
Total net deficit	$ (99,337,110)	$ (111,364,085)

Total assets of the Lackawanna County primary government increased by $9,039,977 from 2014 to 2015 from $192,613,208 to $201,653,185. This amounts to an 4.7% increase.

The most notable changes in the County's "Governmental Activities Condensed Statement of Net Position (Deficit)" include the County's cash and short term investments decreased by approximately $6.9 million, accounts receivable increased by approximately $12.5 million, and the County's capital assets, net of depreciation, increased by approximately $3.3 million. The overall net increase in current assets, coupled with a decrease in total liabilities of $3.0 million, is due primarily to the Commonwealth Budget impasse which was not resolved until early 2016 and the increase in the County's net pension liability. The increase in the County's capital assets, net of depreciation was for the most part due to the County's energy savings project, which included approximately $4 million upgrades to the Prison's HVAC system.

The County's total liabilities decreased by $3,671,176 in 2015, which represents a 1.2% decrease.

Condensed Statement of Governmental Activities
Years Ended December 31, 2015 and 2014

	2015	2014
Governmental Activities		
Program Revenues:		
Charges for services	$ 29,884,813	$ 27,170,729
Operating grants and contributions	50,093,979	43,620,818
Capital grants and contributions	5,896,292	3,423,355
General Revenues:		
Tax levy for general purposes, net	79,902,327	80,201,039
Change in fair value of investment derivative	1,637,303	1,779,918
Contributions and other, net	1,643,618	1,269,002
Total revenues	169,058,332	157,464,861
Expenses:		
General government - administrative	23,089,242	21,505,605
General government - judicial	22,537,604	22,423,037
Corrections	35,824,881	35,427,874
Public works and enterprises	1,536,000	669,610
Human services	47,761,118	36,099,746
Culture and recreation	6,870,166	6,692,757
Conservation and development	1,169,945	3,013,990
Depreciation	5,339,657	4,934,122
Interest-long term debt	12,902,744	11,819,599
Total expenses	157,031,357	142,586,340
Changes in net position	12,026,975	14,878,521
Net deficit, beginning, as restated	(111,364,085)	(126,242,606)
Net deficit, ending	$ (99,337,110)	$ (111,364,085)

The County's net deficit, ending, reflected in the "Condensed Statement of Governmental Activities" decreased by $12 million between December 31, 2014 and December 31, 2015. This net decrease in net deficit, ending was a result of revenues exceeding expenditures by $12 million. The 2014 net deficit, ending had decreased by $14.9 million. The reasons for these decreases were the continued commitment by the County Commissioners to hold the line on expenses, while aggressively looking for innovative revenue streams. The principle factors contributing to the 2015 decrease were the increases in the Health and Human Services Grant by $8.4 million. In addition, expenditures for community and economic development decreased by $3.1 million between 2014 and 2015.

Financial Analysis of the Funds
General Fund (Major Fund)

The following represents a summary of General Fund revenue, by source, along with changes from 2014.

	2015 Amount	2014 Amount	Increase (Decrease)	% Change
Taxes	$ 59,391,811	$ 57,956,375	$ 1,435,436	2.48 %
Intergovernmental	15,575,866	17,014,090	(1,438,224)	(8.45)
Charges for service	20,557,444	21,478,791	(921,347)	(4.29)
Other	5,444,532	373,315	5,071,217	1,358.43
Bad debt recovery	1,398,278	-	1,398,278	100.00
Transfers in	669,219	60,205	609,014	1,011.57
Total revenue	$ 103,037,150	$ 96,882,776	$ 6,154,374	6.35 %

Total revenue in the General Fund increased by $6,154,374 or approximately 6.35% from 2014 to 2015.

The increase in revenue between 2014 and 2015 is a result of the tax levy for general fund use increasing by $1,165,436 principally due to an increase in the assessed value of taxable properties, an increase of $1,398,278 in bad debt recovery, an increase in other revenues of $5,071,217, and an increase of $609,014 in transfers in. The increase in bad debt recovery is a result of better than historical collections on delinquent taxes, resulting in a change in estimate of the uncollectible delinquent taxes receivable. The increase in other revenue reflects the County collecting on a long-term receivable loan in the current year from the Multi-Purpose Stadium Authority. These increases were offset to some extent by the $1,438,224 decrease in intergovernmental revenue due mostly to the fact that Office of Youth and Families ("OYFS") state grant revenues decreased. These state grant funds are generated by expenditures, and OYFS reimbursable expenditures decreased in 2015, thus causing the revenue decrease.

The following represents a summary of General Fund expenditures, by function, along with changes from 2014.

	2015 Amount	2014 Amount	Increase (Decrease)	% Change
General government - administrative	$ 18,125,508	$ 17,068,108	$ 1,057,400	6.20 %
General government - judicial	19,719,711	19,488,140	231,571	1.19
Public safety - corrections	32,026,403	31,258,990	767,413	2.46
Public works	69,733	66,376	3,357	5.06
Health and human services	15,308,923	15,324,382	(15,459)	(0.10)
Culture and recreation	2,418,879	2,409,542	9,337	0.39
Community and economic development	406,713	399,793	6,920	1.73
Miscellaneous	428,042	752,648	(324,606)	(43.13)
Debt service	28,190	60,191	(32,001)	(53.17)
Transfers	4,568,069	4,496,503	71,566	1.59
Total expenses	$ 93,100,171	$ 91,324,673	$ 1,775,498	1.94 %

Total expenses in the General Fund increased by $1,775,498 or approximately 1.94% from 2014 to 2015.

Expenses within the general government - administrative category increased by $1,057,400 principally because of an increase in pension expense. Pension expense included in this category is $1,765,447 more than 2014 because the adjustment to the accrual of the County's actuarially required contribution ("ARC") resulted in revenue of $1,160,894 being reflected in pension expense in 2014. On the contrary, the ADC accrual adjustment for 2015 resulted in an expense of $604,553, thus creating the $1,765,447 pension expense increase between December 31, 2014 and December 31, 2015.

Public Safety-Corrections increased by $767,413 primarily due to increases in salaries and wages as a result of settling, through arbitration, a new contract for the unionized employees at the County prison. Once again, while the arbitration award occurred during 2016, the County recorded the retroactive portion as of December 31, 2015.

The following represents a summary of budgeted vs. actual General Fund revenue, by source along with variances for 2015:

	2015 Budget	2015 Actual	Favorable (Unfavorable)	% Change
Taxes	$ 57,459,460	$ 59,391,811	$ 1,932,351	3.25 %
Intergovernmental	17,770,713	15,575,866	(2,194,847)	(14.09)
Charges for service	19,688,164	20,557,444	869,280	4.23
Other	327,660	5,444,532	5,116,872	93.98
Bad debt recovery	-	1,398,278	1,398,278	100.00
Transfers in	372,431	669,219	296,788	44.35
Total revenue	$ 95,618,428	$ 103,037,150	$ 7,418,722	7.20 %

Overall, the County's General Fund revenue exceeded its budget by $7,418,722. The reason for the variance was that the County's tax collection rates in 2015 were better than anticipated when the budget was prepared. In addition, charges for services reflects a positive variance because the County prison revenue from the Commonwealth for housing State parole violators exceeded the 2015 Budget by $1,361,320 and the prison revenue from housing prisoners for the Federal Marshals' Service exceeded the 2015 Budget by $77,645.

The following represents a summary of budgeted vs. actual General Fund expenditures, by function, along with variances for 2015:

	2015 Budget	2015 Actual	Favorable (Unfavorable)	% Change
General government - administrative	$ 18,691,156	$ 18,125,508	$ 565,648	3.12 %
General government - judicial	19,810,937	19,719,711	91,226	0.46
Public safety - corrections	32,981,705	32,026,403	955,302	2.98
Public works	68,747	69,733	(986)	(1.41)
Health and human services	16,567,753	15,308,923	1,258,830	8.22
Culture and recreation	2,742,191	2,418,879	323,312	13.37
Community and economic development	404,284	406,713	(2,429)	(0.60)
Miscellaneous	833,951	428,042	405,909	94.83
Debt service	80,000	28,190	51,810	183.79
Transfers	5,136,147	4,568,069	568,078	12.44
Total expenses	$ 97,316,871	$ 93,100,171	$ 4,216,700	4.53 %

The total expenses for 2015 were $4,216,700 less than the amount budgeted for 2015.

The General government - administrative had a positive budget variance of $565,648 as a result of a number of factors. The majority of the variance can be attributed to the fact that in 2015 the County budgeted the health insurance expense to include a 7% increase over 2014 but joined a consortium with 20 other counties for health insurance and realized savings of $1,160,000 compared to the amount budgeted.

Health and Human Services has a positive budget variance of $1,258,830 compared to the amount budgeted for 2015, in part due to salaries OYFS wages and purchased services. OYFS wages decreased by $637,749 caused by the fact that the 2015 budget was calculated at a full complimented of staff, but positions remained unfilled during the year. In addition, OYFS purchase services decreased by $314,409 attributable to the persistent efforts of the OYFS staff to secure permanent placements for children.

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 Area Agency on Aging, Day Care Services, and Medical Transportation Services.

The Health and Human Services Fund revenues and expenses increased by $12,360,912 and $11,819,255 respectively, as a result of increases in the County's Human Services Development Block Grant and changes in the program funding and operations during 2015.

The Health and Human Service Fund has a fund balance of $460,783. This is an increase of $309,047 from the 2014 final ending fund balance of $151,736.

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. At December 31, 2015 and 2014, the County's debt service fund balances were $7,995,777 and $6,696,491, respectively.

See Note 7 for additional information regarding the County's outstanding debt.

Capital Projects Fund (Major Fund)

The County Capital Projects fund balance decreased from $9,309,969 at December 31, 2014 to $4,597,464 at December 31, 2015. The principal decrease in the County's Capital Projects Fund in 2015 was due to expending $6,769,730 to pay for the County's Guaranteed Energy Savings contract, for which a borrowing in 2014 provided funds. While $6.8 million was expended on the Energy Savings project, the fund balance only decreased to $4.6 million because the County received reimbursements for a bridge project for which funds were expended in previous years.

Internal Service Fund (Proprietary 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. The Bureau of Labor and Industry requires that the County maintains an irrevocable trust account for the payment of future benefits. The County's actuarially determined reserve/estimate for unpaid losses amounted to $1,565,577 at December 31, 2015. The fund's total assets at December 31, 2015 were $1,336,737, which is in compliance with the State's funding requirements. This reserve account indicates a deficit fund balance of $228,840 as of December 31, 2015. This is an increase of $59,949 in the fund deficit of $168,891 reported at December 31, 2014.

Pension Trust Fund

The Pension Trust Fund is a fiduciary fund and holds the assets of the County Retirement Plan. The Plan experienced a decrease in net position of $7,104,755 during 2015 resulting in Plan net position of $154,382,409 at December 31, 2015. Plan net position was $161,487,164 at December 31, 2014.

Plan contributions by members amounted to $4,238,646 and $3,749,484 in 2015 and 2014, respectively. Benefits paid to retired members were $8,841,736 and $8,157,366 in 2015 and 2014, respectively.

Agency Fund

The Agency Fund accounts for assets held by the County in a custodial function for the individuals or other governments. The County held $5,457,997 in that role as of December 31, 2015.

Capital Assets

The County's investment in capital assets at December 31, 2015 and 2014, net of accumulated depreciation, was $123,185,713 and $119,915,849 for its governmental activities, respectively. Capital assets consist primarily of land, buildings, equipment and infrastructure. The following is a summary of capital assets at December 31, 2015 and 2014:

Capital Assets, Governmental Activities
December 31, 2015

	Cost	Accumulated Depreciation	Cost Less Accumulated Depreciation
County-wide:			
Land	$ 3,533,235	$ -	$ 3,533,235
Infrastructure	49,994,667	30,323,872	19,670,795
Investment in airport	8,727,567	3,691,753	5,035,814
Buildings and improvements	122,573,364	36,950,649	85,622,715
Machinery and equipment	45,680,170	38,005,624	7,674,546
Construction-in-process	1,648,608	-	1,648,608
Total county-wide	$ 232,157,611	$ 108,971,898	$ 123,185,713

December 31, 2014

	Cost	Accumulated Depreciation	Cost Less Accumulated Depreciation
County-wide:			
Land	$ 3,533,235	$ -	$ 3,533,235
Infrastructure	46,229,133	29,789,259	16,439,874
Investment in airport	8,727,567	3,530,527	5,197,040
Buildings and improvements	117,635,498	33,968,222	83,667,276
Machinery and equipment	44,168,457	36,344,233	7,824,224
Construction-in-process	3,254,200	-	3,254,200
Total county-wide	$ 223,548,090	$ 103,632,241	$ 119,915,849

Detailed information about the County's capital assets can be found in Note 6 within the accompanying notes to the financial statements.

Long Term Debt

As of December 31, 2015, the County's net general obligation debt was $222,348,986 net of related discount. Detailed information about the County's long-term debt can be found in Note 7 in the accompanying notes to the financial statements.

Economic Condition and Outlook

The County, in its continuing efforts to limit variable rate interest exposure, began working on a refinancing of 2007 and 2008 bond issues in December of 2015. As part of this refunding process, the County approached Standard & Poors to provide a rating of the County, with the hope of restoring its Investment Grade Rating, which rating had been downgraded below investment grade in 2011. In late December 2015, the County was notified by Standard & Poors that the agency had determined that the County would receive a rating of "A stable". The principal factor in arriving at the County's new Investment Grade Rating was the fact that since 2013 the County had been operating with a surplus, which as of December 31, 2014 had generated an Unassigned Fund Balance of $11,192,866, which has grown to $15,868,522 as of December 31, 2015. With its new Investment Grade Rating, the County was able to move forward on its refinancing and in March of 2016 completed the Bond issue which refunded the 2007 and 2008 bonds. The 2016 bond issue finally accomplished the complete conversion of the County's debt portfolio to a fixed rate mode. As a result of the refinancing, the County expects to save $16,138,401 in debt service payments over the 20 year remaining life of the debt.

The County Commissioners continued to task managers to find ways to streamline County Government without sacrificing services to County residents. The County significantly completed the Energy Savings contract which was begun in 2014. The County entered into an agreement with Enterprise Leasing services, whereby the County is replacing its fleet of outdated, owned vehicles with a fleet of new leased vehicles, which will be replaced within five years of being placed in service. Utilizing innovative programs, like those mentioned above, and continuing its efforts to manage costs, the County was again able to operate with a significant surplus, $4,936,979 during 2015.

The County's 2015 and 2016 budgets included no real estate tax increases. County operations exceeded budget expectations during 2015, and we expect that trend to continue through 2016.

Beginning in 2013, the Commissioners developed innovative new Economic Development programs, the Community Reinvest program and the SBA Loan Fee Waiver program, with the intent of bringing new life sustaining jobs to the County and retaining jobs that already exist within the County. These programs have been successful in creating jobs to complete projects funded by the Community Reinvest program, and creating and expanding small businesses within the County through the SBA Loan Fee Waiver program. As of December 31, 2015, $2,036,565 of the funds dedicated to the Commissioners' Economic Development programs remain unspent, and those funds are classified in the accompanying financial statements as "Fund Balance-Assigned". The Commissioners intend to continue to fund these initiatives with the expectation of strengthening the local economy.

The Commissioners have also continued their commitment to allocate substantial funds for the upgrade and replacement of the aging County infrastructure. The Commissioners have appropriated, as they have since 2012, $1,250,000 from the 2015 Operating Budget to fund this initiative. Through this initiative, the Commissioners are repairing roads and repairing and replacing bridges in order to continue enhancing the quality of life for residents of the County.

The County plans to continue to pursue new and innovative programs to further the Commissioners' vision for enhancing the economic climate of the County. To further these initiatives, the County will continue to allocate funds in the annual budget while continuing to monitor expenditures and search for new revenue streams to enhance the County's financial operations.

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 Position
December 31, 2015

	Governmental Activities	Component Units
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 16,086,328	$ 13,344,860
Restricted cash	-	5,382,245
Investments	1,327,399	121,761
Restricted investments	-	1,481,165
Accounts receivable, net	2,972,293	57,081,588
Inventory	27,820	-
Due from agency fund	2,334,595	-
Due from other governments, net	26,714,871	5,419,549
Due from component units	7,393,710	-
Taxes receivable, net	9,802,013	339,905
Other assets	586,202	852,448
Total current assets	67,245,231	84,023,521
Capital Assets, Net	123,185,713	130,712,056
Assets Held for Capital Projects	9,525,878	-
Other Noncurrent Assets	-	569,277
Total assets	199,956,822	215,304,854
Deferred Outflows of Resources - Pension	1,696,363	232,257
Total assets and deferred outflows of resources	$ 201,653,185	$ 215,537,111
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)		
Current Liabilities		
Accounts payable	$ 14,447,824	$ 1,677,304
Accrued expenses	10,785,349	1,013,553
Current portion:		
Bond and notes payable	8,505,709	2,625,462
Compensated absences	230,928	465,109
Due to other governments	1,007,900	-
Due to primary government	-	4,321,611
Unearned revenues	1,293,094	5,678,687
Escrow liability	-	4,381,168
Claims payable	1,565,577	-
Other liabilities	-	8,795
Total current liabilities	37,836,381	20,171,689
Noncurrent Liabilities		
Bonds and notes payable, net	213,843,277	40,867,430
Nonrecourse debt issues	-	54,647,101
Net pension liability	39,019,206	1,534,223
Investment derivative - pay variable / receive variable basis swap	6,384,766	-
Investment derivative - pay fixed / receive variable basis swap	-	1,108,212
Compensated absences	3,222,487	714,168
Total liabilities	300,306,117	119,042,823
Deferred Inflows of Resources		
Pension	684,178	-
Deferred service concession arrangement receipts	-	605,017
Total deferred inflows of resources	684,178	605,017
Net Position (Deficit)		
Net investment in capital assets	(66,568,231)	88,341,420
Restricted	9,028,372	679,165
Unrestricted	(41,797,251)	6,868,686
Total net position (deficit)	(99,337,110)	95,889,271
Total liabilities, deferred inflows of resources and net position	$ 201,653,185	$ 215,537,111

See notes to financial statements

County Of Lackawanna, Pennsylvania

Statement of Activities
Year Ended December 31, 2015

		Program Revenue			Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary Government						
Governmental activities:						
General government - administrative	$ (23,089,242)	$ 6,158,265	$ 285,627	$ -	$ (16,645,350)	
General government - judicial	(22,537,604)	7,117,503	914,551	-	(14,505,550)	
Public safety - corrections	(35,824,881)	9,270,466	4,174,023	-	(22,380,392)	
Public works and enterprises	(1,536,000)	11,270	897,599	-	(627,131)	
Health and human services	(47,761,118)	3,180,783	43,594,961	243,257	(742,117)	
Culture and recreation	(6,870,166)	3,962,776	-	1,398,278	(1,509,112)	
Community and economic development	(1,169,945)	183,750	227,218	4,254,757	3,495,780	
Unallocated depreciation	(5,339,657)	-	-	-	(5,339,657)	
Interest on long-term debt	(12,902,744)	-	-	-	(12,902,744)	
Total governmental activities	$ (157,031,357)	$ 29,884,813	$ 50,093,979	$ 5,896,292	(71,156,273)	
Component Units						
Scranton Lackawanna Health and Welfare Authority	$ (13,295,660)	$ 34,312	$ -	$ -		$ (13,261,348)
Lackawanna County Library System	(5,455,718)	220,000	951,615	-		(4,284,103)
Lackawanna County Redevelopment Authority	(44,487)	-	-	-		(44,487)
Lackawanna County River Basin Sewer Authority	(8,864,229)	8,518,120	-	-		(346,109)
County of Lackawanna Transit System Authority	(13,670,123)	4,077,713	7,523,444	5,800,011		3,731,045
Multi-Purpose Stadium Authority of Lackawanna County	(2,496,918)	-	-	1,218,430		(1,278,488)
Lackawanna County Performing Arts Center Authority	(663,087)	550,000	-	-		(113,087)
Total component units	$ (44,490,222)	$ 13,400,145	$ 8,475,059	$ 7,018,441		(15,596,577)
General Revenues (Expenses)						
Taxes levied for general purposes, net					79,902,327	4,248,595
Rental income					-	14,226,532
Interest income					49,433	154,403
Contributions and other revenue					305,767	1,300,089
Miscellaneous revenue					1,288,418	-
Change in fair value of investment derivative					1,637,303	-
Total general revenues					83,183,248	19,929,619
Change in net (deficit) position					12,026,975	4,333,042
Net (Deficit) Position, Beginning						
As previously reported					(98,799,115)	93,169,007
Effect of adoption of GASB No. 68					(12,564,970)	(1,612,778)
As restated					(111,364,085)	91,556,229
Net (Deficit) Position, Ending					$ (99,337,110)	$ 95,889,271

See notes to financial statements

County of Lackawanna, Pennsylvania

Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Health And Human Services Fund	Debt Service Fund	Capital Projects Fund	Non-Major Funds	Total
Assets						
Cash and cash equivalents	$ 7,986,012	$ 1,224,948	$ 2,838,550	$ 9,524,957	$ 4,036,818	$ 25,611,285
Investments	-	-	-	921	-	921
Inventory	27,820	-	-	-	-	27,820
Due from other funds	12,608,777	334,624	3,015,000	822,189	28,083	16,808,673
Other receivables	1,050,272	-	-	-	1,922,021	2,972,293
Due from other governments, net	10,022,261	10,683,567	2,484,410	3,150,000	374,633	26,714,871
Prepaid expenses	576,864	-	-	-	-	576,864
Taxes receivable, net	9,802,013	-	-	-	-	9,802,013
Total	$ 42,074,019	$ 12,243,139	$ 8,337,960	$ 13,498,067	$ 6,361,555	$ 82,514,740
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)						
Liabilities						
Accounts payable	$ 4,838,734	$ 8,243,011	$ 15,000	$ 829,282	$ 521,797	$ 14,447,824
Accrued liabilities	805,932	14,925	-	-	21,596	842,453
Accrued pension	2,483,175	-	-	-	-	2,483,175
Due to other funds	922,628	3,246,726	327,183	8,000,921	1,976,620	14,474,078
Due to other governments	1,007,900	-	-	-	-	1,007,900
Unearned revenue	-	-	-	70,400	945,000	1,015,400
Total liabilities	10,058,369	11,504,662	342,183	8,900,603	3,465,013	34,270,830
Deferred Inflows of Resources						
Deferred tax revenue	9,110,563	-	-	-	-	9,110,563
Unearned contribution revenue	-	277,694	-	-	-	277,694
Total deferred inflows of resources	9,110,563	277,694	-	-	-	9,388,257
Fund Balances (Deficit)						
Non-spendable	604,684	-	-	-	-	604,684
Restricted	-	530,057	7,995,777	4,597,464	2,697,004	15,820,302
Assigned	2,036,565	-	-	-	273,188	2,309,753
Unassigned	20,263,838	(69,274)	-	-	(73,650)	20,120,914
Total fund balances	22,905,087	460,783	7,995,777	4,597,464	2,896,542	38,855,653
Total	$ 42,074,019	$ 12,243,139	$ 8,337,960	$ 13,498,067	$ 6,361,555	$ 82,514,740

See notes to financial statements

County of Lackawanna, Pennsylvania

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2015

Total Fund Balances - Governmental Funds		$ 38,855,653
Amounts reported for governmental activities in the statement of net position are different because:		
Net deficit of the Internal Service Fund is included in governmental activities since it primarily benefits the County's governmental activities.		(228,840)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		123,185,713
Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.		9,110,563
Due from component units, consist of bonds and notes payable issued by the County and loaned to component units, are not due in the current period and therefore are not reported as receivables within the funds.		7,393,710
Deferred outflows of resources related to the net pension liability is included in the statement of net position.		1,696,363
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, net	$ 222,348,986	
Net pension liability	36,536,031	
Compensated absences	3,453,415	
		(262,338,432)
Deferred inflows of resources related to the net pension liability is included in the statement of net position.		(684,178)
The fair value of derivative instruments used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		(6,384,766)
Accrued litigation claims (included in accrued expenses).		(7,390,000)
Accrued interest payable is included in the statement of net position (included in accrued expenses).		(2,552,896)
Total Deficit - Governmental Activities		$ (99,337,110)

See notes to financial statements

County of Lackawanna, Pennsylvania

Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds
Year Ended December 31, 2015

	Major Funds					
	General Fund	**Health and Human Services Funds**	**Debt Service Fund**	**Capital Projects Fund**	**Non-Major Funds**	**Total Governmental Funds**
Revenues						
Taxes	$ 59,112,262	$ -	$ 20,217,307	$ -	$ 1,366,003	$ 80,695,572
Payments in lieu of taxes	279,549	-	-	-	-	279,549
Intergovernmental	15,575,866	32,781,128	-	4,605,946	2,960,350	55,923,290
Charges for service	20,557,444	33,978	1,058,976	-	7,515,700	29,166,098
Court costs, fines and forfeitures	10,054	-	-	-	-	10,054
Interest and rent	15,402	2,543	210	1,887	6,070	26,112
Contributions and other	5,419,076	-	-	177,817	157,043	5,753,936
Total revenues	100,969,653	32,817,649	21,276,493	4,785,650	12,005,166	171,854,611
Expenditures						
Current:						
General government- administrative	18,125,508	165,972	38,752	-	43,650	18,373,882
General government - judicial	19,719,711	-	-	-	3,027,181	22,746,892
Public safety and corrections	32,026,403	-	-	-	4,092,004	36,118,407
Public works and enterprises	69,733	-	-	20,158	1,020,793	1,110,684
Health and human services	15,308,923	31,916,255	-	-	279,601	47,504,779
Culture and recreation	2,418,879	-	-	-	4,486,758	6,905,637
Community and economic development	406,713	-	-	-	297,200	703,913
Miscellaneous expenses	428,042	-	-	-	250,375	678,417
Debt service:						
Principal	-	-	8,466,692	-	-	8,466,692
Interest	28,190	-	11,471,763	-	-	11,499,953
Note issue costs	-	-	47,594	-	-	47,594
Capital outlay	-	-	-	10,874,091	-	10,874,091
Total expenditures	88,532,102	32,082,227	20,024,801	10,894,249	13,497,562	165,030,941
Excess (Deficiency) of Revenues Over Expenditures	12,437,551	735,422	1,251,692	(6,108,599)	(1,492,396)	6,823,670
Other Financing Sources (Uses)						
Recovery of Bad Debt	1,398,278	-	-	-	-	1,398,278
Note proceeds	-	-	7,891,000	-	-	7,891,000
Current refunding payment to Note trustee	-	-	(7,843,406)	-	-	(7,843,406)
Gain on sale of assets	-	-	-	-	-	-
Transfers in	669,219	-	-	1,396,094	1,791,721	3,857,034
Transfers out	(4,568,069)	(426,375)	-	-	(242,844)	(5,237,288)
Total other financing sources (uses)	(2,500,572)	(426,375)	47,594	1,396,094	1,548,877	65,618
Net change in fund balance	9,936,979	309,047	1,299,286	(4,712,505)	56,481	6,889,288
Fund Balances, Beginning	12,968,108	151,736	6,696,491	9,309,969	2,840,061	31,966,365
Fund Balances, Ending	$ 22,905,087	$ 460,783	$ 7,995,777	$ 4,597,464	$ 2,896,542	$ 38,855,653

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
Year Ended December 31, 2015

Total Net Change In Fund Balances - Governmental Funds	$ 6,889,288
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.	(59,949)
Capital outlay expenditures are capitalized in the statement of activities.	8,609,521
Depreciation expense on capital assets is reported in the statement of activities.	(5,339,657)
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.	(793,245)
Revenues received in the current year related to long-term receivables is recognized within the statement of revenues, expenditures and changes in fund balance, but was previously recognized as revenue in the statement of activities.	(5,000,000)
Proceeds from the issuance of bonds payable are considered current financial resources and are reported in the funds as revenue, but not the statement of activities.	(7,891,000)
Repayment of bonds payable and capital lease obligations uses current financial resources and are reported in the funds as expenditures, but not the statement of activities.	15,123,604
Amortization of premiums and deferred refunding charges.	(406,896)
Governmental funds report changes in investment derivative instruments only when those instruments provide or use financial resources. However, in the statement of activities, changes in the fair value of investment derivative instruments are changes in economic resources and are reported in each period in which there is a change in the fair value of the investment. This is the amount of change in the fair value of investment derivatives in the current period.	1,637,303
In the statement of activities, certain operating expenses - pension, are measured by the amounts contributed towards future retirement during the current year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the change in the net pension liability, deferred outflows of resources, and deferred inflows of resources during the current period.	(461,667)
Change in accrued interest on bonds payable.	18,281
Change in compensated absences.	(298,608)
Change in Net Position of Governmental Activities	$ 12,026,975

See notes to financial statements

County of Lackawanna, Pennsylvania

Statement of Net Deficit - Proprietary Fund
December 31, 2015

		Internal Service Fund
Assets		
Current Assets		
Investments	$	1,327,399
Prepaid expenses		9,338
Total	$	1,336,737
Liabilities and Net Deficit		
Current Liabilities		
Claims payable	$	1,565,577
Net Deficit		
Unrestricted		(228,840)
Total	$	1,336,737

See notes to financial statements

County of Lackawanna, Pennsylvania

Statement of Revenues, Expenses, and Change in Net Deficit - Proprietary Fund
Year Ended December 31, 2015

	Internal Service Fund
Operating Expenses	
Workers' compensation claims	$ 1,183,461
Administrative	217,172
Total operating expenses	1,400,633
Operating Loss	(1,400,633)
Nonoperating Revenues	
Unrealized loss on investments	(9,177)
Interest income	32,688
Transfer in	1,317,173
Total nonoperating revenues	1,340,684
Net loss	(59,949)
Net Deficit, Beginning	(168,891)
Net Deficit, Ending	$ (228,840)

See notes to financial statements

County of Lackawanna, Pennsylvania

Statement of Cash Flows - Proprietary Fund
December 31, 2015

	Internal Service Fund
Cash Flows used in Operating Activities	
Cash received from users	$ -
Cash payments for goods and services	(146,417)
Cash payments for insurance claims	(1,170,755)
Net cash used in operating activities	(1,317,172)
Cash Flows from Non-Capital Financing	
Transfers in	1,317,173
Cash Flows from Investing Activities	
Interest income	32,688
Purchase of investments	(32,689)
Net cash used in investing activities	(1)
Net change in cash	-
Cash, Beginning	-
Cash, Ending	$ -
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (1,400,633)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Prepaid expenses	70,755
Claims payable	12,706
Net cash used in operating activities	$ (1,317,172)

See notes to financial statements

County of Lackawanna, Pennsylvania

Statement of Fiduciary Net Position
December 31, 2015

	Pension Trust Fund	Agency Fund	Total
Assets			
Cash and cash equivalents	$ 739,295	$ 5,457,997	$ 6,197,292
Accrued interest	615,458	-	615,458
Investments, at fair value:			
Federated money market funds	955,595	-	955,595
Certificates of deposit	9,217,316	-	9,217,316
U.S. government obligations	25,521,285	-	25,521,285
Tax exempt bonds	377,059	-	377,059
Corporate bonds	22,980,058	-	22,980,058
Common stocks	80,872,330	-	80,872,330
Mutual funds	13,104,246	-	13,104,246
Total investments	153,027,889	-	153,027,889
Total	$ 154,382,642	$ 5,457,997	$ 159,840,639
Liabilities and Net Position			
Liabilities			
Accrued fees	$ 233	$ -	$ 233
Escrow liabilities	-	3,123,402	3,123,402
Due to other funds	-	2,334,595	2,334,595
Total liabilities	233	$ 5,457,997	5,458,230
Net Position			
Restricted for pensions	154,382,409		154,382,409
Total	$ 154,382,642		$ 159,840,639

See notes to financial statements

Statement of Change in Fiduciary Net Position
Year Ended December 31, 2015

	Pension Trust Fund
Additions	
Contributions:	
Plan members	$ 4,238,646
Employer	600,000
Total contributions	4,838,646
Investment Income (Loss)	
Net depreciation in fair value of investments	(4,049,759)
Interest	1,086,517
Dividends	1,660,391
Investment expense	(47,728)
Net investment loss	(1,350,579)
Total additions	3,488,067
Deductions	
Benefits paid	8,841,736
Participant contributions refunded	1,019,130
Death benefits paid	266,747
Administrative expenses	465,209
Total deductions	10,592,822
Decrease in net position	(7,104,755)
Net Position, Beginning	161,487,164
Net Position, Ending	$ 154,382,409

See notes to financial statements

County of Lackawanna, Pennsylvania

Combining Balance Sheet - Discretely Presented Component Units
December 31, 2015

	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	$ -	$ 597,153	$ 54,610	$ 9,487,526	$ 93,449	$ 2,897,397	$ 214,725	$ 13,344,860
Restricted cash	43,463	-	-	-	5,338,782	-	-	5,382,245
Investments	-	-	-	-	121,761	-	-	121,761
Restricted investments	1,348,394	-	-	132,771	-	-	-	1,481,165
Due from other governments	2,990,474	-	-	-	1,929,075	500,000	-	5,419,549
Other receivables	54,625,101	113,045	-	948,719	507,223	62,500	825,000	57,081,588
Taxes receivable, net	-	339,905	-	-	-	-	-	339,905
Other current assets	-	425,186	-	67,266	357,927	2,069	-	852,448
Total current assets	59,007,432	1,475,289	54,610	10,636,282	8,348,217	3,461,966	1,039,725	84,023,521
Capital Assets Not Being Depreciated	-	50,000	-	518,017	7,373,156	1,850,000	-	9,791,173
Capital Assets, Net	-	872,747	-	54,801,324	10,600,257	48,693,294	5,953,261	120,920,883
Other Assets	9	-	-	569,268	-	-	-	569,277
Total	59,007,441	2,398,036	54,610	66,524,891	26,321,630	54,005,260	6,992,986	215,304,854
Deferred Outflows of Resources - Pension	-	-	-	-	232,257	-	-	232,257
Total assets and deferred outflows of resources	$ 59,007,441	$ 2,398,036	$ 54,610	$ 66,524,891	$ 26,553,887	$ 54,005,260	$ 6,992,986	$ 215,537,111
Liabilities								
Current liabilities:								
Accounts payable	$ -	$ 72,205	$ -	$ 276,777	$ 1,318,526	$ -	$ 9,796	$ 1,677,304
Accrued expenses	1,163	-	-	65,138	638,529	233,943	74,780	1,013,553
Current portion of long-term debt	-	-	-	1,385,462	-	655,000	585,000	2,625,462
Current portion of compensated absences	-	-	-	465,109	-	-	-	465,109
Due to primary government	-	-	-	-	-	2,327,533	1,994,078	4,321,611
Unearned revenue	-	339,905	-	-	5,338,782	-	-	5,678,687
Escrow liability	4,381,168	-	-	-	-	-	-	4,381,168
Other liabilities	-	-	-	-	-	8,795	-	8,795
Total current liabilities	4,382,331	412,110	-	2,192,486	7,295,837	3,225,271	2,663,654	20,171,689
Investment derivative - pay fixed/receive variable basis swap	-	-	-	-	-	1,108,212	-	1,108,212
Long-term Debt	-	-	178,864	21,400,410	-	16,895,000	2,393,156	40,867,430
Net Pension Liability	-	-	-	-	1,534,223	-	-	1,534,223
Compensated Absences	-	66,538	-	169,265	478,365	-	-	714,168
Nonrecourse Debt Issues	54,625,101	-	-	-	-	-	22,000	54,647,101
Total liabilities	59,007,432	478,648	178,864	23,762,161	9,308,425	21,228,483	5,078,810	119,042,823
Deferred Inflows of Resources								
Deferred service concession arrangement receipts	-	-	-	-	-	-	605,017	605,017
Net Position								
Net investment in capital assets	-	922,747	-	35,304,394	17,973,413	31,165,761	2,975,105	88,341,420
Restricted	-	546,700	-	132,465	-	-	-	679,165
Unrestricted	9	449,941	(124,254)	7,325,871	(727,951)	1,611,016	(1,665,946)	6,868,686
Total net position	9	1,919,388	(124,254)	42,762,730	17,245,462	32,776,777	1,309,159	95,889,271
Total	$ 59,007,441	$ 2,398,036	$ 54,610	$ 66,524,891	$ 26,553,887	$ 54,005,260	$ 6,992,986	$ 215,537,111

See notes to financial statements

County of Lackawanna, Pennsylvania

Combining Statement of Revenues, Expenses and Change in Net Position - Discretely Presented Component Units
Year Ended December 31, 2015

	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	$ 34,312	$ 220,000	$ -	$ 8,518,120	$ 4,077,713	$ -	$ 550,000	$ 13,400,145
Real estate taxes	-	4,224,971	23,624	-	-	-	-	4,248,595
Rental income	13,180,624	-	-	-	-	1,045,908	-	14,226,532
Interest income	80,724	111	9	66,014	5,043	2,502	-	154,403
Operating grants and contributions	-	951,615	-	-	7,523,444	-	-	8,475,059
Capital grants and contributions	-	-	-	-	5,800,011	1,218,430	-	7,018,441
Other	-	29,779	29,227	720,943	519,759	381	-	1,300,089
Total revenues	13,295,660	5,426,476	52,860	9,305,077	17,925,970	2,267,221	550,000	48,823,264
Expenses								
Public works and enterprises	-	5,316,512	-	8,559,082	13,670,123	-	-	27,545,717
Culture and recreation	-	139,206	-	-	-	-	-	139,206
Operating expenses	-	-	-	-	-	73,651	138,545	212,196
Community and economic development	-	-	36,318	-	-	-	-	36,318
Debt service	13,295,660	-	8,169	305,147	-	836,553	222,200	14,667,729
Unallocated depreciation and amortization	-	-	-	-	-	1,586,714	302,342	1,889,056
Total expenses	13,295,660	5,455,718	44,487	8,864,229	13,670,123	2,496,918	663,087	44,490,222
Change in net position	-	(29,242)	8,373	440,848	4,255,847	(229,697)	(113,087)	4,333,042
Net Position (Deficit) Beginning								
As previously reported	9	1,948,630	(132,627)	42,321,882	14,602,393	33,006,474	1,422,246	93,169,007
Effect of adoption of GASB 68	-	-	-	-	(1,612,778)	-	-	(1,612,778)
As restated	9	1,948,630	(132,627)	42,321,882	12,989,615	33,006,474	1,422,246	91,556,229
Net Position (Deficit), Ending	$ 9	$ 1,919,388	$ (124,254)	$ 42,762,730	$ 17,245,462	$ 32,776,777	$ 1,309,159	$ 95,889,271

See 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 position 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 segments 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 Health and Human Services Fund accounts for the provision of specified social services such as daycare, aging, medical transportation, healthcare, human services and drug and alcohol treatment and prevention.

The Debt Service Fund accounts for resources accumulated for the purpose of funding long-term debt obligations. The County records all debt service tax revenue directly in its debt service fund.

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

The County reports the following nonmajor governmental funds:

Liquid Fuels, Community Development, Emergency 911, Domestic Relations, Probation and Parole, Hotel Rental Tax, 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 reports the following fiduciary funds:

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 modified accrual basis and are adopted for the General and Debt Service Funds.

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.

New Accounting Standards

The County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The County implemented the accounting and reporting requirements of GASB 68 as of January 1, 2015. The effect of this adoption decreased the County's net position at January 1, 2015 by $12,564,970 for the recording of the County's net pension liability, and expanded note disclosures and required supplementary information.

The County adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ended December 31, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB No. 71 are to be applied simultaneously with the provisions of GASB No. 68. The effect of this adoption did not materially change the County's accounting and reporting policies.

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.

Assets Held for Capital Projects

Assets 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:

	Governmental Activities
Infrastructure and airport	20 - 50 years
Land improvements	20 years
Buildings and improvements	25 years
Furniture and equipment	5 - 20 years
Equipment under capital lease	10 years

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 a variable-to-variable basis swap, which is considered an investment derivative instrument, related to its General Obligation Bonds, Series B of 2010 (Note 7). The fair value of the derivative is recorded as a liability within the Statement of Net Position with the periodic change in fair value reported as a gain/loss in the Statement of Activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the County will sometimes report a separate section for deferred outflows (inflows) of resources. This separate financial statement element represents a consumption (acquisition) of net position that applies to a future period and so will not be recognized as an outflow (inflow) of resources until that time.

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.

Governmental Fund Balance Classifications/Policies and Procedures

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Such non-spendable form items include inventory and prepaid expenses.

- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. Such restricted items include amounts restricted for debt service, certain grant programs, and capital projects.

- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County through formal action of the County's "highest level of decision-making authority" which do not lapse at year-end.

    - The Commissioners are its highest level of decision-making authority, and

    - The Commissioners commit funds through an ordinance.

- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County, but not through formal action of the Commissioners.
    - The Commissioners authorized the County's CFO to assign funds to specific purposes. The County has assigned funds for future infrastructure projects.
- *Unassigned* - includes fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Interfund Activity

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

Restricted Net Position/Fund Balances

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.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the County's policy is generally to first apply the expenditure toward restricted resources and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the County's policy is generally to apply the expenditure to committed resources, then to assigned resources, and then to unassigned resources.

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 GASB Statement No. 14, *The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, and by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the County has evaluated all related entities (authorities, commissions, and affiliates) for 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 Unit

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 Service Fund. The component unit reported in this way is:

- 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 and is blended as part of the Health and Human Services Fund, a major special revenue fund of the County.

Discretely Presented Component Units

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

- 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 of Lackawanna Transit System Authority ("COLTS") operates the County's mass transit system. The County Commissioners appoint the governing board of COLTS. COLTS has a fiscal year end of June 30, as such, the amounts included herein for COLTS are as of and for the year ended June 30, 2015.

- 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 $2,300,000. In addition, the County has guaranteed the outstanding debt of MPSA for the entire term of the outstanding agreements and secured the debt with a portion of future hotel tax collections. Apart from the Hotel Room Rental collections, which the County assigned to MPSA for repayment of debt service, the MPSA has met each of its periodic debt service payment requirements.

- 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 agreed to fund any deficits of the LCPACA. The County refinanced certain of the LCPACA's long-term debt outstanding and loaned the proceeds of the County's issuance to the LCPACA. At December 31, 2015 approximately $3,000,000 was due and payable from LCPACA to the County.

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
- Lackawanna County Solid Waste Management Authority

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 Lackawanna County Commissioners and two members of the Luzerne County Council and the Luzerne County Manager serving as the members of the governing board. The County has an ongoing financial interest in the Airport by providing operating and capital funding. In 2015, the County did not provide operating or capital funding to the Airport. The County has included a net investment in Airport of approximately $5,036,000 in its capital assets at December 31, 2015.

- Lackawanna-Susquehanna Behavioral Health/Intellectual Disabilities Early Intervention. 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, 2015, the bank balance of the County's deposits with financial institutions, including cash equivalents, was $32,851,690 compared to the carrying amount of $31,809,498. The difference is caused by items in-transit and outstanding checks. $2,263,592 of the County's deposits were covered by federal depository insurance, $2,500,195 of the County's deposits were uninsured and collateralized by specific securities pledged in the County's name by the financial institution and $27,402,864 of the County's deposits were exposed to custodial credit risk and were 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. In addition, $685,039 was exposed to custodial credit risk and was uninsured and not otherwise collateralized.

Investments

As of December 31, 2015, the County's investments are classified as restricted assets and investments and are carried at fair market value and consist of the following:

Governmental Activities	Maturities	Fair Value
Internal Service Fund:		
U.S government agency	3 - 19 years	$ 1,313,609
Money market funds	N/A	13,790
Total		$ 1,327,399

Pension Trust Fund	Maturities	Fair Value
Common stock	N/A	$ 80,872,330
Corporate & tax-exempt bonds	1 - 30 years	23,357,117
U.S. government obligations	6 - 30 years	25,521,285
Mutual funds	N/A	13,104,246
Certificates of deposit	N/A	9,217,316
Money market	N/A	955,595
Total		$ 153,027,889

Interest Rate Risk

The County or the Pension Trust Fund 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, 2015, no one issuer totaled more than five percent of the Pension Trust Fund's net assets. The Pension Trust Fund'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 Activities had the following credit risk at December 31, 2015:

Investment	S&P Rating	%
U.S government obligations	AA+	100.00 %

The County's investments in debt securities of the Pension Trust Fund had the following credit risk at December 31, 2015:

Investment	S&P Rating	%
U.S government obligations	AA+	52.6 %
Corporate bonds	Aaa	14.3
Corporate bonds	AA	1.4
Corporate bonds	AA+	2.6
Corporate bonds	AA-	4.8
Corporate bonds	A	7.4
Corporate bonds	A+	3.2
Corporate bonds	A-	4.8
Corporate bonds	BBB	0.5
Corporate bonds	BBB+	7.3
Corporate bonds	BBB-	1.1
Total		100.00 %

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pension Trust Fund will not recover the value of its investments or collateral securities that are in the possession of an outside party. All investments of the Pension Trust Fund are held in trust at Community Bank, N.A. at December 31, 2015.

4. Due from Other Governments

The amounts reported in the County's various governmental funds at December 31, 2015 as due from other governments includes approximately $25,600,000 in federal and state grant receivables due from the Commonwealth of Pennsylvania and approximately $1,087,000 in various receivables from other units of local government.

5. Real Estate Taxes

The total tax on real estate in 2015 was 57.420 mills ($0.057420 per $1,000 of assessed valuation). Of this amount, 53.60 mills were levied for general and debt service purposes, 2.820 mills were levied for library services in the County and 1 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, 2015 were approximately $24,300,000. The amount of delinquent taxes receivable is reported net of an allowance for doubtful accounts of approximately $14,500,000.

6. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2015, was as follows:

	January 1, 2015	Acquisitions	Disposals	Transfer	December 31, 2015
Capital assets not being depreciated:					
Land	$ 3,533,235	$ -	$ -	$ -	$ 3,533,235
Construction-in-progress	3,254,200	410,105	-	(2,015,697)	1,648,608
Total capital assets, not being depreciated	6,787,435	410,105	-	(2,015,697)	5,181,843
Capital assets being depreciated:					
Buildings and improvements	117,635,498	4,358,036	-	579,830	122,573,364
Machinery and equipment	42,745,132	1,511,713	-	-	44,256,845
Equipment under capital lease	1,423,325	-	-	-	1,423,325
Infrastructure	46,229,133	2,329,667	-	1,435,867	49,994,667
Investment in Airport	8,727,567	-	-	-	8,727,567
Total capital assets, being depreciated	216,760,655	8,199,416	-	2,015,697	226,975,768
Less accumulated depreciation for:					
Buildings and improvements	(33,968,222)	(2,982,427)	-	-	(36,950,649)
Machinery and equipment	(35,467,037)	(1,566,503)	-	-	(37,033,540)
Equipment under capital lease	(877,196)	(94,888)	-	-	(972,084)
Infrastructure	(29,789,259)	(534,613)	-	-	(30,323,872)
Investment in Airport	(3,530,527)	(161,226)	-	-	(3,691,753)
Total accumulated depreciation	(103,632,241)	(5,339,657)	-	-	(108,971,898)
Net capital assets being depreciated	113,128,414	2,859,759	-	2,015,697	118,003,870
Governmental activities capital assets, net	$ 119,915,849	$ 3,269,864	$ -	$ -	$ 123,185,713

Capital asset balances for discretely presented component units at December 31, 2015, were as follows:

	Lackawanna County Library System	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	Total
Capital assets not being depreciated:						
Land	$ 50,000	$ 518,017	$ 33,486	$ 1,850,000	$ -	$ 2,451,503
Construction in process	-	-	7,339,670	-	-	7,339,670
Total capital assets, not being depreciated	50,000	518,017	7,373,156	1,850,000	-	9,791,173
Capital assets being depreciated:						
Infrastructure	-	72,455,470	-	-	-	72,455,470
Buildings and improvements	1,590,199	-	6,105,056	52,410,782	7,641,018	67,747,055
Collections	643,918	-	-	-	-	643,918
Equipment and furnishings	73,365	1,343,660	2,643,521	3,915,411	1,186,885	9,162,842
Land improvements	-	35,825	-	-	3,468,796	3,504,621
Vehicles	-	280,523	21,442,851	-	-	21,723,374
Service concession assets	-	-	-	-	224,107	224,107
Less: Accumulated depreciation	(1,434,735)	(19,314,154)	(19,591,171)	(7,632,899)	(6,567,545)	(54,540,504)
Net capital assets being depreciated	872,747	54,801,324	10,600,257	48,693,294	5,953,261	120,920,883
Capital assets, net	$ 922,747	$ 55,319,341	$ 17,973,413	$ 50,543,294	$ 5,953,261	$ 130,712,056

7. Long-Term Obligations

Description	January 1, 2015	Additions	Payments/ Refunding	December 31, 2015	Current Portion
General Obligation Bonds, Series A of 2004	$ 1,299,521	$ -	$ (1,299,521)	$ -	$ -
General Obligation Bonds, Series A of 2007	14,225,000	-	-	14,225,000	-
General Obligation Bonds, Series B of 2007	17,830,000	-	(50,000)	17,780,000	55,000
General Obligation Notes, Series A of 2008	44,505,000	-	(5,000)	44,500,000	5,000
General Obligation Notes, Series D of 2008	11,923,652	-	(1,239,445)	10,684,207	1,316,494
General Obligation Bonds, Series E of 2008	13,475,000	-	(960,000)	12,515,000	2,180,000
Taxable General Obligation Bonds, Series A of 2009	7,310,000	-	(15,000)	7,295,000	15,000
General Obligation Notes, Series B of 2009	26,465,000	-	(5,000)	26,460,000	5,000
Taxable General Obligation Notes, Series A of 2010	2,115,000	-	(375,000)	1,740,000	410,000
General Obligation Bonds, Series B of 2010	58,340,000	-	(50,000)	58,290,000	50,000
General Obligation Notes, Series of 2011	15,709,000	-	(1,938,000)	13,771,000	2,031,000
General Obligation Notes, Series A of 2012	5,780,787	-	(5,780,787)	-	-
General Obligation Notes, Series B of 2012	1,949,116	-	(1,949,116)	-	-
General Obligation Notes, Series A of 2013	2,460,397	-	(259,117)	2,201,280	268,464
General Obligation Notes of 2014	2,587,000	-	-	2,587,000	628,000
General Obligation Notes, Series A of 2014	2,172,492	-	(108,770)	2,063,722	102,084
General Obligation Notes, Series B of 2014	5,492,941	-	(299,366)	5,193,575	289,667
Taxable General Obligation Note, Series of 2015	-	7,891,000	(680,000)	7,211,000	1,150,000
Total	233,639,906	7,891,000	(15,014,122)	226,516,784	8,505,709
Bond premiums, discounts and deferred refunding	(4,574,694)	-	406,896	(4,167,798)	-
	$ 229,065,212	$ 7,891,000	$ (14,607,226)	$ 222,348,986	$ 8,505,709

Governmental Activities

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 were due in varying annual installments plus interest at 5.00% per annum and matured in 2015.

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 3.70% to 5.00%, with final maturity scheduled for 2029. These bonds were partially advance refunded in June 2009. Advance funding was paid to the paying agent which defeased a portion of the bonds in June 2009, consisting of the principal payments due in 2009 through 2017.

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. These bonds were partially advance refunded in June 2009. Advance funding was paid to the paying agent which defeased a portion of the bonds in June 2009.

During 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 advance refund a portion of the County's Series A of 2002 general obligation bonds, currently refund the outstanding Series B of 2005 and Series A of 2006 general obligation bonds and to finance various capital projects and to pay the costs of issuance. The bonds are due in varying annual installments plus interest at variable rates (.69% at December 31, 2015 for Series A) with final maturity scheduled for September 2035 (Series A and B of 2008) and October 2029 (Series C of 2008). The County also rolled the rate swaps on its Series B of 2005 and Series A of 2006 General Obligation Bonds into an interest rate swap on the new notes. The County did not pay or receive any cash as a result of this transaction during 2008. Advance refunding of the 2008 C Bond was paid to the paying agent which defeased the bond in June 2009. The Series B bonds were advance refunded in October 2010. Advance funding was paid to the paying agent which defeased the Series B bonds in October 2010.

During 2008, the County issued $13,858,652 (Series D of 2008) of zero coupon 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 advance refund a portion of the County's Series A of 1999 general obligation bonds and to finance various capital projects. The Series D of 2008 notes are due in varying installments that yield to maturity at rates ranging from 6.16% to 7.50% with final maturity scheduled for July 2023. The Series E of 2008 bonds are due in varying annual installments plus interest at rates ranging from 4.75% to 6.125% with final maturity scheduled for January 2022.

During 2009, the County issued $7,375,000 (Series A of 2009) of taxable General Obligation Bonds. The proceeds of the bonds were used to currently refund the County's Series C of 2008 General Obligation Bonds. The bonds are due in varying annual installments plus interest at rates ranging from 7.00% to 7.25% with final maturity scheduled for October 2029.

During 2009, the County issued $26,495,000 (Series B of 2009) of General Obligation Notes. The proceeds of the notes were used to advance refund a portion of the County's Series A and B of 2007 Bonds. The notes are due in varying annual installments plus interest at rates ranging from 5.65% to 6.00% with final maturity scheduled for September 2034.

During 2010, the County issued $3,319,000 (Series A of 2010) of taxable General Obligation Notes. The proceeds of the notes were used to currently refund the County's Series B of 1999 General Obligation Bonds and to pay the costs of issuance. The notes are due in varying annual installments plus interest at a rate of 4.94% per annum, with final maturity scheduled for February 2019. Of the $3,319,000 borrowing, $2,499,000 related to funds that were loaned to the LCPACA, and $820,000 related to County projects. The County is receiving periodic payments of principal and interest from LCPACA, amounting to $282,338 in principal during 2015, on its share of this obligation. Principal due in 2016 on the County's share of this borrowing is $101,311. The County also agreed to fund any operating expenses of the LCPACA if its revenues under a Concert Concession Agreement were insufficient. At December 31, 2015, the County had not paid any operating, capital or debt service expenses of LCPACA, beyond those disclosed in Note 15.

During 2010, the County issued $58,540,000 (Series B of 2010) of General Obligation Bonds. The proceeds of the Bonds were used to currently refund the County's Series B of 2008 General Obligation Bonds and terminate the related interest rate swap agreement. The bonds are due in varying annual installments plus interest at rates ranging from 2.625% to 5.00%, with final maturity scheduled for September 2035. In addition, the County terminated its pay-fixed, receive-variable interest rate swap agreement on the 2008 Series A and B General Obligation Bonds and paid approximately $10,183,000 upon termination from the proceeds of its Series B of 2010 General Obligation Bonds.

Effective October 1, 2010, the County entered into a variable-to-variable swap agreement modifying the interest rate payments associated with the County's 2010 Series B General Obligation Bonds. The agreement terminates on September 1, 2035. The effect of the Agreement requires the County to pay a variable rate equal to the SIFMA Index plus 0.787% payable each March 1 and September 1 through final maturity. Pursuant to this agreement, the County receives a variable rate equal to 68% of the 3-month London Inter-Bank Offered Rate ("LIBOR") plus 0.15% payable to the County on each March 1 and September 1 through final maturity. The Swap Notional amount amortizes through termination as the 2010 B Bonds amortize.

During 2011, the County issued $21,000,000 (Series of 2011) of General Obligation Notes to finance unfunded debt of the County, including certain outstanding obligations of current and prior years and to fund the costs and expenses of issuing the 2011 note. These notes are due in varying monthly installments plus interest at a fixed-rate of 4.75%, with final maturity scheduled for December 2021. If the Note is considered taxable at any time, it shall mature in installments of principal and interest at the maximum taxable rate of interest of 18%. The Note is subject to extraordinary mandatory redemption by the County prior to maturity to the extent that there are "available amounts" in the preceding fiscal year as determined by the County pursuant to the IRS regulations.

During 2012, the County issued $6,085,000 (Series A of 2012) of General Obligation Notes. The proceeds of the notes were used to currently refund the County's outstanding Series A of 2002 General Obligation Bonds. The notes are due in varying installments of principal and interest at a fixed-rate of 3.94% with final maturity scheduled for October 2020. During 2015, the Notes were currently refunded through the issuance of the County's $7,891,000 Taxable General Obligation Note, Series of 2015.

During 2012, the County issued $2,726,000 (Series B of 2012) of General Obligation Notes. The proceeds of the notes were used to currently refund the County's outstanding Series B of 2002 General Obligation Bonds. The notes are due in varying installments of principal and interest at a fixed-rate of 5.64% with final maturity scheduled for October 2020. During 2015, the Notes were currently refunded through the issuance of the County's $7,891,000 Taxable General Obligation Note, Series of 2015.

During 2013, the County issued $2,834,108 (Series A of 2013) of General Obligation Notes to finance various capital projects. The notes are due in varying installments of principal and interest at a fixed-rate of 2.84% for three years and then adjusting to 70% of prime rate with a floor of 2.84% and a ceiling of 5.50% with final maturity scheduled for July 2023.

During 2014, the County issued $2,587,000 of General Obligation Notes. The proceeds of the notes were used to currently refund the County's Series C of 2004 General Obligation Bonds. The notes are due in varying installments of principal and interest at a fixed-rate of 1.93%, with principal payments beginning in October 2015, with final maturity scheduled for October 2019.

During 2014, the County issued $2,172,492 (Series A of 2014) of taxable General Obligation Notes. The proceeds of the notes were used to finance various capital projects. The notes are due in varying installments of principal and interest at a fixed-rate of 4.70% with final maturity scheduled for May 2030.

During 2014, the County issued $5,492,941 (Series B of 2014) of General Obligation Notes. The proceeds of the notes were used to finance various capital projects. The notes are due in varying installments of principal and interest at a fixed-rate of 3.05% with final maturity scheduled for May 2030.

During 2015, the County issued $7,891,000 (Series of 2015) Taxable General Obligation Note. The proceeds of this were used to currently refund the County's outstanding General Obligation Note, Series A of 2012; currently refund the County's outstanding General Obligation Note, Series B of 2012; and pay the costs and expense of issuance of the Note. The Note is due in varying semi-annual installments of principal and interest at a fixed-rate of 2.290% with final maturity scheduled for October 2020. This refunding reduced the County's total debt service payments over the next 6 years by approximately $570,000, resulting in net economic gain of approximately $560,000.

Interest paid on these bonds and notes during the year ended December 31, 2015 amounted to $11,471,763, including swap related interest payments amounting to approximately $350,000.

The following summarizes the County's estimated future debt service requirements on these bonds and note payable, exclusive of the effect of the interest rate swaps (Note 8), as of December 31, 2015. As rates vary, net interest rate swap payments will vary.

Year Ended December 31	Principal	Interest	Total
2016	$ 8,505,709	$ 9,886,884	$ 18,392,593
2017	8,674,103	9,669,456	18,343,559
2018	10,073,951	9,468,256	19,542,207
2019	10,340,888	9,184,415	19,525,303
2020	10,059,801	9,347,934	19,407,735
2021 - 2025	47,593,360	40,792,024	88,385,384
2026 - 2030	62,325,941	22,967,437	85,293,378
2031 - 2035	68,943,031	8,531,665	77,474,696
Total	$ 226,516,784	$ 119,848,071	$ 346,364,855

Defeased Debt

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, 2015, the amount of defeased bonds outstanding was $22,975,000.

At December 31, 2015, the following bonds outstanding had been defeased by the County:

Series	Final Maturity	Outstanding Principal at December 31, 2015
General Obligation Bonds, Series A of 1999	2022	$ 6,915,000
General Obligation Bonds, Series A of 2007	2017	1,735,000
General Obligation Bonds, Series B of 2007	2022	7,615,000
General Obligation Notes, Series C of 2008	2029	6,710,000
Total		$ 22,975,000

Discretely Presented Component Units

The following is a summary of long-term debt for the discretely presented component units at December 31, 2015:

	Amount
Lackawanna County Redevelopment Authority	
Term note, due in varying installments plus interest at 4.25%, maturing 2022.	$ 178,864
Lackawanna River Basin Sewer Authority	
PENNVEST note, that bears interest at 1.274% for years 1 to 5 and 2.574% for subsequent years; the loan is a multiple advance loan that is interest only for the first three years (through August 2012) and matures in August 2032. Amortization of this loan commenced in May 2012.	1,044,367
PENNVEST note, that bears interest at 1.274% for years 1 to 5 and 2.574% for subsequent years; the loan is a multiple advance loan that is interest only for the first three years (through September 2012) and matures in September 2032. Amortization of this loan commenced in May 2013.	21,741,505
Total Lackawanna River Basin Sewer Authority	22,785,872
Lackawanna County Performing Arts Center Authority	
County General Obligation Bonds, Series B of 1999, due in varying annual installments plus interest at rates ranging from 5.875% to 7.000%; final maturity scheduled for 2019. Reported net of unamortized discount of $6,844.	1,308,156
County 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.	1,670,000
Total Lackawanna County Performing Arts Center Authority	2,978,156
Multi-Purpose Stadium Authority	
Variable Rate Demand Hotel Room Rental Tax Revenue Bonds, Series of 2013 due in varying installments in July of each year commencing July 2014. Interest payments are due monthly at a variable interest rate equivalent to a Weekly Rate determined for each Weekly Rate Period as calculated by PNC Capital Markets. The rate at December 31, 2015 was .02%. Final maturity scheduled for July 2036.	17,550,000
Total Discretely Presented Component Units	$ 43,492,892

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

Years ending December 31:	
2016	$ 2,625,462
2017	2,694,660
2018	2,715,235
2019	2,787,295
2020	2,502,530
2021 - 2025	11,612,639
2026 - 2030	12,636,915
2031 - 2035	4,880,000
2036	1,045,000
Total	43,499,736
Less unamortized discount and bond premium	6,844
Total	$ 43,492,892

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, 2015, there was one general obligation bond issue outstanding and nine notes and mortgages outstanding with an aggregate balance of $54,625,101.

8. Service Concession Arrangement - Lackawanna County Performing Arts Center Authority

In January 2012, LCPACA entered into a long-term Service Concession Arrangement with a private company (the "Operator") for the primary purpose of leveraging LCPACA's assets to generate cash resources. Pursuant to the agreement, the Operator will operate and collect revenue from the Amphitheatre for a 10-year term ending December 31, 2021, with a cancelation clause allowing the Operator to terminate the agreement with written notice on December 31, 2016. LCPACA will receive $550,000 annually over the term of the agreement, which has been recorded within the statement of net position as deferred inflows of resources - deferred concession arrangement. In addition, the Operator was required to remit 50% of the net revenues received for "naming rights" sponsorship of the Amphitheatre per a contract which expired December 31, 2013. Assets continue to be reported in the statement of net position and are depreciated as applicable over their useful lives. Capital asset improvements made to the facility by the Operator are amortized to revenue over the remaining non-cancellable term and recognized as a capital asset depreciated over its useful life.

LCPACA anticipates that estimated direct required maintenance obligations over the five-year non-cancelable term of the agreement to be $110,000 and recorded a contractual obligation that will be amortized over the five-year period. At December 31, 2015, LCPACA's contractual obligations balance was $22,000.

Deferred inflows of resources reported in the statement of net position as deferred service concession arrangements consisted of unearned revenue ($550,000), the contractual obligation payable ($22,000) and sponsorship - capital improvements ($77,017).

9. Derivative Financial Instrument - Basis Swap

Objective of the Basis Swap

The County entered into a variable-to-fixed interest rate swap transaction in connection with the issuance of its General Obligation Notes, Series A & B of 2008 (the "2008 Notes"). Subsequent to issuance, the County amended the 2008 Swap with the purpose of hedging the 2008 Notes. Included with the issuance of the County's General Obligation Bonds, Series B of 2010, is an amendment to the 2008 Swap to provide a variable-to-variable basis swap, to cash settle a portion of the 2008 Swap and relate the 2010 Swap to the 2010 Series B Bonds with the purpose of managing the interest rate payments on the 2010 Bonds.

Terms

On September 14, 2010, the County entered into a variable-to-variable basis swap transaction with PNC Bank ("PNC") in the initial and currently outstanding notional amount of $58,540,000. Under the terms of the swap contract the County receives a variable interest rate equal to 68% of the 3-Month London Interbank Offered Rate ("LIBOR") plus a fixed spread of .15% and pays a variable rate to PNC equal to 100% of the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index plus a fixed spread of .787%. Payments are made semi-annually on the March and September 1 and rates reset weekly. The basis swap terminates and the 2010 Series B Bonds mature on September 1, 2035.

Fair Value

At December 31, 2015, the swap had a negative fair value of $6,384,766, which is reported as investment derivative - pay variable / receive variable basis swap in the governmental activities section of the statement of net position. Changes in the fair value are reported as investment income in the governmental activities section of the statement of activities.

Credit Risk

As of December 31, 2015, the County was not exposed to credit risk because the 2010 Swap had a negative fair value. However, should interest rates change and the fair value of the 2010 Swap become positive, the County would be exposed to credit risk in the amount of the derivative's fair value.

The basis swap transaction exposes the County to credit (default) risk. Should the County's long-term credit rating be downgraded in the future, this gives the counterparty (PNC Bank) an additional termination event if the County does not post the amount of collateral needed to secure its obligations under the terms of the Swap. In the event that the County cannot post the required amount of collateral, the counterparty will have the ability to obligate the County to terminate the Swap at the then current market rate.

Interest Rate Risk

The basis swap transaction exposes the County to interest rate risk. If the percentage of the 3-Month LIBOR rate plus a fixed spread received by the County is lower than the variable rate the County is paying the counterparty (PNC Bank) under the terms of the swap, the County would be obligated to make a periodic net swap payment to the counterparty - based on market conditions, the net swap payment due by the County to the counterparty could be significant.

Basis Risk

The County is exposed to basis risk when the variable interest received on a swap is based on a different index than the variable interest rate to be paid on the associated variable rate debt obligation. At December 31, 2015, the associated debt used the LIBOR index and the counterparty's payment rate used the SIFMA index. As a result, the County is exposed to basis risk on its investment derivative.

Termination Risk

The basis swap transaction exposes the County to termination risk. If the County decides to terminate the Swap or a termination event occurs and the County is obligated to terminate the Swap and the market conditions are such that the County is "out of the money." In an "out of the money" scenario the County would have to pay a termination payment to the counterparty (PNC Bank) to terminate the Swap. Depending on market movements the County could potentially owe the counterparty a significant termination payment.

In light of recent debt rating declines of the County, a risk of a Swap Agreement Termination exists related to the 2010 Swap Agreement. Potential termination events included in the 2010 Swap agreement include default or a decrease in credit rating of either the County or the counterparty. In March 2012, the County and the Counterparty reached a forbearance agreement that indicated the County's credit rating withdrawal would not constitute an early termination event.

Derivative Financial Instrument – Interest Rate Swap - Component Unit

Objective of the Basis Swap

The MPSA entered into the interest rate swap transaction in connection with the issuance of its debt for the purpose of managing the interest rate payments on the debt.

Terms

During 2013, the MPSA entered into a pay-fixed, receive-variable interest rate swap with PNC Bank on its Variable Rate Demand Hotel Room Rental Tax Bond Revenues, Series of 2013. The agreement terminates on July 1, 2023. The notional value of the swap at inception was $18,970,000 and was $17,560,000 at December 31, 2015. The MPSA receives a variable rate of interest based on the Weekly Rate of the SIFMA Municipal Swap Index (0.009998%) at December 31, 2015 from PNC Bank and pays a fixed rate of interest of 2.336%. The swap creates an average synthetic variable interest rate of 2.3260% as of December 31, 2015. No cash was paid or received when the swap was originated.

Fair Value

At December 31, 2015, the swap had a negative fair value of $1,108,212, which is reported as investment derivative - pay fixed / receive variable basis swap in the component units section of the statement of net position. Changes in the fair value are reported as investment income in the component units section of the statement of activities.

Basis Risk

The MPSA's variable rate interest receipts on its basis swaps are equivalent to the Weekly Rate of the SIFMA Municipal SWAP Index. The MPSA's net debt service may increase or decrease to the extent that the relationship between the floating index changes over time.

Interest Rate Risk

The swap increases the MPSA's exposure to interest rate risk. As the SIFMA Municipal Swap index decreases, the MPSA's net payments on the swap increases.

Termination Risk

The MPSA or PNC Bank may terminate the swaps if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swaps have a negative fair value, the MPSA would be liable to PNC Bank for that amount.

Credit Risk

As of December 31, 2015, the MPSA was not exposed to credit risk because the 2013 Swap had a negative fair value. However, should interest rates change and the fair value of the 2013 Swap become positive, the MPSA would be exposed to credit risk in the amount of the derivative's fair value.

10. Capital Lease Payable

The County entered into a capital lease for energy conservation equipment in 2005. The lease agreement requires 120 payments of $15,885, including interest, through July 1, 2015.

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

Balance, January 1, 2015	$ 109,482
Decrease	(109,482)
Balance, December 31, 2015	$ -

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

Total interest paid on this capital lease in 2015 was $1,711.

11. Compensated Absences

The changes in the County's compensated absences in 2014 are summarized as follows:

Balance, January 1, 2015	$ 3,153,404
Increase	1,914,611
Decrease	(1,614,600)
Balance, December 31, 2015	3,453,415
Less current portion	230,928
Long-term compensated absences	$ 3,222,487

The County pays its compensated absences from the General Fund.

12. Pension Plan

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, including required supplementary information required pursuant to GASB Statement Nos. 67 and 68, may be obtained from the County Commissioner’s office.

Membership of the Plan consisted of the following at December 31, 2014, the date of its latest actuarial valuation:

Retirees and beneficiaries receiving benefits	638
Terminated plan members entitled to but not yet receiving benefits	231
Active plan members	1,041
Total	1,910
Number of participating employers	1

Benefits Provided

Lackawanna County Employees Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's highest 3-year average salary times the member's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of highest average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

Funding Policy and Contributions

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, contribution 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 of the retirement plan.

The annual required contribution was determined based on the most recent annual actuarial valuation dated December 31, 2014. The entry age normal actuarial cost method of funding was used in the valuation, which does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually; (b) 4.5% and (c) no postretirement benefit increases. The rate of return and projected salary increases includes an inflation component of 3.0%. The method used to determine the actuarial value of assets is market value adjusted for unrecognized gains and losses from prior years.

Deposits and Investments

The Plan allows funds to be invested pursuant to a strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes, as approved by the Authority Board, and established the following target allocation across asset categories:

Asset Class	Target	Long-term Expected Real Rate of Return
Domestic equity	40 - 60 %	5.4 - 6.4 %
International equity	0 - 20	5.5 - 6.5
Fixed income	30 - 50	1.3 - 3.3
Cash	0 - 10	0.0 - 1.0

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation for the 2015 measurement period are listed in the table above.

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of Plan investment expense, was 6.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2014 were as follows:

Total pension liability	$ 200,506,370
Plan fiduciary net position	161,487,164
Plan net pension liability	$ 39,019,206
Plan fiduciary net position as a percentage of total pension liability	80.54 %

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

Changes in the Net Pension Liability

The changes in the County's net pension liability during the year ended December 31, 2014 are as follows:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2014	$ 195,342,163	$ 157,794,006	$ 37,548,157
Changes for the year:			
Service cost	1,875,116	-	1,875,116
Interest cost	14,411,290	-	14,411,290
Changes for experience	(802,140)	-	(802,140)
Changes of assumptions	-	-	-
Contributions - employer	-	500,000	(500,000)
Contributions - member	-	3,749,484	(3,749,484)
Net investment income	-	10,223,631	(10,223,631)
Benefit payments, including refunds	(10,320,059)	(10,320,059)	-
Plan administrative expenses	-	(459,898)	459,898
Net changes	5,164,207	3,693,158	1,471,049
Balances at December 31, 2014	$ 200,506,370	$ 161,487,164	$ 39,019,206

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2014 using the following actuarial methods and assumptions:

Actuarial valuation date	December 31, 2014
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	4.5%
Inflation	3.0%
Interest rate	7.5%
Asset valuation method	Building-Block method

Mortality rates were based on the RP-2013 Annuitant and Non-annuitant Mortality Tables for males and females with no projected improvement. The actuarial assumptions used in the December 31, 2014 valuation were based on past experience under the Plan and reasonable future expectations which represent the actuary's best estimate of anticipated experience under the Plan.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.50%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Plan calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate	1% Increase (8.50%)
Net pension liability	$ 51,475,512	$ 39,019,206	$ 20,204,165

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2015, the County recognized pension expense of $1,558,864. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 684,178
Net difference between projected and actual earnings on investments	1,096,363	-
County contributions subsequent to the measurement date	600,000	-
Total	$ 1,696,363	$ 684,178

$600,000 was reported as deferred outflows of resources related to pensions resulting from County contributions made subsequent to the measurement date (December 31, 2014), but prior to the financial statement date (December 31, 2015), which will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ 156,129
2017	156,129
2018	156,129
2019	156,129
2020	(212,331)

13. Fund Balance Classifications

The County presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	General Fund	Health and Human Services Fund	Debt Service Fund	Capital Projects Fund	Non-Major Funds	Total
Non-spendable for:						
Inventory	$ 27,820	$ -	$ -	$ -	$ -	$ 27,820
Prepaid expenses	576,864	-	-	-	-	576,864
Total non-spendable	$ 604,684	$ -	$ -	$ -	$ -	$ 604,684
Restricted for:						
Grant programs	$ -	$ 530,057	$ -	$ -	$ 2,697,004	$ 3,227,061
Debt service	-	-	7,995,777	-	-	7,995,777
Capital projects	-	-	-	4,597,464	-	4,597,464
Total restricted	$ -	$ 530,057	$ 7,995,777	$ 4,597,464	$ 2,697,004	$ 15,820,302
Assigned for:						
Economic development	$ 2,036,565	$ -	$ -	$ -	$ -	$ 2,036,565
Program purposes	-	-	-	-	273,188	273,188
Total assigned	$ 2,036,565	$ -	$ -	$ -	$ 273,188	$ 2,309,753

14. Deficit Fund Balances

The individual health and human service fund department that has a net deficit balance at December 31, 2015 is the Area Agency on Aging with a deficit of $69,274. Such deficit resulted from the County not funding 100% of the operating deficits of these activities in the current or past years and will be funded in 2016 operating subsidy payments.

The individual non-major funds that have net deficit balances at December 31, 2015 are the Domestic Relations Fund with a deficit of $38,267 and the Landfill Trust Fund with a deficit of $35,383. Such deficits resulted from the County not funding 100% of the operating deficits of these activities in the current or past years and will be funded in 2016 operating subsidy payments.

The Internal Service Fund has a net deficit of $228,840 at December 31, 2015. 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 $124,254 at December 31, 2015. The deficit resulted from the financing of the Ash Street and Taylor Commons 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 2022 when the notes mature.

15. 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 employee medical insurance plan. The County has limited this self-insurance liability through the purchase of catastrophic reinsurance coverage which will reimburse the County for any medical costs over $50,000 per covered individual per year. The County believes that is has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The County has recorded an asset for payments in excess of all asserted and estimated unasserted claims amounting to $565,350, recorded within its General Fund other receivables at December 31, 2015. The cost of medical coverage for employees was approximately $7,600,000 in 2015.

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. The County is responsible for payment of the first $500,000 per claim, after which point, the County's excess claim policy (commercial insurance) covers any additional losses.

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 for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Balance, January 1	$ 1,552,871	$ 1,565,048
Claims incurred	1,196,167	801,132
Claims paid	(1,183,461)	(813,309)
Balance, December 31	$ 1,565,577	$ 1,552,871

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.

16. Interfund Balances/Transfers

Interfund receivable and payable balances are normally settled in the following year and the balances at December 31, 2015 are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 12,608,777	$ 922,628
Health and Human Services Fund	334,624	3,246,726
Debt Service Fund	3,015,000	327,183
Capital Projects Fund	822,189	8,000,921
Non-Major Funds	28,083	1,976,620
Agency Fund	-	2,334,595
Total	$ 16,808,673	$ 16,808,673

The amounts due to the General Fund are generally for payroll and other operating costs initially funded by the General Fund on behalf of the other funds, which the County anticipates repaying within the next year.

The amounts due from the Agency Fund to other funds represents amounts collected by various internal row offices (e.g., Sheriff, Treasurer, etc.) on behalf of other parties that have yet to be remitted to the County's General Fund.

The Capital Projects Fund owes the Debt Service Fund $3,000,000 related to a Commonwealth of Pennsylvania Redevelopment Assistance Capital Project grant used to finance capital construction that were initially paid from debt service proceeds and it owes the General Fund $5,000,000 for future projects.

Interfund transfers in 2015 are summarized as follows:

	Transfers In	Transfers Out
General Fund:		
Health & Human Services Fund	$ 426,375	$ -
Capital Projects Funds	-	1,396,094
Non-Major Funds	242,844	1,791,721
Internal Service Fund	-	1,317,173
Total General Fund	669,219	4,504,988
Health & Human Services Fund, General Fund	-	426,375
Capital Projects Funds, General Fund	1,396,094	-
Non-Major Funds, General Fund	1,791,721	242,844
Internal Service Fund, General Fund	1,317,173	-
Totals	$ 5,174,207	$ 5,174,207

The General Fund transferred funds to the Capital Projects Fund ($1,396,094) to fund future capital projects, to the Non-Major Funds ($1,721,721) for operating subsidies of Liquid Fuels, Domestic Relations, Community Development, and Emergency 9-1-1 funds and to the Internal Service Fund ($1,317,173) to fund workers compensation claims incurred by the County during the year.

The Health and Humans Service fund transferred ($426,375) to the General Fund as a refund of excess prior year operating subsidy contributions.

Due From/To Component Units

The County has advanced $2,300,000 to the MPSA primarily to fund MPSA's capital projects. This advance is expected to be received once MPSA receives its Commonwealth Redevelopment Assistance Capital Program Grants.

The County has advanced $1,994,078 to the Lackawanna County Performing Arts Center Authority ("LCPACA") to fund repairs to the facility ($175,000) and to fund debt service payments ($1,819,078). In addition, the County has loaned debt proceeds to LCPACA and recorded a receivable of $5,096,710 within its governmental activities statement of net position.

17. 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.

In August 2010, Luzerne County, Pennsylvania filed suit against the MPSA alleging that they would be entitled to one-half of any franchise sale proceeds if the MPSA's baseball franchise were to be sold. In the opinion of management, and after consultation with legal counsel, the MPSA is entitled to the entire amount of the sales proceeds. The matter is currently in litigation and its outcome cannot be ascertained. The sale of the franchise to SWB Yankees LLC was completed in April 2012 and the MPSA set aside one-half of the sale proceeds until final disposition of this matter.

18. Concentration of Labor

At December 31, 2015, approximately 66% of the County's employees are represented by unions.

19. Restatement of Net Position

The County adopted GASB Statement No. 68 for its calendar year ended December 31, 2015, which requires that the effects be applied to the earliest period practical. The County of Lackawanna Transit System Authority ("COLTS"), a discretely presented component unit of the County adopted GASB Statement No. 68 for its fiscal year ended June 30, 2015, which requires that the effects be applied to the earliest period practical. The changes within the County's January 1, 2015 net position are as follows:

	County	COLTS
Net position, as previously reported	$ (98,799,115)	$ 14,602,393
Net pension obligation recorded at December 31, 2014	24,983,187	-
Net pension liability at January 1, 2015	(37,548,157)	(1,612,778)
Restated net position	$ (111,364,085)	$ 12,989,615

20. New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to enhance the comparability of financial statements by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value on a government's financial position. The County is required to adopt Statement No. 72 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The County is required to adopt Statement No. 76 for its 2016 financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The County is required to adopt Statement No. 75 for its 2016 financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79, permits qualifying external investment pools to measure pool investments, which function similarly to private sector money market funds, at amortized cost. The statement also establishes additional disclosure requirements, which includes information about any limitations or restrictions on participant withdrawals, for both the pool and its participants. To the extent applicable, the County is required to adopt Statement No. 79 for its calendar 2016 financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. The County is required to adopt Statement No. 80 for its calendar 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The County is required to adopt Statement No. 82 for its calendar 2017 financial statements.

County management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the County's financial statements.

21. Subsequent Event

In February 2016, the County issued its General Obligation Bonds, Series A of 2016 in the principal amount of $44,655,000, bearing interest at rates ranging between 2.00% and 5.00% per annum, with final maturity scheduled for September 2035. The proceeds of the Series A Bonds are to be used towards the current refunding of the County's outstanding General Obligation Notes, Series A of 2010 and to pay the costs associated with the issuance of the Series A of 2016 Bonds.

In February 2016, The County issued its General Obligation Bonds, Series B of 2016 in the principal amount of $25,160,000, bearing interest at rates ranging between 2.00% and 5.00% per annum, with final maturity scheduled for September 2029. The proceeds of the Series B Bonds are to be used towards the advance refunding of the County's outstanding General Obligation Bonds, Series of 2007, the advance refunding of the County's outstanding General Obligation Bonds, Series E of 2008, and to pay the costs associated with issuance of the Series B of 2016 Bonds.

County of Lackawanna, Pennsylvania

Schedule of Revenues, Expenditures and Changes in Fund Balances -
General and Debt Service Funds Budget And Actual - Unaudited
Year Ended December 31, 2015

	General Fund			Debt Service Fund		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 57,197,460	$ 59,112,262	$ 1,914,802	$ 19,965,660	20,217,307	$ 251,647
Payments in-lieu of taxes	262,000	279,549	17,549	-	-	-
Intergovernmental	17,770,713	15,575,866	(2,194,847)	-	-	-
Charges for services	19,688,164	20,557,444	869,280	400,000	1,058,976	658,976
Interest and rent	9,035	10,054	1,019	-	210	210
Court costs, fines and forfeitures	29,500	15,402	(14,098)	-	-	-
Contributions and other	289,125	5,419,076	5,129,951	-	-	-
Total revenues	95,245,997	100,969,653	5,723,656	20,365,660	21,276,493	910,833
Expenditures						
General government - administrative	18,691,156	18,125,508	565,648	-	38,752	(38,752)
General government - judicial	19,810,937	19,719,711	91,226	-	-	-
Public safety and corrections	32,981,705	32,026,403	955,302	-	-	-
Public works and enterprises	68,747	69,733	(986)	-	-	-
Health and human services	16,567,753	15,308,923	1,258,830	-	-	-
Culture and recreation	2,742,191	2,418,879	323,312	-	-	-
Community and economic development	404,284	406,713	(2,429)	-	-	-
Miscellaneous expense	833,951	428,042	405,909	-	-	-
Debt service:						
Principal	-	-	-	8,004,582	8,466,692	(462,110)
Interest	80,000	28,190	51,810	11,673,970	11,471,763	202,207
Note issuance costs	-	-	-	-	47,594	(47,594)
Total expenditures	92,180,724	88,532,102	3,648,622	19,678,552	20,024,801	(346,249)
Excess (Deficiency) of Revenues Over Expenditures	3,065,273	12,437,551	9,372,278	687,108	1,251,692	564,584
Other Financing Sources (Uses)						
Recovery of bad debt	-	1,398,278	1,398,278	-	-	-
Note proceeds	-	-	-	-	7,891,000	7,891,000
Current refunding payment to Note trustee	-	-	-	-	(7,843,406)	(7,843,406)
Transfers in	372,431	669,219	296,788	-	-	-
Transfers out	(5,136,147)	(4,568,069)	568,078	-	-	-
Total other financing sources (uses), net	(4,763,716)	(2,500,572)	2,263,144	-	47,594	47,594
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	(1,698,443)	9,936,979	11,635,422	687,108	1,299,286	612,178
Fund Balance, Beginning	8,434,957	12,968,108	4,533,151	1,012,589	6,696,491	5,683,902
Fund Balance, Ending	$ 6,736,514	$ 22,905,087	$ 16,168,573	$ 1,699,697	$ 7,995,777	$ 6,296,080

County of Lackawanna, Pennsylvania

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Year Ended December 31, 2015
(Unaudited)

	2014
Total Pension Liability	
Service cost	$ 1,875,116
Interest cost	14,411,290
Differences between expected and actual experience	(802,140)
Changes in assumptions	-
Benefit payments, including refunds of member contributions	(10,320,059)
Net change in total pension liability	5,164,207
Total Pension Liability, Beginning	195,342,163
Total Pension Liability, Ending (a)	$ 200,506,370
Plan Fiduciary Net Position	
Employer contributions	$ 500,000
Employee contributions	3,749,484
Other contributions	-
Net investment income	10,223,631
Benefits payments, including refunds of member contributions	(10,320,059)
Administration	(459,898)
Other	-
Net change in plan fiduciary net position	3,693,158
Plan Fiduciary Net Position, Beginning	157,794,006
Plan Fiduciary Net Position, Ending (b)	$ 161,487,164
Net pension liability, ending (a) - (b)	$ 39,019,206
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.54%
Covered-employee Payroll	$ 46,190,968
Net pension liability as a percentage of covered-employee payroll	84.47%

The County implemented GASB Statement No. 68 during its year ended December 31, 2015. Information prior to 2014 is not available.

Required Supplementary Information
Schedule of Employer Contributions
Year Ended December 31, 2015
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$ 2,483,175	$ 2,478,622	$ 4,139,516	$ 4,089,804	$ 3,967,756	$ 4,801,039	$ 3,712,594	$ 1,707,660	$ 2,099,854	$ 2,317,365
Contributions in relation to the actuarially determined contribution	500,000	500,000	500,000	500,000	-	65,733	-	-	-	2,856,077
Contribution deficiency (excess)	$ 1,983,175	$ 1,978,622	$ 3,639,516	$ 3,589,804	$ 3,967,756	$ 4,735,306	$ 3,712,594	$ 1,707,660	$ 2,099,854	$ (538,712)
Covered-employee payroll	$ 46,190,968									
Contributions as a percentage of covered-employee payroll	1.08%									

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of January 1 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	21 years
Asset valuation method	Fair-Market Value
Inflation	3.0%
Salary increases	4.5%
Investment rate of return	7.5
Retirement age	Age 60 or 55 with 20 years of service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

The County implemented GASB Statement No. 68 during its year ended December 31, 2015. Certain information is not available prior to 2015.