

8. LONG-TERM OBLIGATIONS

GOVERNMENTAL ACTIVITIES

BONDS AND NOTE PAYABLE

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

In 1997, the County issued \$8,475,000 of general obligation bonds (Series of 1997) to finance the expansion of the County's health care center. These bonds are due in varying annual installation plus interest at rates ranging from 4.20% to 5.60% with final maturity scheduled for 2022.

In 1997, the County issued \$34,485,000 of general obligation bonds (Series A of 1997) to finance the expansion and renovation of the County prison. These bonds are due in varying annual installments plus interest at rates ranging from 4.15% to 5.50% with final maturity scheduled for 2020.

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

In 1999, the County issued \$5,225,000 of taxable general obligation bonds (Series B of 1999) to finance the construction of an amphitheatre. These bonds are due in varying annual installments plus interest at rates ranging from 5.875% to 7.000% with final maturity scheduled for 2019. In 2002, the County transferred \$3,890,000 of this obligation to the Lackawanna County Performing Arts Center Authority.

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

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

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

The following summarizes the changes in the above bonds and note payable in 2003:

	BALANCE JANUARY 1, <u>2003</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE DECEMBER 31, <u>2003</u>
Series B of 1995	\$ 445,000		\$ (50,000)	\$ 395,000
Series of 1997	720,000		(230,000)	490,000
Series A of 1997	34,465,000		(5,000)	34,460,000
Series A of 1999	26,215,000		(740,000)	25,475,000
Series B of 1999	1,155,000		(40,000)	1,115,000
Series A of 2002	19,335,000		(1,275,000)	18,060,000
NPSDC note	<u>243,420</u>	<u>\$ -</u>	<u>(37,981)</u>	<u>205,439</u>
Total	<u>\$82,578,420</u>	<u>\$ -</u>	<u>\$(2,377,981)</u>	<u>\$80,200,439</u>

Interest paid on these bonds and note was \$4,033,335 in 2003.

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 thereon 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, 2003, the amount of defeased bonds outstanding was \$7,890,000.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following summarizes the County's future debt service requirements on the above bonds and note payable as of December 31, 2003:

<u>YEAR ENDING DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	\$ 2,563,379	\$ 3,952,396	\$ 6,515,775
2005	2,661,910	3,854,965	6,516,875
2006	2,760,727	3,754,280	6,515,007
2007	2,879,856	3,633,644	6,513,500
2008	2,959,567	3,508,989	6,468,556
2009-2013	20,430,000	15,280,215	35,710,215
2014-2018	30,025,000	9,049,793	39,074,793
2019-2022	<u>15,920,000</u>	<u>1,331,360</u>	<u>17,251,360</u>
Total	<u>\$80,200,439</u>	<u>\$44,365,642</u>	<u>\$124,566,081</u>

COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

Balance, January 1, 2003	\$ 5,150,380
Increase	-
Decrease	<u>(368,548)</u>
Balance, December 31, 2003	4,781,832
Less current portion	<u>478,183</u>
Long-term compensated absences	<u>\$ 4,303,649</u>

The County normally pays its compensated absences from the General and Special Revenue Funds.

BUSINESS-TYPE ACTIVITY

BONDS PAYABLE

In 1994, the County issued \$19,305,000 of general obligation bonds (Series of 1994) to advance-refund a 1991 bond issue (proceeds of which were used to purchase Montage Ski Resort), currently refund 1987 and 1988 notes and finance capital improvements. In 1999, a portion of these bonds was advance refunded by the Series A of 1999. The remainder of these bonds is considered an obligation of the Enterprise Fund. These bonds are due in varying annual installments plus interest at rates ranging from 4.10% to 6.00% with final maturity scheduled for 2011.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following summarizes the change in these bonds payable in 2003:

	BALANCE JANUARY 1, <u>2003</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE DECEMBER 31, <u>2003</u>
Series of 1994	<u>\$9,590,000</u>	<u>\$ -</u>	<u>\$(965,000)</u>	\$8,625,000
Less unamortized discount				<u>381,585</u>
Total				<u>\$8,243,415</u>

Interest paid on these bonds was \$497,715 in 2003.

The following summarizes the future debt service requirements on the above bonds as of December 31, 2003:

<u>YEAR ENDING DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	\$ 905,000	\$ 452,785	\$ 1,357,785
2005	950,000	410,250	1,360,250
2006	995,000	364,650	1,359,650
2007	1,040,000	315,895	1,355,895
2008	1,095,000	263,895	1,358,895
2009-2011	<u>3,640,000</u>	<u>434,250</u>	<u>4,074,250</u>
Total	<u>\$8,625,000</u>	<u>\$2,241,725</u>	<u>\$10,866,725</u>

CAPITAL LEASE OBLIGATIONS

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

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following is a summary of future minimum lease payments required under these capital leases along with the present value of the net minimum lease payments as of December 31, 2003:

<u>YEARS ENDING DECEMBER 31</u>	<u>AMOUNT</u>
2004	\$134,513
2005	134,512
2006	134,512
2007	<u>2,980</u>
Total minimum lease payments	406,517
Less amounts representing interest	<u>35,092</u>
Present value of net minimum lease payments	<u>\$371,425</u>

DISCRETELY PRESENTED COMPONENT UNITS

The following is a summary of long-term debt for the discretely presented component units at December 31, 2003:

	<u>AMOUNT</u>
<u>LACKAWANNA COUNTY REDEVELOPMENT AUTHORITY</u>	
Bank note, due in varying annual installments plus interest at 5.5%, maturing 2004	\$ 397,099
Term note, due in varying semiannual installments plus interest at 5.0%; maturing 2011	9,710,403
Term note, due in varying semiannual installments plus interest at 6.5%; maturing 2011	<u>418,257</u>
Total	<u>10,525,759</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	<u>AMOUNT</u>
<u>LACKAWANNA RIVER BASIN SEWER AUTHORITY</u>	
Guaranteed Sewer Revenue Refunding Bonds, Series 1994, due in varying annual installments plus interest	\$ 2,610,000
Guaranteed Sewer Revenue Refunding Bonds, Series 2002, due in varying annual installments plus interest at rates ranging from 1.75% to 4.35%; final maturity scheduled for 2015	2,480,000
PENNVEST note, due in monthly installments of \$17,432 including interest at 1%; maturing 2011	<u>1,462,316</u>
Total	<u>6,552,316</u>
<u>LACKAWANNA COUNTY RAILROAD AUTHORITY</u>	
Mortgage note, due in annual installments of \$9,250 with no interest; maturing 2012	83,250
Demand note, due upon cessation of operations	<u>750,000</u>
Total	<u>833,250</u>
<u>MULTI-PURPOSE STADIUM AUTHORITY OF LACKAWANNA COUNTY</u>	
Guaranteed Stadium Revenue Bonds, Series 2002, due in varying annual installments plus interest at an average rate of 2.9%; final maturity scheduled for 2007	6,260,459
Term note, due in monthly payments of \$4,602 including interest at 3.84%; maturing 2007	168,300
Term note, due in monthly payments of \$9,852 including interest at 2.79%; final maturity scheduled for 2008	506,858
Line of credit note, \$75,000 maximum, interest at national prime rate (4.00% at December 31, 2003)	<u>50,000</u>
Total	<u>6,985,617</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	<u>AMOUNT</u>
<u>LACKAWANNA COUNTY PERFORMING ARTS CENTER AUTHORITY</u>	
General obligation bonds, Series B of 1999, due in varying annual installments plus interest at rates ranging from 5.87% to 7.00%; final maturity scheduled for 2018	\$ 3,370,000
General obligation bonds, Series B of 2002, due in varying annual installments plus interest at rates ranging from 2.65% to 6.85%; final maturity scheduled for 2020. Reported net of unamortized discount of \$28,233.	<u>4,181,767</u>
Total	<u>7,551,767</u>
TOTAL	<u>\$32,448,709</u>

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

<u>YEARS ENDING DECEMBER 31</u>	<u>AMOUNT</u>
2004	\$ 4,126,663
2005	3,800,115
2006	3,901,070
2007	3,285,481
2008	2,095,529
Thereafter	<u>15,357,625</u>
Total	32,566,483
Less unamortized discount	<u>117,774</u>
Total	<u>\$32,448,709</u>

SCRANTON LACKAWANNA HEALTH AND WELFARE AUTHORITY

The Scranton Lackawanna Health and Welfare Authority ("SLHWA") has entered into lease, sublease and guarantee agreements for facilities being financed through the issuance of bonds by SLHWA. SLHWA leases the facilities, limited to the project, from the various entities for a fixed rental amount equal to the proceeds from the sale of the bonds. SLHWA subleases the facilities back to the various entities for periodic lease payments in amounts sufficient to pay principal and interest on the bonds when due, the redemption premium, if any, and to pay all expenses and fees of SLHWA and trustee, if applicable, as related to the bonds. Accordingly, future lease payments due over the remaining terms of the leases (net of the portion applicable to interest) have been reflected as a receivable in SLHWA's balance sheet. The facilities revert to the lessee upon full and final payment of the bonds, and expiration of the lease. Accordingly, the cost of the facilities acquired with proceeds of bond issues has not been capitalized in the financial statements of SLHWA. SLHWA has executed a trust indenture with a trustee bank for each bond issue that among other things, assigns all 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, 2003, there were twelve general obligation bond issues outstanding and seven notes and mortgages outstanding with an aggregate balance of \$237,823,879.

9. RETIREMENT 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 may be obtained from the County Commissioners' office.

COUNTY OF LACKAWANNA, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Membership of the Plan consisted of the following at December 31, 2003, the date of its latest actuarial valuation:

Retirees and beneficiaries receiving benefits	407
Terminated plan members entitled to but not yet receiving benefits	64
Active plan members	<u>1,261</u>
Total	<u>1,732</u>
Number of participating employers	<u>1</u>

FUNDING POLICY

Plan members are required to contribute 8% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, 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.

ANNUAL PENSION COST

The 2003 annual required contribution, as determined by an actuarial valuation as of December 31, 2003, was \$2,442,365. The County did not pay the annual required contribution. The actuarial assumptions included a 7.5% investment rate of return and projected salary increases of 3.25% - 4.5%, using a graduated .25% increase over five years. These assumptions included an inflation component of 3.0%. The actuarial value of the Plan's assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. Plans that use the aggregate actuarial cost method are not required to present a schedule of funding progress. Separate determination and amortization of the unfunded actuarial liability are not part of the aggregate actuarial cost method and are not required when that method is used.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The County's annual pension cost and net pension obligation for 2003 were as follows:

Annual required contribution	\$ 2,442,365
Interest on net pension obligation	105,531
Adjustment to annual required contribution	<u>(179,891)</u>
Annual pension cost	2,368,005
Contributions made	<u>-</u>
Increase in net pension obligation	2,368,005
Net pension obligation, beginning of year	<u>1,407,078</u>
Net pension obligation, end of year	<u>\$3,775,083</u>

Three-year trend information for the Plan is as follows:

<u>YEAR ENDED DECEMBER 31</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>% OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2001	\$ 314,700	0.0%	\$ 220,550
2002	1,186,528	0.0%	1,407,078
2003	2,368,005	0.0%	3,775,083

10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances are normally settled in the following year and the balances at December 31, 2003 are as follows:

	DUE FROM OTHER <u>FUNDS</u>	DUE TO OTHER <u>FUNDS</u>
General Fund:		
Health and Human Services Fund:		
Health Care Center Fund	\$2,261,737	
Coordinated Transportation Fund	5,197	
Drug and Alcohol Fund	216,117	
Area Agency on Aging Fund		\$ 41,938
Human Services Development Fund	<u>44,833</u>	<u>-</u>
Total Health and Human Services Fund	2,527,884	41,938
Capital Projects Fund		1,300,000
Agency Fund	<u>1,045,222</u>	<u>-</u>
Total General Fund	<u>3,573,106</u>	<u>1,341,938</u>
Health and Human Services Fund:		
General Fund:		
Area Agency on Aging Fund	41,938	
Human Services Development Fund		44,833
Health Care Center Fund		2,261,737
Coordinated Transportation Fund		5,197
Drug and Alcohol Fund	<u>-</u>	<u>216,117</u>
Total Health and Human Services Fund	<u>41,938</u>	<u>2,527,884</u>
Capital Projects Fund, General Fund	<u>1,300,000</u>	<u>-</u>
Agency Fund, General Fund	<u>-</u>	<u>1,045,222</u>
Totals	<u>\$4,915,044</u>	<u>\$4,915,044</u>

The amounts due to the General Fund are generally for payroll. The General Fund owed the Capital Projects Fund for a short-term advance. All these items were paid in 2004.

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Interfund transfers in 2003 are summarized as follows:

	TRANSFERS <u>IN</u>	TRANSFERS <u>OUT</u>
General Fund:		
Landfill Trust Fund	<u>\$2,177,000</u>	\$ -
Nonmajor funds:		
Other Special Revenue Funds:		
Probation and Parole Fund	150,000	
911 Fund		729,579
Domestic Relations Fund		431,487
Debt Service Fund		5,977,022
Capital Projects Fund	<u>246,781</u>	-
Total nonmajor funds	396,781	7,138,088
Enterprise Fund	<u>-</u>	<u>358,499</u>
Total General Fund	<u>\$2,573,781</u>	<u>\$7,496,587</u>
Health and Human Services Fund:		
Nonmajor funds:		
Capital Projects Fund		\$ 49,122
Debt Service Fund	<u>\$ -</u>	<u>635,218</u>
Total Health and Human Service Fund	<u>\$ -</u>	<u>\$ 684,340</u>
Landfill Trust Fund:		
General Fund		\$2,177,000
Nonmajor funds, Capital Projects Fund	<u>\$ -</u>	<u>209,000</u>
Total Landfill Trust Fund	<u>\$ -</u>	<u>\$2,386,000</u>
Nonmajor Funds:		
Other Special Revenue Fund:		
General Fund:		
Probation and Parole Fund		\$ 150,000
911 Fund	\$ 729,579	
Domestic Relations Fund	431,487	
Debt Service Fund:		
Hotel Tax Fund		210,735
911 Fund	<u>-</u>	<u>445,235</u>
Total Other Special Revenue Funds	<u>1,161,066</u>	<u>805,970</u>

COUNTY OF LACKAWANNA, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	TRANSFERS <u>IN</u>	TRANSFERS <u>OUT</u>
Debt Service Fund:		
General Fund	\$5,977,022	
Health and Human Services Fund	635,218	
Other Special Revenue Funds:		
Hotel Tax Fund	210,735	
911 Fund	445,235	
Enterprise Fund	<u> -</u>	<u>\$ 862,175</u>
Total Debt Service Fund	<u>7,268,210</u>	<u>862,175</u>
Capital Projects Fund:		
General Fund		246,781
Health and Human Services Fund	49,123	
Landfill Trust Fund	209,000	
Enterprise Fund	<u> -</u>	<u>51,110</u>
Total Capital Projects Fund	<u>258,123</u>	<u>297,891</u>
Total nonmajor funds	<u>\$8,687,399</u>	<u>\$1,966,036</u>
Enterprise Fund:		
General Fund	\$ 358,499	
Capital Projects Fund	51,110	
Debt Service Fund	<u>862,175</u>	<u>\$ -</u>
Total Enterprise Fund	<u>\$1,271,784</u>	<u>\$ -</u>

Transfers in to the General Fund were used to cover various expenditures, principally conservation-related expenditures. Transfers out by the General Fund were primarily for debt service and payroll.

Transfers out by the Health and Human Services Fund were primarily used for debt service.

Transfers out by the Landfill Trust Fund were used for conservation purposes in the General and Capital Projects Funds.

Transfers in to the Other Special Revenue Fund were used to cover payroll costs while transfers out were primarily for debt service.

Transfers in to the Debt Service Fund were used to pay the County's debt service on its general obligation bonds and the transfer out represents the amount paid for the debt service of the Enterprise Fund.

Transfers in and out of the Capital Projects Fund were primarily for reimbursement of costs.

Transfers in to the Enterprise Fund represent payroll and debt service paid by other funds.

In 2003, transfers of \$741,022 were made to component units for capital purposes by the nonmajor funds. Such transfers are reflected as grant income and capital assets in the component unit financial statements.

11. DEFICIT FUND/NET ASSET BALANCES

The General Fund has a deficit fund balance of \$(8,513,048) at December 31, 2003 resulting from 1) the inability to generate sufficient revenues to cover its expenditures, and 2) the inability of certain other funds and component units to generate sufficient revenues to meet expenditures and debt service payments as they come due. In 2004, the County issued general obligation bonds to eliminate the deficit and is reviewing its operations to control its expenditures.

The Enterprise Fund has a net deficit of \$(2,409,683) at December 31, 2003 resulting from its inability to generate sufficient operating income to cover its debt service.

The Internal Service Fund has a net deficit of \$(1,570,319) at December 31, 2003. 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 has a net deficit of \$(7,052,787) at December 31, 2003. The deficit resulted from the financing of the PEI Power Park infrastructure through the use of tax increment financing notes. Debt service payments on these notes are made from incremental real estate tax levies by the taxing authorities within whose jurisdictions the project exists. The Redevelopment Authority anticipates the deficit to be substantially eliminated by the year 2011 when the notes mature.

12. SELF-INSURANCE

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance.

COUNTY OF LACKAWANNA, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

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

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

Changes in the balances of claims liabilities in 2003 are as follows:

Balance, December 31, 2002	\$2,258,499
Claims incurred	779,930
Claims paid	<u>(867,248)</u>
Balance, December 31, 2003	<u>\$2,171,181</u>

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

13. COMMITMENTS AND CONTINGENCIES

GUARANTEES

The County has guaranteed the debt of the following entities and, if necessary, to make payments to the entities to meet their debt obligations. The guaranteed debt of these Authorities at December 31, 2003 is as follows:

Lackawanna County River Basin Sewer Authority	\$ 6,552,316
Lackawanna County Performing Arts Center Authority	7,551,767
Multi-Purpose Stadium Authority of Lackawanna County	<u>6,985,617</u>
Total debt guaranteed	<u>\$21,089,700</u>

LITIGATION

The County is involved in several lawsuits arising in the normal course of business. It is the County solicitor's opinion that the aggregate amount of potential claims not covered by insurance resulting from actions against the County would not materially affect the financial position of the County at December 31, 2003. The County has established a \$125,000 contingency reserve for these matters.

14. PRIOR PERIOD ADJUSTMENT

In prior years, the County did not maintain sufficient records regarding the capital assets of the Enterprise Fund. In 2003, they engaged the services of an appraisal company to calculate the estimated historical cost and related accumulated depreciation of the Enterprise Fund's capital assets as of January 1, 2003. The County determined that the capital assets and fund balance of the Enterprise Fund were understated by \$924,370 at December 31, 2002 and has recorded this amount as a prior period adjustment. Depreciation expense in 2002 would have been approximately \$50,000 higher as a result of this adjustment.

15. SUBSEQUENT EVENTS

On November 15, 2004, the County issued \$10,110,000 (Series A of 2004), \$29,270,000 (Series B of 2004) and \$4,210,000 (Taxable Series C of 2004) of general obligation bonds. The proceeds of the Series A and B bonds were used to currently refund the County's Series of 1994 general obligation bonds and finance capital projects. The proceeds of the Series C bonds was used to finance the payment of the County's unfunded accrued actuarial pension obligations.

On December 1, 2004, the County issued \$20,145,000 (Taxable Series D of 2004) general obligation bonds to finance its unfunded debt.

16. NEW ACCOUNTING PRONOUNCEMENTS

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Statement 39 provides additional guidance in determining whether certain organizations for which the County is not financially accountable should be reported as component units based upon the nature and significance of their relationship with the County. The County is required to adopt Statement 39 in 2004. The County has not determined the effect on its financial statements resulting from the adoption of this standard.

COUNTY OF LACKAWANNA, PENNSYLVANIA

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

DECEMBER 31, 2003

	GENERAL FUND			LIQUID FUELS FUND			DEBT SERVICE FUND		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:									
Taxes	\$31,971,372	\$32,564,060	\$ 592,688				\$5,625,900	\$5,977,020	\$ 351,120
Payments in lieu of taxes	205,455	104,998	(100,457)						
Licenses and permits	20,000	14,251	(5,749)						
Grants	17,422,912	13,586,314	(3,836,598)	\$2,800,000	\$ 824,354	\$(1,975,646)			
County charges and earnings	33,030,760	27,075,810	(5,954,950)						
Court costs, fines and forfeitures	15,000	180,193	165,193						
Interest and rent	462,500	246,104	(216,396)	27,500	8,281	(19,219)	12,000	2,470	(9,530)
Contributions and other	3,542,287	5,437,033	1,894,746	10,000	7,308	(2,692)	992,423	48,319	(944,104)
Total receipts	86,670,286	79,208,763	(7,461,523)	2,837,500	839,943	(1,997,557)	6,630,323	6,027,809	(602,514)
DISBURSEMENTS:									
Current:									
General government - administrative	11,303,342	10,242,290	1,061,052						
General government - judicial	9,788,927	9,350,828	438,099						
Public safety - corrections	17,623,425	16,196,499	1,426,926						
Public works and enterprises	5,387,490	4,668,357	719,133	2,869,405	1,049,807	(1,819,598)			
Human services	26,916,863	24,914,317	2,002,546						
Culture and recreation	2,945,568	3,677,356	(731,788)						
Conservation and development	643,452	634,696	8,756						
Other	14,452,931	6,731,248	7,721,683						
Debt service							924	25,838	24,914
Total disbursements	89,061,998	76,415,591	12,646,407	2,869,405	1,049,807	(1,819,598)	8,342,204	6,411,316	(1,930,888)
Excess (deficiency) of receipts over (under) disbursements	(2,391,712)	2,793,172	5,184,884	(31,905)	(209,864)	(177,959)	(1,712,805)	(409,345)	1,303,460
Other receipts (disbursements):									
Transfers in	2,177,000	2,327,000	150,000						
Transfers out	-	(2,300,000)	(2,300,000)						
Total other receipts (disbursements)	2,177,000	27,000	(2,150,000)	-	-	-	1,713,014	1,291,191	(421,823)
Net change in cash balances	(214,712)	2,820,172	3,034,884	(31,905)	(209,864)	(177,959)	209	19,671	19,462
Cash balances, beginning	656,584	1,568,575	911,991	516,615	911,121	394,506	12,979	1,942,277	1,929,298
Cash balances, ending	441,872	4,388,747	3,946,875	484,710	701,257	216,547	13,188	1,961,948	1,948,760

See Notes to Financial Statements

COUNTY OF LACKAWANNA, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. RECONCILIATION OF BUDGETARY CASH BASIS TO GAAP BASIS

A reconciliation of the County's budgetary cash basis to GAAP basis for 2003 is as follows:

	<u>General Fund</u>	<u>Liquid Fuels</u>	<u>Debt Service</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary cash basis)	\$ 2,822,090	\$(209,864)	\$19,671
Reversal of prior year:			
Receivables	(19,255,545)	(4,134)	-
Liabilities	22,345,914	177,849	-
Record current year:			
Receivables	15,596,172	530,989	-
Liabilities	<u>(28,497,967)</u>	<u>207,394</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$(6,991,254)</u>	<u>\$ 287,446</u>	<u>\$19,671</u>