COUNTY OF SCHUYLKILL
POTTSVILLE, PENNSYLVANIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

COUNTY OF SCHUYLKILL

YEAR ENDED DECEMBER 31, 2012

CONTENTS

	Page
Independent Auditors' Report on Financial Statements	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Position – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
Notes to Financial Statements	27-67
Required Supplemental Information	
Employee Retirement Plan Schedule of Employer Contributions and Funding Progress	69
Schedule of Funding Progress – Postemployment Benefits Other than Pensions	70
General Fund – Budgetary Comparison Schedule	71-73
Children and Youth – Budgetary Comparison Schedule	74
Other Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund	76

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Schuylkill
Pottsville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the COUNTY OF SCHUYLKILL, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the COUNTY OF SCHUYLKILL'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component units' financial statements for the Schuylkill County Transit Authority, which represents 100% of the assets, net position, and revenues, respectively, of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component unit, 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 from material misstatement.

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 financial statement 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.

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit

The financial statements of the Schuylkill County Transit Authority were prepared on another comprehensive basis of accounting other than generally accepted accounting principles in the United States of America as Described in Note 1 to the financial statements. The amount by which the departure would affect the assets, net position and revenue of the aggregate discretely presented component has not been determined.

Qualified Opinion

In our opinion, based on our audit and the reports of other auditors, except for the possible effects of the matter described in the Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit Paragraph, the financial statements referred to above present fairly, in all material respects the financial position of the aggregate discretely presented component of the COUNTY OF SCHUYLKILL as of December 31, 2012 and the changes in financial position thereof for the year ended in accordance with Generally Accepted Accounting Principles in the United States of America.

Unmodified Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF SCHUYLKILL, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoptions of New GASB's

As described in Note 1 to the financial statements, in 2012 the COUNTY OF SCHUYLKILL adopted the remaining provisions of Governmental Accounting Standards Board's Statement No. 57, *"OPEB Measurement by Agent Employers and Agent Multi-Employer Plans,"* the provisions of Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangements,"* Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,"* Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* and Statement No. 64, *"Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53".*

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer contributions and funding progress, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison schedules of pages 4 through 15 and pages 69 through 74 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 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 inquires 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schuylkill's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Debt Service Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 on our consideration of the COUNTY OF SCHUYLKILL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 OF SCHUYLKILL's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
September 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Schuylkill's financial report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2012. This analysis should be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2012.

FINANCIAL HIGHLIGHTS

- For Fiscal year 2012, the County's total real estate millage rate remained the same at 11.98 mills. The levy for general purposes was 11.42 mills and the levy for debt purposes was .56 mills. The last increase in the real estate millage was for fiscal year 2004.

- The County had $22,875,000 of General Obligation Debt outstanding at the end of the year. This was an increase of $12,500,000 or 120.48% from the previous year.

- The General Fund Unassigned Fund Balance was $13,053,393 at the end of the year.

- The underlying rating on the General Obligation Debt was raised to A+.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of a *Statement of Net Position and a Statement of Activities*; they are designed to provide readers with a broad overview of the County finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as *Net Position.* Net Position is one way to measure the County's financial health or position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the County's financial position is improving or deteriorating. However, other non-financial factors such as changes in the County's real property tax base and general economic conditions must be considered to assess the overall position of the County.

The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it identifies to what extent each program has to rely on taxes for funding.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-Type Activities*). Schuylkill County's governmental activities include general government, judicial government, public safety, public works, human services, culture/recreation, and conservation/development. The County has two business-type activities – operation of Rest Haven Nursing Home and operation of the 911 center.

The government-wide financial statements include not only Schuylkill County itself (known as the primary government), but also include a legally separate entity which is financially accountable to the County (known as component unit). This component unit is the Schuylkill County Transportation Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. In addition, the Schuylkill County Conservation District is also a legally separate entity; however, it functions for all practical purposes as a department of Schuylkill County. Therefore, the Schuylkill County Conservation District has been included as an integral part of the primary government.

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

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: *Governmental Funds, Proprietary Funds, and Fiduciary Funds.*

Governmental Funds are used to account for essentially the same functions reported as *Government 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, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are reconciled to *Governmental Activities* on pages 19 and 21 of this report.

Schuylkill County maintains the following three major governmental funds: the General Fund, Children and Youth Fund, and the Capital Projects Fund. The County also maintains twenty-one non-major governmental funds that are combined into a single, aggregated presentation entitled "Nonmajor Governmental Funds."

The governmental fund financial statements can be found on pages 18 through 21 of this report.

Proprietary Funds of the County consist of two enterprise funds and an internal service fund. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the government-wide financial statements. Schuylkill County has two enterprise funds – the Rest Haven Nursing Home and the 911 Fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Schuylkill County uses an internal service fund to account for self-insurance activities in connection with workers compensation claim liabilities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Rest Haven County Home and the 911 Fund, which are considered to be major funds of the County. The remaining proprietary fund, which is an internal service fund, is combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 22 through 24 of this report.

Fiduciary Funds of the County consist of the employee's retirement trust fund and certain agency funds. The County is the trustee, or fiduciary, for the employees' retirement system. In addition, the County is also responsible for certain agency funds which are clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in the fund are used for its intended purpose. All of the County's fiduciary asset and liability balances are reported in the statement of fiduciary net position. A statement of changes in fiduciary net position is presented for the pension trust fund only. All fiduciary activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

The fiduciary fund financial statements can be found on pages 25 through 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 67 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the eleventh year Schuylkill County is presenting its financial statements using the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB Statement #34), "Basic Financial Statements and Management's Discussion and

Analysis (MD&A) for State and Local Governments". A comparative analysis with prior year financial information is included in this report.

Net Position

Schuylkill County's net position as of December 31, 2012 and December 31, 2011 are presented below:

County's Net Position as of December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Other Assets	$ 48,127,897	$ 55,302,321	$ 11,383,192	$ 3,477,996
Capital Assets, Non-Depreciable	4,131,618	3,344,778	7,257,692	145,927
Capital Assets, Depreciable	21,811,780	20,942,866	5,223,988	5,939,909
Total Assets	74,071,295	79,589,965	23,864,872	9,563,832
Other Liabilities	10,591,040	19,414,921	1,989,430	1,284,295
Long-term Liabilities	33,054,809	30,050,780	21,279,061	6,558,075
Total Liabilities	43,645,849	49,465,701	23,268,491	7,842,370
Net Position:				
Net Investment in Capital Assets	18,755,812	21,637,123	(4,319,676)	3,901,092
Restricted	14,912,857	10,359,094	-	-
Unrestricted	(3,243,223)	(1,871,953)	4,916,057	(2,179,630)
Total Net Position	$ 30,425,446	$ 30,124,264	$ 596,381	$ 1,721,462

Net position of the County's governmental activities were $30,425,446. Of this amount, $18,755,812 represents the net investment in capital assets while $14,912,857 was restricted for various purposes. The unrestricted net position as of the end of the year was ($3,243,223).

Net position of the County's business-type activities were $596,381. Of this amount, ($4,319,676) represents investment in net investment in capital assets. The unrestricted net position balance as of the end of the year was $4,916,057.

The following table presents the County's changes in net position for the fiscal year ended December 31, 2012 and December 31, 2011.

County's Changes in Net Position

	Governmental Activities		Business Type Activities	
	2012	2011	2012	2011
Revenues:				
Program Revenues:				
Charges for Services	$ 9,203,192	$ 9,837,471	$ 10,257,710	$ 12,784,184
Operating Grants & Gifts	44,941,632	47,288,721	1,938,690	-
Capital Grants & Contributions	-	-	-	-
General Revenues:				
Property Taxes	29,625,144	29,020,412	-	-
Interest, Invest. Earnings & Royalties	121,471	144,884	12,285	11,434
Hotel Tax	223,620	216,790	-	-
Per Capita Tax	396,779	391,597	-	-
Miscellaneous	5,927,108	5,154,350	928,994	-
Total Revenues	$ 90,438,946	$ 92,054,225	$ 13,137,680	$ 12,795,618
Expenses:				
General Government	23,258,333	27,493,433	-	-
Judicial Government	12,192,560	13,071,222	-	-
Public Safety	6,208655	5,317,803	-	-
Public Works	639,310	3,838,019	-	-
Human Services	42,551,972	36,397,518	-	-
Culture/Recreation	1,074,226	370,360	-	-
Conservation	1,505,772	4,607,744	-	-
Economic Development	586,537	-	-	-
Interest on Long-Term Debt	1,160,493	430,918	-	-
911 Fund	-	-	4,064,538	3,974,548
Nursing Home	-	-	11,687,696	10,829,267
Total Expenses	89,177,858	91,527,017	15,752,234	14,803,815
Change in Net Position before Losses and Transfers	1,261,089	527,208	(2,614,554)	(2,008,197)
Transfers	(1,489,474)	(1,212,320)	1,489,474	1,212,320
Changes in Net Position	(228,385)	(685,112)	(1,125,081)	(795,877)
Net Position-Beginning	30,124,264	30,809,376	1,721,462	2,517,339
Restatement of Prior Year	529,567	-	-	-
Net Position-Ending	$ 30,425,446	$ 30,124,264	$ 596,381	$ 1,721,462

During 2012, total net position of the County's governmental activities decreased by $228,385 (before prior year adjustment) or .75% to $30,425,446. The decrease resulted from transfers out exceeding the change in net position before losses and transfers. Significant decreases in Revenue from the prior reporting period include a $2,347,089 or 4.96% decrease in the Operating Grants and Gifts Category.

For expenses, there was a decrease in the Public Works Category for $3,198,709 or 83.34% and there was an increase in the Human Services Category for $6,154,454 or 16.91%, in comparison to the prior reporting period.

During 2012, total net position of the County's business-type activities decreased by $1,125,081 or 65.35% to $596,381. The decrease resulted from the change in net position before losses and transfers exceeding the transfers in.

Governmental Activities and Business-Type Activities

The following table presents the sources of revenues for the fiscal year ended December 31, 2012:

Sources of Revenues

	Governmental Activities		Business-Type Activities	
Revenues				
Charges for Services	$ 9,203,193	10.18%	$ 10,257,710	78.08%
Operating Grants & Contributions	44,941,632	49.69%	1,938,690	14.76%
Property Taxes	29,625,144	32.76%	-	-
Interest, Investments, Earnings & Royalties	121,471	.13%	12,285	0.09%
Hotel Tax	223,620	.25%	-	-
Per Capita Tax	396,779	.44%	-	-
Miscellaneous	5,927,108	6.55%	928,994	7.07%
Total Revenues	$ 90,438,947	100.00%	$ 13,137,679	100.00%

The following table presents the functional expenses for the fiscal year ended December 31, 2012:

Functional Expenses

	Governmental Activities		Business-Type Activities	
Expenses				
General Government	$ 23,258,333	26.08%	-	-
Judicial Government	12,192,560	13.67%	-	-
Public Safety	6,208,655	6.96%	-	-
Public Works	639,310	.72%	-	-
Human Services	42,551,972	47.72%	-	-
Culture/Recreation	1,074,226	1.20%	-	-
Conservation/Development	1,505,772	1.69%	-	-
Economic Development	586,537	.66%	-	-
Interest on Long-Term Debt	1,160,493	1.30%	-	-
911 Fund	-	-	$ 4,064,538	25.80%
Nursing Home	-	-	11,687,696	74.20%
Total Expenses	$ 89,177,858	100.00%	$ 15,752,234	100.00%

FINANCIAL ANALYSIS OF COUNTY'S FUNDS

As noted earlier, Schuylkill County uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements.

Governmental Funds – The General Fund, Children and Youth Special Revenue Fund, and Capital Projects Fund make up the County's major governmental funds. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. For the year ended December 31, 2012, Schuylkill County governmental funds reported a combined ending fund balance of $30,316,724. This was a decrease of $719,658 or 2.37% from the previous year.

General Fund – The General Fund is the primary operating fund of the County. At the end of 2012, the General Fund reported a fund balance of $15,353,098. This was an increase of $1,085,303 or 7.61% from the previous year. The increase was primary the result of an overall decrease in anticipated expenses for certain departments in the general fund.

The unassigned fund balance in the General Fund was $13,053,393 as of December 31, 2012.

Children and Youth Fund – At the end of 2012, the Children and Youth Fund maintain no fund balance because the General Fund transfers a sufficient amount to bring the fund balance to zero.

Capital Projects Fund - At the end of 2012, the Capital Projects Fund reported a fund balance of $3,275,851. This was an increase of $3,275,851 or 100% from the previous year. The increase was the result of an Operating Transfer In to cover the cost of a Capital Project.

Proprietary Funds – The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Rest Haven Nursing Home– At the end of 2012, the Nursing Home reported net position of ($2,145,842). There was an increase in the deficit by ($1,042,659) from the previous year. This increase was the result of expenses exceeding revenues.

911 Fund – At the end of 2012, the 911 Fund reported net position of $2,742,223. This was a decrease of $82,421 or 2.92% from the previous year. The decrease occurred as a result of an increase in operating expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Under Pennsylvania law, the Board of Commissioners has the authority and the responsibility for administering and for managing the County's Budget. County Administration, under the authority of the Commissioners, exercises the day-to-day oversight for assuring that departments operate within their approved budgets in accordance with County fiscal policies. During the year, the original general fund budget was modified to accommodate budgetary adjustments that were approved by the Board of County Commissioners.

The County's original revenue and other financing sources budget increased from $45,362,263 to $45,604,390, an increase of $242,127 or .53%. The increase was due to various miscellaneous adjustments. Actual revenues and other financing sources received were $44,654,598 or 97.92% of the final budget. The variance between actual revenues and other financing sources vs. final budgetary revenue and other financing revenues and other financing sources totaled $949,792. This variance resulted, in part, from a decrease in Charges for Services.

The County's original expenditure and other financing uses budget increased from $47,989,064 to $48,514,573, an increase of $525,509 or 1.09%. The increase was due to various miscellaneous adjustments. Actual expenditures and other financing uses were $43,569,295 or 89.8% of the final budget. The variance between actual expenditures vs. final budgetary expenditures and other financing uses totaled $4,945,278. This positive variance was primary the result of overall decrease in anticipated expenses for the following departments: Maintenance, Voter Registration and Election, Courts, Engineering, Insurances, and County Prison.

CAPITAL ASSETS

Schuylkill County's investment in capital assets for its governmental and business-type activities as of December 31, 2012 was $38,425,078 (net of accumulated depreciation). This was an increase of $8,051,598 or 26.51% over the previous year. Capital assets consist primarily of land, construction in progress, works of art collections, land improvements, buildings and

improvements, machinery and equipment, motor vehicles, computer equipment and software, agricultural easements and infrastructure.

Major capital asset events during the fiscal year included the following:

Governmental Activities

- Construction in Progress decreased by a net amount of $1,341,590; this primarily was the result of a transfer out of Construction in Progress to Infrastructure for work completed on Bridge #106.

- Machinery and Equipment increased by a net amount of $440,298; this primarily was the result of a transfer in from Construction in Progress for the installation of a closed circuit television system. In addition, the net amount also increased because of a purchase of security equipment for Office of Senior Services and a purchase of ballot scanners for Election Bureau.

- Infrastructure increased by a net amount of $2,200,745; this primarily was the result of a transfer in from Construction in Progress for work completed on Bridge #106 as well as work performed on other County Bridges.

- Total Accumulated Depreciation increased from $35,730,998 to $36,002,157.

Business-Type Activities

- Construction in Progress increased by a net amount of $7,111,765; this was the result of an installment payment made on the narrowbanding project for 911.

- Total Accumulated Depreciation increased from $11,539,114 to $12,442,731. Therefore, Total Capital Assets being depreciated, net decreased from $5,939,909 to $5,223,988.

The following is a summary of capital assets as of December 31, 2012 and December 31, 2011:

Summary of Capital Assets

	Governmental Activities		Business-Type Activities		Balance at December 31,	Balance at December 31,
	2012	2011	2012	2011	2012	2011
Land	$ 715,506	$ 701,717	$ 145,927	$ 145,927	$ 861,433	$ 847,644
Construction In Progress	1,127,471	2,469,061	7,111,765	-	8,239,236	2,469,061
Works of Art Collections	174,000	174,000	-	-	174,000	174,000
Agricultural Easements	2,114,641	2,104,641	-	-	2,114,641	2,104,641
Land Improvements	2,812,055	2,704,172	228,335	150,101	3,040,390	2,854,273
Buildings & Improvement	22,497,351	22,163,662	8,836,782	8,807,509	31,334,133	30,971,171
Machinery & Equipment	7,006,513	6,566,215	4,648,915	4,572,881	11,655,428	11,139,096
Motor Vehicles	9,334,342	9,236,660	104,374	104,374	9,438,716	9,341,034
Computer Equipment/Software	2,641,663	2,852,260	1,351,920	1,347,765	3,993,583	4,200,025
Infrastructure	11,747,431	9,546,686	-	-	11,747,431	9,546,686
Leasehold Assets	1,774,582	1,770,662	2,496,393	2,496,393	4,270,975	4,267,055
Accumulated Depreciation	(36,002,157)	(35,730,998)	(12,442,731)	(11,539,114)	(48,444,888)	(47,541,206)
Total Capital Assets, Net of Accumulated Depreciation	$ 25,943,398	$ 24,287,644	$ 12,481,680	$ 6,085,836	$ 38,425,078	$ 30,373,480

More detailed information about the County's capital assets can be found in Note 5 of the notes to the financial statements.

BOND RATING

During 2012, Standard & Poor's Ratings Services raised its underlying rating (SPUR) to 'A+' on Schuylkill County's general obligation debt.

LONG-TERM DEBT

As of December 31, 2012, Schuylkill County had $22,875,000 in general obligation debt outstanding. This was an increase of $12,500,000 from the previous year. The following is a summary of general obligation debt activity during 2012:

Summary of General Obligation Debt Activity

	Governmental Activities	Business-Type Activities	Total
Beginning Balance at January 1, 2012	$ 9,378,842	$ 996,158	$ 10,375,000
Addition:			
Debt Issuance	6,190,000	14,985,000	21,175,000
Less:			
Principal Payments	8,453,947	221,053	8,675,000
Ending Balance at December 31, 2012	$ 7,114,895	$ 15,760,105	$ 22,875,000

This debt is backed by the full faith and credit of the government. Schuylkill County does not have any special assessment debt or revenue bonds.

More detailed information about the County's long-term debt can be found in Note 10 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

ECONOMIC FACTORS

- The County's total real estate assessed valuation increased from $2,472,802,645 in 2011 to $2,489,912,920 in 2012. The real estate tax levy increased from $29,624,176 in 2011 to $29,829,157 in 2012.
- The seasonally adjusted unemployment rate in Schuylkill County was 9.7% as of December 31, 2012. This was higher than the State unemployment rate of 7.9% and the National unemployment rate of 7.8%.

NEXT YEAR'S BUDGET AND RATES

For Fiscal Year 2013, the County's total real estate millage will remain the same at 11.98 mills. The General Fund millage will remain the same at 11.42 mills and the Funded Debt millage will remain the same at .56 mills. The 2013 General Fund appropriation was approved at $47,935,397 on December 19, 2012. This was a decrease of $53,667 from the 2012 general fund budget.

REQUEST FOR INFORMATION

The separately issued financial statements on the discrete component unit - Schuylkill County Transportation Authority, may be obtained by directly contacting their office.

This financial report is designed to provide a general overview of Schuylkill County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to County Administration, 401 North Second Street, Pottsville, PA 17901.

COUNTY OF SCHUYLKILL
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and Cash Equivalents	$ 28,355,635	$ 2,703,485	$ 31,059,120	$ 1,508,871
Receivables:				
Taxes (Net)	4,850,841	-	4,850,841	-
Accounts	301,505	1,558,232	1,859,737	87,086
Due From Other Governments	3,336,637	-	3,336,637	213,490
Bond Issuance Costs	529,206	-	529,206	-
Deferred Loss on Refunding	47,928	-	47,928	-
Restricted Cash	17,663,236	141,185	17,804,421	1,289,922
Other Assets	23,199	-	23,199	180,220
Internal Balances	(6,980,290)	6,980,290	-	-
Capital Assets, Not Being Depreciated	4,131,618	7,257,692	11,389,310	-
Capital Assets (Net)	21,811,780	5,223,988	27,035,768	-
Total Assets	$ 74,071,295	$ 23,864,872	$ 97,936,167	3,279,589
Liabilities				
Accounts Payable	$ 3,952,383	$ 793,476	$ 4,745,859	$ 219,220
Accrued Liabilities	1,304,925	267,509	1,572,434	60,316
Unearned Revenues	2,088,003	-	2,088,003	1,277,844
Interest Payable	302,198	7,677	309,875	-
Funds Held in Escrow	2,553,947	130,675	2,684,622	-
Long Term Liabilities				
Due within one year				
Capital Lease Obligation	126,514	153,186	279,700	-
General Obligation Debt	263,070	636,907	899,977	-
Due after one year				
General Obligation Debt	6,851,825	15,123,198	21,975,023	-
Bond Premium	24,764	-	24,764	-
Post Employment Liability	19,878,112	4,910,864	24,788,976	-
Self Insurance Liability	1,451,948	-	1,451,948	-
Capital Lease Obligation	1,291,760	888,065	2,179,825	-
Compensated Absences	3,556,400	356,934	3,913,334	-
Total Liabilities	$ 43,645,849	$ 23,268,491	$ 66,914,340	$ 1,557,380
Net Position				
Net Investment in Capital Assets	$ 18,755,812	$ (4,319,676)	$ 14,436,136	$ -
Restricted for:			-	
Program Purposes	7,879,101	-	7,879,101	1,946,897
Capital Projects	2,843,622	-	2,843,622	-
Debt Service	4,190,134	-	4,190,134	-
Unrestricted	(3,243,223)	4,916,057	1,672,834	(224,688)
Total Net Position	$ 30,425,446	$ 596,381	$ 31,021,827	$ 1,722,209

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government:								
Government activities:								
General Government - Administrative	$ 23,258,333	$ 3,195,632	$ 1,091,057	$ -	$ (18,971,644)	$ -	$ (18,971,644)	
General Government - Judicial	12,192,560	2,081,495	2,878,190	-	(7,232,875)	-	(7,232,875)	
Public Safety	6,208,655	444,731	1,263,239	-	(4,500,685)	-	(4,500,685)	
Public Works	639,310	1,787,005	898,655	-	2,046,350	-	2,046,350	
Human Services	42,551,972	1,096,200	37,690,862	-	(3,764,910)	-	(3,764,910)	
Culture and Recreation	1,074,226	-	801,163	-	(273,063)	-	(273,063)	
Conservation and Development	1,505,772	291,576	-	-	(1,214,196)	-	(1,214,196)	
Economic Development	586,537	306,554	318,466	-	38,483	-	38,483	
Interest on Long Term Debt	1,160,493	-	-	-	(1,160,493)	-	(1,160,493)	
Total governmental activities	89,177,858	9,203,193	44,941,632	-	(35,033,033)	-	(35,033,033)	
Total Primary government	$ 89,177,858	$ 9,203,193	$ 44,941,632	$ -	$ (35,033,033)	$ -	$ (35,033,033)	
Business Type Activities:								
911 Operations	4,064,538	885,527	1,938,690	-	-	(1,240,321)	(1,240,321)	
Nursing Home	11,687,696	9,372,183	-	-	-	(2,315,513)	(2,315,513)	
Total Business-Type	15,752,234	10,257,710	1,938,690	-	-	(3,555,834)	(3,555,834)	
Total Primary Government	$ 104,930,092	$ 19,460,903	$ 46,880,322	$ -	$ (35,033,033)	$ (3,555,834)	$ (38,588,867)	
Component Units:								
Human Services	3,940,982	-	3,979,164	-				38,182
Total Component Units	$ 3,940,982	$ -	$ 3,979,164	$ -				$ 38,182
General revenues:								
Tax Revenue					30,245,543	-	30,245,543	-
Interest and Rents					121,471	12,286	133,757	-
Transfers					(1,489,474)	1,489,474	-	-
Other					5,927,108	928,994	6,856,102	-
Total general revenues					34,804,648	2,430,754	37,235,402	-
Change in net position					(228,385)	(1,125,080)	(1,353,465)	38,182
Net position- beginning of year, as restated (Note 20)					30,653,831	1,721,461	32,375,292	1,684,027
Net position - end of year					$ 30,425,446	$ 596,381	$ 31,021,827	$ 1,722,209

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Children and Youth Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 12,694,907	$ 2,567,753	$ -	$ 13,085,222	$ 28,347,882
Receivables:					
Taxes	4,624,075	-	-	226,766	4,850,841
Accounts	301,505	-	-	-	301,505
Due From Other Governments	258,280	1,301,190	-	1,777,167	3,336,637
Due From Other Funds	2,624,859	-	-	94,864	2,719,723
Other Assets	-	-	-	23,199	23,199
Restricted Assets					
Cash	2,553,947	-	11,149,086	2,967,952	16,670,985
Total Assets	$ 23,057,573	$ 3,868,943	$ 11,149,086	$ 18,175,170	$ 56,250,772
Liabilities and Fund Balances					
Accounts Payable	$ 762,158	$ 1,232,878	$ -	$ 1,907,976	$ 3,903,012
Accrued Liabilities	933,804	167,131	-	203,990	1,304,925
Funds Held in Escrow	2,553,947	-	-	-	2,553,947
Deferred Revenues	3,454,566	-	-	3,484,278	6,938,844
Due To Other Funds	-	2,468,934	7,873,235	891,151	11,233,320
Total Liabilities	7,704,475	3,868,943	7,873,235	6,487,395	25,934,048
Fund Balances					
Restricted for:					
Program Purposes	-	-	-	7,879,101	7,879,101
Capital Projects	-	-	3,275,851	2,843,622	6,119,473
Debt Service	-	-	-	914,283	914,283
Assigned:					
General Fund	2,299,705	-	-	-	2,299,705
Unassigned:					-
Conservation District	-	-	-	50,769	50,769
General Fund	13,053,393	-	-	-	13,053,393
Total Fund Balances	15,353,098	-	3,275,851	11,687,775	30,316,724
Total Liabilities and Fund Balances	$ 23,057,573	$ 3,868,943	$ 11,149,086	$ 18,175,170	$ 56,250,772

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balances for governmental funds		$ 30,316,724
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	715,506	
Construction in Progress	1,127,471	
Agricultural Easements	2,114,641	
Works of Art	174,000	
Land Improvements, net of $1,006,280 accumulated depreciation	1,805,775	
Buildings and improvements, net of $15,295,687 accumulated depreciation	7,201,664	
Machinery and Equipment, net of $5,823,279 accumulated depreciation	1,183,234	
Infrastructure, net of $3,740,553 accumulated depreciation	8,006,878	
Computer equipment, net of $2,113,033 accumulated depreciation	528,630	
Leasehold Assets, net of $463,309 accumulated depreciation	1,311,273	
Vehicles, net of $7,560,016 accumulated depreciation	1,774,326	
Total capital assets		25,943,398
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.		4,850,841
Net position of the Internal Service Fund are included in the governmental activities since they primarily benefit the County's governmental activities		1,031,992
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at December 31, 2012 are:		
General Obligation Debt	(7,114,895)	
Bond Issuance Costs	529,206	
Bond Premium	(24,764)	
Deferred Loss on Refunding	47,928	
Interest Payable	(302,198)	
Capital Lease	(1,418,274)	
Postemployment Liability	(19,878,112)	
Compensated absences	(3,556,400)	
		(31,717,509)
Total net position of governmental activities		$ 30,425,446

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Children and Youth Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 28,635,546	$ -	$ -	$ 1,399,461	$ 30,035,007
Intergovernmental	2,837,374	14,773,066	-	27,331,192	44,941,632
Charges for Service	7,157,423	621,845	-	1,344,246	9,123,514
Interest and Rents	80,311	592	-	40,568	121,471
Miscellaneous Revenue	5,432,643	-	-	494,465	5,927,108
Total Revenues	44,143,297	15,395,503	-	30,609,932	90,148,732
Expenditures					
Current:					
General Government	22,649,503	-	-	-	22,649,503
Judicial and Corrections	9,489,910	-	-	2,096,513	11,586,423
Public Safety	4,771,249	-	-	1,098,998	5,870,247
Public Works	518,497	-	-	395,576	914,073
Human Services	230,469	17,390,955	-	23,051,484	40,672,908
Culture and Recreation	-	-	-	870,839	870,839
Conservation and Community Development	1,320,383	-	-	562,064	1,882,447
Capital Outlay	-	16,410	-	1,557,354	1,573,764
Debt Service					
Principal	-	-	-	2,215,000	2,215,000
Interest	-	-	512,806	449,130	961,936
Total Expenditures	38,980,011	17,407,365	512,806	32,296,958	89,197,140
Excess of Revenues Over (Under) Expenditures	5,163,286	(2,011,862)	(512,806)	(1,687,026)	951,592
Other Financing Sources (Uses):					
Bonds Proceeds	-	-	6,190,000	-	6,190,000
Payment to Refunding Agent	-		(6,901,343)		(6,901,343)
Operating Transfers In	-	2,011,862	4,500,000	1,279,831	7,791,693
Operating Transfers (Out)	(4,077,983)	-	-	(5,203,184)	(9,281,167)
Total Other Financing Sources (Uses)	(4,077,983)	2,011,862	3,788,657	(3,923,353)	(2,200,817)
Net Change in Fund Balances	1,085,303	-	3,275,851	(5,610,379)	(1,249,225)
Fund Balances - Beginning of Year, as restated (Note 20)	14,267,795	-	-	17,298,154	31,565,949
Fund Balances - End of Year	$ 15,353,098	$ -	$ 3,275,851	$ 11,687,775	$ 30,316,724

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds		$ (1,249,225)
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay for the current year exceeded depreciation expense in the current period.		1,655,754
Net income(loss) of the Internal Service Fund is reported in the governmental activities since it primarily benefits the County's governmental funds.		79,679
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Retirements and Additions of Long Term Debt		2,263,947
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following balances.		
Compensated absences	(5,009)	
Amortization of Bond Issuance Costs	421,610	
Bond Premium	165,726	
Deferred Loss	(72,118)	
Postemployment Liability	(3,652,915)	
Capital Lease	118,012	
Interest Payable	(164,382)	
		(3,189,076)
Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/11 to 12/31/12.		210,536
Change in net position of governmental activities		$ (228,385)

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities
	911 Fund	Rest Haven Fund	Total	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,606,786	$ 96,699	$ 2,703,485	$ 7,753
Accounts Receivable	95,162	1,463,070	1,558,232	-
Due From Other Funds	7,840,902	-	7,840,902	1,533,307
Restricted Cash and Cash Equivalents	-	141,185	141,185	992,251
Total current assets	10,542,850	1,700,954	12,243,804	2,533,311
Capital Assets, Not Being Depreciated	7,111,765	145,927	7,257,692	-
Capital Assets, Being Depreciated, (Net)	2,741,080	2,482,908	5,223,988	-
Total noncurrent assets	9,852,845	2,628,835	12,481,680	-
Total assets	20,395,695	4,329,789	24,725,484	2,533,311
LIABILITIES				
Current liabilities:				
Accounts Payable	64,114	729,362	793,476	49,371
Accrued Liabilities	58,690	208,819	267,509	-
Accrued Interest Payable	7,677	-	7,677	-
Funds Held in Escrow	-	130,675	130,675	-
Due to Other Funds	-	860,612	860,612	-
Self Insurance Liability	-	-	-	1,451,948
Current Portion of Capital Lease	139,319	13,867	153,186	-
Current Portion of Long Term Debt	636,907	-	636,907	-
Total current liabilities	906,707	1,943,335	2,850,042	1,501,319
Noncurrent liabilities:				
Accrued Compensated Absences	235,902	121,032	356,934	-
Postemployment Liability	690,245	4,220,619	4,910,864	-
Noncurrent Portion of Capital Lease	697,420	190,645	888,065	-
Noncurrent Portion of Long Term Debt	15,123,198	-	15,123,198	-
Total noncurrent liabilities	16,746,765	4,532,296	21,279,061	-
Total liabilities	17,653,472	6,475,631	24,129,103	1,501,319
NET POSITION				
Net Investment in Capital Assets	(6,743,999)	2,424,323	(4,319,676)	-
Restricted for Self-Insurance	-	-	-	1,031,992
Unrestricted	9,486,222	(4,570,165)	4,916,057	-
Total Net Position	$ 2,742,223	$ (2,145,842)	$ 596,381	$ 1,031,992

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities
	911 Fund	Rest Haven Fund	Total	Internal Service Fund
Operating Revenues				
Charges for Services	$ 885,527	$ 9,372,183	$ 10,257,710	$ 529,374
Other Revenue	-	928,994	928,994	48,412
Total Operating Revenues	885,527	10,301,177	11,186,704	577,786
Operating Expenses				
Personnel Services	2,006,009	7,184,292	9,190,301	518,528
Contracted Services	1,431,342	2,936,613	4,367,955	-
Supplies and Materials	16,833	708,715	725,548	-
Utilities	58,615	211,725	270,340	-
Repairs and Maintenance	-	68,252	68,252	-
Depreciation	524,042	369,246	893,288	-
Total Operating Expenses	4,036,841	11,478,843	15,515,684	518,528
Operating Income Loss	(3,151,314)	(1,177,666)	(4,328,980)	59,258
Nonoperating Revenues (Expenses)				
Interest Income	10,384	1,902	12,286	20,421
Bad Debt Expense	-	(208,853)	(208,853)	-
Intergovernmental Revenues	1,938,690	-	1,938,690	-
Interest Expense	(27,697)	-	(27,697)	-
Total Nonoperating Revenues (Expenses)	1,921,377	(206,951)	1,714,426	20,421
Income/(Loss) Before Transfers	(1,229,937)	(1,384,617)	(2,614,554)	79,679
Transfers In	1,147,516	341,958	1,489,474	-
Change in Net Position	(82,421)	(1,042,659)	(1,125,080)	79,679
Net Position - Beginning of Year	2,824,644	(1,103,183)	1,721,461	952,313
Net Position - End of Year	$ 2,742,223	$ (2,145,842)	$ 596,381	$ 1,031,992

The accompanying notes are an integral part of the financial statements.

County of Schuylkill
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

	Business Type - Activities - Enterprise Funds			Governmental Activities
	911 Fund	Rest Haven Fund	Total	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from Patient Services	$ -	$ 10,314,217	$ 10,314,217	$ -
Receipts from Emergency Communications Services	881,375	-	881,375	-
Charges for Services	-	-	-	577,786
Payments to Employees	(1,843,876)	(6,813,528)	(8,657,404)	-
Payments to Suppliers	(1,525,652)	(3,635,863)	(5,161,515)	(403,809)
Internal Activity - payments to other funds	(7,846,421)	124,274	(7,722,147)	(190,429)
Net Cash Used in Operating Activities	(10,334,574)	(10,900)	(10,345,474)	(16,452)
Cash Flows from Noncapital Financing Activities				
Transfer In	1,147,516	341,958	1,489,474	-
Grants	1,938,690	-	1,938,690	-
Bad Debt Expense	-	(208,853)	(208,853)	-
Net Cash Provided by Noncapital Financing Activities	3,086,206	133,105	3,219,311	-
Cash Flows from Capital and Related Financing Activities				
General Obligation Debt	14,763,947	-	14,763,947	-
Capital Lease Payments	(134,081)	(13,254)	(147,335)	-
Interest Payments	(27,697)	-	(27,697)	-
Capital Expenditures	(7,133,402)	(155,684)	(7,289,086)	-
Net Cash Provided by (used in) Capital and Related Financing Activities	7,468,767	(168,938)	7,299,829	-
Cash Flows from Investing Activities				
Interest	10,384	1,902	12,286	20,421
Net Cash Provided by Investing Activities	10,384	1,902	12,286	20,421
Net Increase (Decrease) in Cash and Cash Equivalents	230,783	(44,831)	185,952	3,969
Cash and Cash Equivalents, Beginning of Year	2,376,003	282,715	2,658,718	996,035
Cash and Cash Equivalents, End of Year	$ 2,606,786	$ 237,884	$ 2,844,670	$ 1,000,004
Displayed as:				
Cash and cash equivalents	$ 2,606,786	$ 96,699	$ 2,703,485	$ 7,753
Restricted cash	-	141,185	$ 141,185	992,251
	$ 2,606,786	$ 237,884	$ 2,844,670	1,000,004
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating Income (Loss)	$ (3,151,314)	$ (1,177,666)	$ (4,328,980)	$ 59,258
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Depreciation	524,042	369,246	893,288	-
Change in assets and liabilities				
Account Receivable	(4,152)	13,040	8,888	-
Due from other funds	(7,846,421)	-	(7,846,421)	(190,429)
Accounts Payable	(5,346)	292,137	286,791	5,651
Accrued Liabilities	5,717	7,815	13,532	109,068
Funds Held in Escrow	(13,247)	(10,510)	(23,757)	-
Postemployment Liability	157,238	777,365	934,603	-
Accrued Compensated Absences	4,895	(406,601)	(401,706)	-
Due to Other Funds	(5,986)	124,274	118,288	-
Net cash used in operating activities	$ (10,334,574)	$ (10,900)	$ (10,345,474)	$ (16,452)

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2012

	Employee Retirement Trust Fund	Agency Funds	Total
Assets			
Cash and Cash Equivalents	$ 22,050,666	$ 3,572,355	$ 25,623,021
Investments	84,811,081	-	84,811,081
Receivables	4,744	-	4,744
Total Assets	$ 106,866,491	$ 3,572,355	$ 110,438,846
Liabilities			
Accounts Payable	$ 211,550	-	$ 211,550
Funds Held in Fiduciary Capacity	-	$ 3,572,355	3,572,355
Total Liabilities	211,550	$ 3,572,355	3,783,905
Net Position			
Held In Trust for Pension Benefits	$ 106,654,941	$ -	$ 106,654,941
Total Liabilities and Net Assets	$ 106,866,491	$ 3,572,355	$ 110,438,846

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Employee Retirement Trust Fund
Additions:	
Contributions:	
Employer	$ 3,227,289
Employee	2,287,079
Total Contributions	5,514,368
Investment Income:	
Appreciation in Fair Value of Investments	9,718,544
Interest	1,076,249
Dividends	1,188,004
Total Investment Income	11,982,797
Less: Investment Expense	(400,605)
Net Investment Gain	11,582,192
Total Additions	17,096,560
Deductions	
Employee Benefits Paid	7,050,611
Administrative Expenses	5,521
Total Deductions	7,056,132
Net Increase	10,040,428
Net Assets - Beginning of Year	96,614,513
Net Assets - End of Year	$ 106,654,941

The accompanying notes are an integral part of the financial statements.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Schuylkill (the "County") is a fourth Class County that was formed on March 1, 1811. The County operates under the direction of an elected Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, culture and recreation, conservation and community development, public improvements, public safety, and human services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

A summary of the County's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Accounting Standards Board ("GASB") Statement No. 39 for purposes of determining the scope of its 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 of Schuylkill (the Primary Government) and its Component Units. The Component Units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely Presented Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Component Unit discussed below have been included in the financial reporting entity as a discretely presented Component Unit.

Schuylkill County Transit Authority ("SCTA"): SCTA was formed on May 26, 2011 by the County of Schuylkill under the laws of the Commonwealth of Pennsylvania, in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation services within Schuylkill County. The year end for the Schuylkill County Transit Authority is June 30th.

SCTA is funded by a combination of passenger fares, state shared ride grants, other operating revenues, and federal, state, and local capital grants. The complete financial statements can be obtained by contacting the management of the Schuylkill County Transit Authority.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) Reporting Entity (Continued)

Blended Component Unit

Some component units, despite being legally separate for the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and reported as part of the primary government.

The Schuylkill County Conservation District ("District), as described below, has substantially the same governing body as the primary government, is a component unit that is reported in this way in the financial statements.

Schuylkill County Conservation District ("District"): The District was formed by the Schuylkill County Commissioners, and operates under the direction of an appointed Board of Directors for the purpose of promoting conservation and sustainable use of natural resources through education, public awareness and cooperation with local, state, and federal agencies. To meet its goals, the District has entered into agreements with various state agencies. The District receives funding from the Commonwealth of Pennsylvania, Department of Environmental Protection and the State Conservation Commission to fund its various programs. The District also receives an appropriation from Schuylkill County. The year end for the Schuylkill County Conservation District is December 31st. Complete financial statements can be obtained by contacting the management of the Schuylkill County Conservation District.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Related Organizations

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these organizations does not extend beyond making appointments. The County does not designate management nor does it have the ability to significantly influence the operations of these entities. In addition, the County has no responsibility for fiscal matters for these entities (i.e., not responsible for deficits or entitled to surpluses, no guarantees of debt, etc.). These organizations include:

Schuylkill County Airport Authority
Schuylkill County Municipal Authority
Schuylkill County Solid Waste Authority
Schuylkill County Housing Authority
Schuylkill County Rail Transport Authority
Schuylkill County Visitors Bureau
Schuylkill County Redevelopment Authority
Schuylkill County Industrial Development Authority
Schuylkill County Council for the Arts
Schuylkill County Economic Opportunity Cabinet
Schuylkill County Veterans Advisory Board
Schuylkill County Communications Committee
Schuylkill County Vision
Schuylkill Keep It Pretty
Schuylkill Women in Crisis
Schuylkill Economic Development Corp.
Regional Development Corporation

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position, and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is affected 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 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 the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

D) 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 fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 collected 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 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, boards, commissions, the court system and health and welfare services.

- The Children and Youth Fund is used to account for specific revenue sources related to the provisions of Children and Youth services that are restricted to expenditures for those specified purposes.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

- The Capital Projects Fund is used to account for the financial resources used for acquisition of capital assets.

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

The County reports the following major proprietary funds:

- The 911 Emergency Telephone Fund is used to account for the operations of the County's Emergency Communications System that is financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

- The Rest Haven Fund is used to account for the operations of the County's Nursing Home that is financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the County reports the following fund types:

- Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments, on a cost reimbursement basis. The Worker's Compensation Internal Service fund accounts for the cost of benefits provided throughout the County.

- The Agency Funds consist of restricted revenues of the various row offices of the County. The row office funds are in essence escrow funds maintained by the row offices for bails posted, funds held for sheriff's sales, realty transfer taxes held and owed to other governmental entities, and other funds reserved for disposition of legal action.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

F) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables

- Interfund Receivables and Payables

  Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Investments

Investments for the County are reported at fair value. Investments that do not have an established market value are reported at estimated values.

4. Restricted Assets

Restricted Assets represent revenues set-aside for the liquidation of specific obligations, as detailed in Note 3.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

5. Deferred Charges

Deferred charges represent issuance costs and deferred losses associated with the issuance of bonds that are being amortized over the life of the bonds using the straight line method of accounting.

6. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government did not have an item that qualified for reporting in the category.

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

7. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. bridges), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets with initial, individual costs that equal or exceed $5,000 and have estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation (See also Note 5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

In order to preserve farmland and open space, the County purchases agricultural easements. An agricultural easement restricts the use of land from commercial development in perpetuity and encourages the continued agricultural use of land. An easement is thus considered an intangible asset of the County with an indefinite useful life and is recorded in the government-wide financial statements and accordingly not depreciated.

The County has an art collection that is not capitalized, because the collection meets the criteria for non-capitalization with GASB Statement No. 34. Specifically, the collection is held for reasons other than financial gain. The collection is protected, kept unencumbered, cared for and preserved, and is subject to an organizational policy requiring that the proceeds from sales of collection be used to acquire other items for collections.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

7. Capital Assets (Continued)

Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the County are depreciated using the straight line method over the following intended useful lives.

Asset	Years
Infrastructure	20-50
Buildings and Improvements	10-50
Land Improvements	10-15
Machinery and Equipment	8-20
Motor Vehicles	3-5
Computer Equipment	3-5
Leasehold Assets	10

8. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts. The County recorded an allowance for Rest Haven A/R of $365,767 as of December 31, 2012.

9. Compensated Absences

The County permits employees to accumulate a limited amount of earned, but unused vacation leave. These benefits are payable upon separation of services. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences.*

10. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

10. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Unearned and Deferred Revenues

Revenues that are received but not earned are deferred in the government-wide financial statements. In the County's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized. The County deems revenues received within 365 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

12. Interfund Transactions

Quasi and external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

13. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

13. Fund Balances (Continued)

- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Members of the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

- Assigned fund balance – This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Commissioners delegated this responsibility to the Financial Analyst.

- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

14. Net Position

The government-wide, proprietary fund and fiduciary fund financial statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

15. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

16. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and other services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations by third party-payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews, and investigations.

G) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that County Governments establish budgetary systems and adopt annual operating budgets. The County's annual budget includes the General Fund and certain Special Revenue Funds and is based on estimates of revenues and expenditures approved by the Commissioners. The County adopts the budget on the same basis of accounting as reported in the fund financial statements. The County of Schuylkill follows these procedures in establishing the budgetary data reflected in the financial statements:

County Budget Process

1. Prior to October 1st, the department heads submit to the County Commissioners proposed operating budgets for the fiscal year which commences on January 1st.

2. The Commissioners then interview all department heads to discuss their budgets as submitted and allow them to substantiate projected expenditures.

3. Subsequently, the County administrator's office assembles the preliminary projections of revenues and expenditures into a formal budget incorporating any revisions or adjustments resulting for the Commissioner's review.

4. Public meetings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.

5. After the 20-day inspection period, but prior to December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) Budgets and Budgetary Accounting (Continued)

6. Formal budgetary process is employed as a planning device. The adopted budget is on a basis consistent with GAAP. Budget amounts are as originally adopted, or as amended by the County Commissioners.

Level of Control

The County maintains budgeting control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Authority

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the County Commissioners.

H) Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 57 *"OPEB Measurements by Agent Multi-Employers Plans."* The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 62 "*Codification if Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of GASB 63 resulted in the renaming of the residual measure of all other elements presented in a statement of financial position as "net position", rather than "net asset".

The County adopted the requirements of GASB Statement No. 64 "*Derivative Instruments: Application of Hedge Accounting Termination Provision - an amendment of GASB Statement No. 53*". The adoption of this statement had no effect on previously reported amounts.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Pending Changes in Accounting Principles

In November, 2010, GASB issued Statement No. 61 "*The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*". The County is required to adopt statement No. 61 for its calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities".* The County is required to adopt statement No. 65 for its calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 66, *"Technical Corrections – 2012- An Amendment of GASB Statements No. 10 and No.62".* The County is required to adopt statement No. 66 for its calendar year 2013 financial statements.

In June 2012, the GASB issued Statement No. 67, *"Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25".* The County is required to adopt statement No. 67 for its calendar year 2014 financial statements.

In June 2012, the GASB issued Statement No. 68, *"Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27".* The County is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The County is required to adopt statement No. 69 for its calendar year 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". The County is required to adopt statement No. 70 for its calendar year 2014 financial statements.

The County has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

Component Units - Summary of Significant Accounting Policies

Schuylkill County Transportation Authority ("the System")

Basis of Accounting

The books and records of the Schuylkill County Transportation Authority D/B/A Schuylkill Transportation System are maintained on the accrual basis for reporting purposes. The format of the statements is prescribed by the Commonwealth on the basis of accounting practices prescribed or permitted under the terms of a project agreement with the Pennsylvania Department of Transportation. The System is a separate legal entity as established under the Municipal Authorities Act.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Schuylkill County Transportation Authority ("the System")

Inventories

Inventories consist of replacement parts ($96,519) and fuel ($40,199) stated at lower of cost (first-in, first-out) or market value.

Prepaid Expenses

This includes prepaid insurance consists of insurance premiums and other costs paid during the current period of future periods. They are amortized over the policy or coverage period.

NOTE 2: DEPOSIT AND INVESTMENT RISK

As of December 31, 2012, the County had the following debt investments and maturities within its Retirement Fund accounts:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	N/R
U.S. Government Treasuries	$3,828,689	$ -	$1,449,122	$1,652,097	$ 727,470	$ -
U.S. Government Agencies	5,678,874	109,845	-	25,521	5,543,508	-
Corporate Bonds	8,679,933	138,759	3,062,195	1,652,325	400,460	3,426,194
Total	$18,187,496	$248,604	$4,511,317	$3,329,943	$6,671,438	$3,426,194

All corporate bonds are investment quality. Some are fixed and some are floating rates over a wide variety of maturity dates.

Interest Rate Risk – Interest rate is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy is to invest funds to meet the projected cash flow requirements. Investments of the General Fund, Special Revenue Funds and Workmen's Compensation Fund are made in accordance with the Commonwealth of Pennsylvania County Code as long as such investments are made at financial institutions approved by the County. Investment financial institutions are approved by the Commissioners and are fully collateralized by securities with a fair value equal to or exceeding the cost of the investment. Investments must be made in accordance with the Commonwealth of Pennsylvania's Act 72 and the financial institution must be on the County Commissioner's approval list.

The County's Retirement Plan Investment Policy (Retirement Investment Policy) states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from Retirement Plan when due. Fixed income investment allocation is targeted to 32% of S&P 500; 8% Russell 2000, 10% MSCI, 30% Barclays Capital Aggregate, 5% Govt./Credit, 10% CPI, 5% T-Bills (with an allowable range of +/- 5%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Credit Risk – The County's investment policy limits operating and self-insurance investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The County's Retirement Investment Policy limits fixed income securities to a minimum of "BBB" or better at the time of purchase. At no time should the securities' rates be less than "A" exceed 20% of the portfolio. No issuer, other than the U.S. Government or other federal agencies, may represent more than 15% of the total market value of the fixed income portfolio.

As of December 31, 2012, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
U.S. Government Treasuries	Not Rated	100%
U.S. Government Agencies	Not Rated	100%
Corporate Bonds	AAA	6%
Corporate Bonds	AA+	2%
Corporate Bonds	AA	3%
Corporate Bonds	AA-	6%
Corporate Bonds	A+	13%
Corporate Bonds	A	13%
Corporate Bonds	A-	24%
Corporate Bonds	BBB+	12%
Corporate Bonds	BBB	14%
Corporate Bonds	BBB-	5%
Corporate Bonds	Not Rated	2%

Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

As of December 31, 2012, the County's cash balances for its governmental activities, business-type activities and agency fund were $52,435,896 and its bank balances were $55,823,987. Of these bank balances, $53,614,625 of the County's deposits were exposed to custodial credit risk, as they were collateralized with securities held by the pledging financial institution and uninsured. The entire cash and cash equivalent balance in the Retirement Fund was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name. The County does not have a written policy to limit it exposure to custodial credit risk.

Concentration of Credit Risk – The County's investment policy for pooled and self-insurance funds is to invest in U.S. Government or Federal agency securities for which there is no limit to the investment amount. The County's Retirement Investment Policy limits investments, other than those in U.S. Government or other federal agencies, to no more than 5% of the total market value of the fixed income portfolio.

More than 5% of the County's Retirement Fund investments are in the Federal Home Loan Bank, Federal National Mortgage Association and Government National Mortgage Association. These investments are 1%, 3% and 1%, respectively, of the Retirement Fund's total investments.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Units - Summary of Significant Accounting Policies

Schuylkill County Transportation Authority ("the System")

Concentrations of Credit Risk

The System serves the transportation needs of residents of Schuylkill County. As the System revenues are generated substantially from federal, state, and local grants credit risk is minimal.

The System maintains its cash deposits in one bank in Pottsville, Pennsylvania. At the June 30, 2012, the System's deposits in excess of insured amounts were $2,319,475. These funds are collateralized by a pledged pool of securities as permitted under PA Act 72.

NOTE 3: RESTRICTED ASSETS

Assets whose use is limited to a specific purpose has been classified as restricted in the governmental funds balance sheet and proprietary statement of net position. Restricted assets are composed of the following:

General Fund	
Funds held for various escrow liabilities	$2,553,947
Capital Projects Fund	
Cash Restricted for future capital projects	11,149,086
Other Governmental Funds	
Cash restricted for future capital projects and conservation district.	2,967,952
Subtotal Governmental Funds	16,670,985
Internal Service Fund	
Cash for claims incurred but not yet paid	992,251
Rest Haven Fund	
Cash held for patient accounts	141,185
Subtotal Proprietary Funds	1,133,436
Total Restricted Assets	$17,804,421

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 3: RESTRICTED ASSETS (CONTINUED)

Component Unit-Restricted Assets

Schuylkill County Transportation Authority ("the System")

Cash Restricted

The reported balance sheet amount is restricted for use specified under Act 26 and Act 3 regulations. These funds, which are required to be maintained in a separate bank account, are utilized for capital purposes and for asset maintenance as approved by the grantor.

NOTE 4: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. Real estate taxes levied for 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2012 and expected to be collected within the first sixty (60) days of 2013 are recognized as revenue in 2012. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2012 was 11.42 mills for general purposes and .56 mills for debt purposes.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

GOVERNMENTAL ACTIVITIES:	Beginning Balance	Increases	Decreases	Re-classes	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 701,717	$ 13,789	$ -	$ -	$ 715,506
Construction-in-Progress	2,469,061	911,531	-	(2,253,121)	1,127,471
Agricultural Easements	-	10,000	-	2,104,641	2,114,641
Works of Art Collections	174,000	-	-	-	174,000
Total Capital Assets, Not Being Depreciated	3,344,778	935,320	-	(148,480)	4,131,618
Capital Assets, Being Depreciated:					
Land Improvements	2,704,172	25,138	(17,255)	100,000	2,812,055
Buildings and Improvements	22,163,662	350,050	(16,361)	-	22,497,351
Machinery and Equipment	6,566,215	261,559	(98,994)	277,733	7,006,513
Motor Vehicles	9,236,660	1,595,964	(1,498,282)	-	9,334,342
Computer Equipment	2,852,260	207,327	(415,155)	(2,769)	2,641,663
Agricultural Easements	2,104,641	-	-	(2,104,641)	-
Infrastructure	9,546,686	335,265	-	1,865,480	11,747,431
Leasehold Assets	1,770,662	3,920	-	-	1,774,582
Total Capital Assets Being Depreciated	56,944,958	2,779,223	(2,046,047)	135,803	57,813,937
Less Accumulated Depreciation For:					
Land Improvements	(890,722)	(131,033)	15,475	-	(1,006,280)
Buildings and Improvements	(14,860,084)	(451,964)	16,361	-	(15,295,687)
Machinery and Equipment	(5,599,563)	(326,570)	94,890	7,964	(5,823,279)
Motor Vehicles	(8,439,288)	(613,102)	1,492,374	-	(7,560,016)
Computer Equipment	(2,313,791)	(210,435)	408,828	2,365	(2,113,033)
Infrastructure	(3,308,016)	(432,537)	-	-	(3,740,553)
Leasehold Assets	(319,534)	(143,775)	-	-	(463,309)
Total Accumulated Depreciation	(35,730,998)	(2,309,416)	2,027,928	10,329	(36,002,157)
Total Capital Assets, Being Depreciated, Net	21,213,960	469,807	(18,119)	146,132	21,811,780
Governmental Activities Capital Assets, Net	$ 24,558,738	$ 1,405,127	$(18,119)	$(2,348)	$25,943,398

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES:	Beginning Balance	Increases	Decreases	Re-classes	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 145,927	$ -	$ -	$ -	$ 145,927
Construction in Progress	-	7,111,765	-	-	7,111,765
Total Capital Assets, Not Being Depreciated	145,927	7,111,765	-	-	7,257,692
Capital Assets, Being Depreciated:					
Land Improvements	150,101	78,234	-	-	228,335
Buildings and Improvements	8,807,509	29,273	-	-	8,836,782
Machinery and Equipment	4,572,881	66,126	-	9,908	4,648,915
Motor Vehicles	104,374	-	-	-	104,374
Computer Equipment	1,347,765	1,386	-	2,769	1,351,920
Leasehold Assets	2,496,393	-	-	-	2,496,393
Total Capital Assets Being Depreciated	17,479,023	175,019	-	12,677	17,666,719
Less Accumulated Depreciation For:					
Land Improvements	(146,657)	(5,328)	-	-	(151,985)
Buildings and Improvements	(6,089,318)	(295,370)	-	-	(6,384,688)
Machinery and Equipment	(3,282,648)	(293,231)	-	(7,964)	(3,583,843)
Motor Vehicles	(104,374)	-	-	-	(104,374)
Computer Equipment	(1,081,363)	(57,999)	-	(2,365)	(1,141,727)
Leasehold Assets	(834,754)	(241,360)	-	-	(1,076,114)
Total Accumulated Depreciation	(11,539,114)	(893,288)	-	(10,329)	(12,442,731)
Total Capital Assets, Being Depreciated, Net	5,939,909	(718,269)	-	2,348	5,223,988
Business-Type Activities Capital Assets, Net	$6,085,836	$ 6,393,496	-	$ 2,348	$12,481,680

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:	
General Government-Admin.	$ 276,516
General Government-Judicial	201,000
Public Safety	193,499
Public Works	1,004,548
Human Services	305,454
Culture/Recreation	179,644
Conservation and Development	148,755
Total Depreciation Expense – Governmental Activities	$2,309,416
BUSINESS-TYPE ACTIVITIES:	
Rest Haven	$ 369,246
Emergency 911 System	524,042
Total Depreciation Expense – Business-Type Activities	$ 893,288

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND

Plan Description

The Employees' Retirement Trust Fund Plan ("Plan") is a contributory defined benefit single employer retirement plan covering substantially all full-time employees of the County and part-time employees exceeding 1,000 hours per year. The Plan is included in the financial statements of the County as a pension trust fund. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries pursuant to Act 96 of 1971 of the General Assembly of the Commonwealth of Pennsylvania as amended (the Act). Benefit and contribution provisions of the plan are established and can be amended as provided by the Act. Cost of living adjustments are provided at the discretion of the County Retirement Board. The financial statements of the Retirement Trust Fund are prepared on the accrual basis of accounting. Plan member and employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Employees who have reached the normal retirement age of 60, or age 55 with 20 years of County service, are entitled to annual retirement benefits equal to the member's annuity based on the actuarial equivalent of the accumulated payroll deductions, and a County annuity equal to the product of: (a) the "Final Average Salary" (three highest years), (b) the employee's applicable class rate, and (c) the membership service in the applicable class. The Plan permits early retirement on a voluntary basis before age 55 with 20 years of service and, on an involuntary basis, after eight years of service. Employees become 100% bested after eight years of service.

Death and disability benefits are also provided for in the Plan. If an active employee dies at age 60 or older, or after ten years of County service, death benefits are paid to the employee's beneficiary. Active employees who become totally disabled receive an annual pension equal to 25% of the "Final Average Salary" after five years of County service.

At December 31, 2012, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and Beneficiaries Receiving Benefits	514
Terminated Employees Entitled to Benefits but not yet Receiving Them	49
Active Plan Participants	697
	1,260

Employees are required to contribute a portion of their salaries (8% of earnings in 2012) to the Plan, and employees may elect to contribute up to 18% of their salary. 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 may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account. Administrative costs of the Plan may be financed through investment earnings.

The County does not issue a publicly available financial report for the Plan.

Investments

All investments of the pension trust fund are reported as fair value. Investments that do not have an established market value are reported at estimated fair value.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Funding Status and Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 84.3 percent funded. The actuarial accrued liability for benefits was $119.6 million, and the actuarial value of assets was $100.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $18.8 million. The actuarial value of assets as a percentage of the actuarial accrued liability was 84.3%. The covered payroll was $27.8 million, and the ratio of the UAAL to the covered payroll was 67.7%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was determined based on the most recent annual actuarial valuation dated December 31, 2012 which used the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information is intended to serve as a surrogate for the funded status and funding progress of the Plan. 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) projected salary increases of 4.50% per year, and (c) an inflation rate of 3.0%. The value of assets used to determine costs is determined by using the assets at cost value adjusted by the past five-year average of the market to cost ratio of assets.

Actuarial Valuation Date	Annual Required Contribution (ARC)	Interest on Net Pension Obligation	ARC Adjustment	Pension Cost	County Contribution	% of Pension Cost Contributed	Change in Net Pension Obligation	Net Pension Obligation (Asset)
12/31/2010	$ 3,148,444	$ (1,936)	$ 3,151	$ 3,149,659	$ 3,148,444	99.96%	$ 1,215	$ (24,600)
12/31/2011	3,180,461	(1,845)	2,968	3,181,584	3,180,461	99.96%	1,123	(23,477)
12/31/2012	3,227,289	(1,761)	2,861	3,228,389	3,227,289	99.97%	1,100	(22,377)

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Legally Required Reserves

At December 31, 2012, the County has a balance of $29,492,560 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2012. Since those accumulations represent the present value as of December 31, 2012 of future benefits, the reserve balance and liability are equal and this reserve is fully funded.

The County has a balance of $16,221,648 in the County Annuity Reserve Account as of December 31, 2012. This balance and the amounts expected to be credited in the future, plus investment earnings thereon, represent the reserves set aside for the payment of the County's share of the retirement allowances.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County annuity reserve account to the retired members' reserve account to provide for such County annuities actually entered upon. Thus, this reserve is always fully funded.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid. The balance in this account was $52,968,959 as of December 31, 2012.

Component Unit-Employee Retirement Trust Fund

Schuylkill County Transportation Authority ("the System")

Pension Costs

Effective May 25, 2011 the System adopted the provisions of the STS Money Purchase Pension Plan and the STS 457 (b) Plan. The plan shall be effective beginning on July 3, 2011. For the STS Money Purchase Pension Plan the System shall contribute 10.00% of eligible wages for the period July 3, 2011 thru December 31, 2011. Thereafter, the System's contribution shall be 5.00% of eligible wages. All employees will enter the STS Money Purchase Pension Plan on the January 1 or July 1 after they have attained age 21 and completed at least 1 year of service (1,000 Hours of Service during the 12 month period beginning on the employee's date of hire). All employees will enter the STS 457(b) Plan on the January 1 or July 1 after they have attained age 21 and completed 1 year of continuous service. All employees who participated in the The ReDCo Group 401(k) Retirement Savings Plan prior to April 1, 2011 will continue participating in both STS plans as of July 3, 2011.

Participants can contribute through salary deferrals on a pre-tax basis to the STS 457(b) Plan. The maximum salary deferrals are limited to the current limitations as defined under the Internal Revenue Code. The System expects to make a matching contribution to the 457(b) plan of $.25 for $1.00 on the first 4.00% of compensation deferred into the 457(b) Plan. 100.00% vesting in System contributions in both plans is accomplished after 6 years of service. Pension expense for the current year was $99,184.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 7: OPERATING LEASES

The County leases office space under several operating lease agreements which have expiration dates ranging from 2012 to 2017. Some of the agreements contain renewal provisions at the County's option. The following is a schedule of the future minimum rental payments to be made under the various leases as of December 31, 2012:

Years	Courts	Agencies	Other Departments	Total
2013	$ 170,485	$ 176,643	$ 482,309	$ 829,437
2014	171,089	178,371	496,203	845,663
2015	171,712	178,926	510,502	861,140
2016	172,352	179,508	525,579	877,439
2017	173,012	180,119	540,724	893,855
	$ 858,650	$ 893,567	$ 2,555,317	$4,307,534

Rent expense for 2012 was $767,550.

Component Unit-Leases

Schuylkill County Transportation Authority (the "System")

Leasing Arrangement

Effective June 1, 2011, the System entered into use agreement for its use of the Union Street Station (the Intermodal facility) with the City of Pottsville, Pennsylvania. The agreement is effective beginning on April 1, 2012 and is for a period of fifty (50) years. The annual use fee under this agreement is the sum of One Dollar ($1.00) per year payable on or before the anniversary date of the lease. In addition to the annual use fee, the System shall pay its share of the expense of the common areas of the facility invoiced quarterly.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: CAPITAL LEASE OBLIGATIONS

The County has entered into agreements to lease various vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of minimum lease payments as of the inception date.

The following is a schedule of future minimum lease payments under the capital lease agreements, together with the present value of the net minimum lease payments as of December 31, 2012:

Years Ending December 31	Governmental Activities	Rest Haven Fund	911 EMA Fund
2013	$ 204,741	$ 22,941	$ 169,538
2014	182,880	22,940	169,537
2015	179,164	22,940	169,538
2016	162,914	22,940	169,538
2017	148,756	22,940	169,538
2018-2022	741,820	114,702	84,769
2023-2024	222,546	34,409	-
Total Minimum Lease Payments	1,842,822	263,812	932,458
Less: Amount Representing Interest	424,547	59,300	95,669
Total Present Value of Net Minimum Lease Payments	1,418,275	204,512	836,789
Less: Amounts Due within One Year	126,514	13,867	139,319
	$ 1,291,760	$ 190,645	$ 697,470

The assets associated with the capital leases are shown as Leasehold Assets within the Capital Asset Note (See Note 5).

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: RISK MANAGEMENT

The County is exposed to various risks of loss. For all risks, with the exception of workers' compensation claims, the county has purchased commercial insurance. During 2012, the County did not have any significant reductions in any insurance coverage and for the past three years, settlements have not exceeded the insurance coverage.

For workers' compensation, the County retains the risk of the first $600,000 for each worker's compensation claim. For amounts of individual worker's compensation claims exceeding $600,000 up to a limit of $1,000,000, the County has transferred the risk of loss to commercial insurers. The County is liable for any individual claim amount exceeding $1,000,000. During 2012, the County did not have any significant reductions in the insurance coverage and for the past two years, settlements have not exceeded the insurance coverages.

The claims liability at December 31, 2012 is actuarially determined through historical and case by case basis, and includes estimated of incremental costs. The following is the changes in aggregate worker's compensation liabilities for the years ending December 31, 2011 and December 31, 2012.

December 31, 2010 Liability	Current Year Claims and Changes in Estimates	Claim Payments	December 31, 2011 Liability
$1,056,926	$378,446	($92,492)	$1,342,880

December 31, 2011 Liability	Current Year Claims and Changes in Estimates	Claim Payments	December 31, 2012 Liability
$1,342,880	$261,033	($151,965)	$1,451,948

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended December 31, 2012:

	Balance at 1/1/12	Additions	Reductions	Balance at 12/31/12	Due Within One Year
Governmental activities					
General obligation debt	$ 9,378,842	$ 6,190,000	$ (8,453,947)	$ 7,114,895	$ 263,070
Unamortized bond premium	190,490	-	(165,726)	24,764	-
Capital Lease Obligation	1,536,286	-	(118,012)	1,418,274	126,514
Compensated absences	3,551,391	5,009	-	3,556,400	-
Liability for self-insurance claims	1,342,881	109,067	-	1,451,948	-
Liability for other postemployment benefits	16,225,197	3,652,915	-	19,878,112	-
	$ 32,225,087	$ 9,956,991	$ (8,737,685)	$ 33,444,393	$ 389,584
Business-type activities					
General obligation debt	$ 996,158	$ 14,985,000	$ (221,053)	$ 15,760,105	$ 636,907
Capital leases	1,188,586	-	(147,335)	1,041,251	153,186
Compensated absences	758,640	-	(401,706)	356,934	-
Liability for other postemployment benefits	3,976,216	934,648	-	4,910,864	-
	$ 6,919,600	$ 15,919,648	$ (770,094)	$ 22,069,154	$ 790,093

Compensated absences, the liability for worker's compensation, self insurance, and the liability for other postemployment benefits are liquidated by the general fund, children and youth fund, and other nonmajor funds.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

Pertinent information regarding general obligation debt outstanding is presented below :

General Obligation Bonds -Governmental Activities:

Date of Issue	Amount of Issue	Purpose	Balance Outstanding at December 31, 2012
2008	$17,255,000	General Obligation Bonds, Series of 2008 issued to refund all of the General Obligation Bonds, Series of 2002 and 2000 and all of the General Obligation Note, Series of 2006. Interest rates vary between 3.00% to 5.00%.	$ 924,895
2012	$21,175,000	General Obligation Notes, Series A & B of 2012 issued for the purpose of advance refunding the 2008 Bonds, fund building acquisition and improvements, purchase equipment for County's 911 center and fund acquisition of FCC licenses ($6,190,000 – Governmental activities, $14,985,000 – Business type). The bonds bear an interest rate ranging between .75% and 3.88% (final maturity occurs in 2036).	$6,190,000
			$7,114,895

Annual debt service requirements to maturity for general obligation debt is as follows:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2013	$ 263,070	$ 158,221	$ 421,291
2014	213,379	207,971	421,350
2015	214,841	205,954	420,795
2016	344,872	203,415	548,287
2017	346,943	192,935	539,878
2018-2022	1,202,570	836,905	2,039,475
2023-2027	1,498,985	626,896	2,125,881
2028-2032	1,400,115	364,847	1,764,962
2033-2037	1,630,120	96,512	1,726,632
	$ 7,114,895	$ 2,893,656	$ 10,008,551

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

In 2008 the County issued $10,375,000 in General Obligation Bonds, Series of 2008 to refund general obligation debt of the County. As a result of the refunding the County recognized a premium and a deferred loss. The balance of the premium deferred loss at December 31, 2012 is $47,928 and $24,764, respectively.

In December 2012, the County issued General Obligation Bonds, Series A & B of 2012, in the amount of $21,175,000 ($6,190,000 for governmental activities and $14,985,000 for business type activities). The principal of these bonds is payable in installments from $435,000 in 2013 to $3,130,000 in 2036. The bonds bear interest rates ranging between .75% and 3.88%. The proceeds of the bonds were used to advance refund the 2008 Bonds, fund building acquisition and improvements, purchase equipment for County's 911 center and fund acquisition of FCC licenses and pay issuance costs of $515,218. As a result of the advance refunding $6,901,343 was transferred to an escrow agent to advance refund the 2008 bonds relating to governmental funds. The principal balance outstanding on the bonds at December 31, 2012 was $21,175,000 ($6,190,000 for governmental activities and $14,985,000 for business-type activities). The refunding resulted in a deferred loss of $32,322, an increase in debt service payments of $291,899 and an economic loss of $179,364.

General Obligation Bonds –Business-Type Activities:

Date of Issue	Amount of Issue	Purpose	Balance Outstanding at December 31, 2012
2008	$17,255,000	General Obligation Bonds, Series of 2008 issued to refund all of the General Obligation Bonds, Series of 2002 and 2000 and all of the General Obligation Note, Series of 2006. Interest rates vary between 3.00% to 5.00%.	$ 775,105
2012	$21,175,000	General Obligation Notes, Series A & B of 2012 issued for the purpose of advance refunding the 2008 Bonds, fund building acquisition and improvements, purchase equipment for County's 911 center and fund acquisition of FCC licenses ($6,190,000 – Governmental activities, $14,985,000 – Business type). The bonds bear an interest rate ranging between .75% and 3.88% (final maturity occurs in 2036).	$14,985,000
			$15,760,105

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for general obligation debt is as follows:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2013	$ 636,907	$ 327,403	$ 964,310
2014	516,602	464,127	980,729
2015	520,160	459,244	979,404
2016	400,128	453,097	853,225
2017	418,058	438,495	856,553
2018-2022	2,472,431	1,975,291	4,447,722
2023-2027	3,461,016	1,503,616	4,964,632
2028-2032	3,389,381	883,347	4,272,728
2033-2037	3,945,422	233,669	4,179,091
	$ 15,760,105	$ 6,738,289	$ 22,498,394

NOTE 11: GUARANTEED DEBT

In May 2009 the County guaranteed part of a loan to Boscov's Department Stores LLC, in the amount of $5,833,000. The County is part of the Pennsylvania Loan Consortium consisting of six counties. The County has not been called on to make payments.

NOTE 12: INTERFUND OPERATING TRANSFERS

Interfund transfers are as a result of the requirement for the General Fund to match a portion of the expenditures or expenses of other funds as follows:

	Transfers In	Transfers Out
General Fund	$ -	$4,077,983
Children and Youth	2,011,862	-
Capital Projects Fund	4,500,000	-
Other Governmental Funds	1,279,831	5,203,184
Total Governmental Fund Types	7,791,693	9,281,167
Enterprise Fund:		
Rest Haven	341,958	-
911 Emergency Telephone	1,147,516	-
Total Enterprise Fund	1,489,474	-
	$9,281,167	$9,281,167

Certain funds are required to fund a portion of all of the expenses of other funds to cover deficits in those funds. The County records operating transfers to account for these transactions.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances of each individual fund as of December 31, 2012, are as follows:

Governmental Fund Types	Due From Other Funds	Due to Other Funds
General Fund	$ 2,624,859	$ -
Children and Youth Fund	-	2,468,934
Capital Project Fund	-	7,873,235
Other Governmental Funds	94,864	891,151
Total Government Fund Types	2,719,723	11,233,320
Proprietary Fund Type		
Enterprise Fund		
Rest Haven	-	860,612
Internal Service	1,533,307	-
911 Emergency Telephone	7,840,902	-
Total Proprietary Fund Type	9,374,209	860,612
Total	$12,093,932	$12,093,932

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

NOTE 14: COMMITMENTS AND CONTINGENCIES

A) The County participates in a variety of federal and state assisted grant programs, which are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

B) The County is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial position.

NOTE 15: COMPENSATED ABSENCES

Employees of the County are entitled to certain compensated absences, consisting of vacation and sick leave. Compensated absences are accrued according to the County's various union contracts. All full-time employees are eligible to accrue vacation, beginning the first day of employment. Vacation and sick time are accrued based on the number of nonovertime hours paid and years of service. At year-end, employees may carry over between a maximum of 10 to unlimited unused vacation days and a maximum of 15 to 100 unused sick days, depending on the applicable union contract. At year-end, any unused vacation or sick days in excess of the maximum is not accrued.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 15: COMPENSATED ABSENCES (CONTINUED)

Applicable GASB pronouncements require accrual of compensated absences that meets certain specific conditions. The County has determined that such conditions apply to compensated absences pay of Governmental Funds and the Proprietary Funds. To the extent compensated absence liabilities for governmental funds are liquidated with available resources they are accounted for as fund liabilities in the fund financial statements; the remainder of the obligation is accounted for in the government-wide financial statements. Proprietary funds account for the entire amount of these liabilities in both the government-wide and fund financial statements.

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION

The restrictions of fund balance/net position included in the fund and government wide financial statements represent portions of fund balances/net position that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following restrictions are included in the fund and government wide financial statements.

Restricted

Capital Projects Fund	$ 3,275,851

This line item represents amounts restricted for future capital projects.

Nonmajor governmental Funds

Restricted

Debt Service Fund	$ 914,283

This line item represents amounts restricted for payment of debt service.

Capital Reserve Fund	$ 2,843,622

This line item represents amounts restricted for future capital projects.

Liquid Fuels Fund	$ 5,324,539

This line item represents amounts restricted for the Liquid Fuels Fund.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

Aging Fund	$ 85,686

This line item represents amounts that are restricted for the Aging Fund.

Drug and Alcohol Fund	$ 347,975

This line item represents amounts that are restricted for the Drug and Alcohol Fund.

MH/MR Fund	$ 393,648

This line item represents amounts that are restricted for the MH/MR Fund.

H.S. Complex Fund	$ 24,269

This line item represents amounts that are restricted for the H.S. Complex Fund.

Agency Advisory Fund	$ 11,997

This line item represents amounts that are restricted for the Agency Advisory Fund.

Offender Supervision Fund	$ 666,643

This line item represents amounts that are restricted for the Offender Supervision Fund.

Conduit Fund	$ 194,152

This line item represents amounts that are restricted for the Conduit Fund.

Economic Opportunity Fund	$ 96

This line item represents amounts that are restricted for the Economic Opportunity Fund.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

Conservation District	$ 81,428

This line item represents amounts that are restricted for the preservation of Schuylkill County's natural resources, land preservation, and debt service.

Marcellus Shale Fund	$ 125,808

This line item represents amounts that are restricted for the Marcellus Shale Fund.

Demolition Fund	$ 90,094

This line item represents amounts that are restricted for the Demolition Fund.

Affordable Housing Fund	$ 300,520

This line item represents amounts that are restricted for the Affordable Housing Fund.

Coal Lands Fund	$ 3

This line item represents amounts that are restricted for the Coal Lands Fund.

Library Fund	$ 277

This line item represents amounts that are restricted for the Library Fund.

DUI Fund	$ 63,695

This line item represents amounts that are restricted for the DUI Fund.

Other Special Fund	$ 168,271

This line item represents amounts that are restricted for the Other Special Fund.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Component Unit – Restricted Net Position

Schuylkill County Transportation Authority ("the System")

Fund Balance-Restricted

The System has the following fund balances restricted for purposes indicated.

Fixed Program:	$ 394,633
Restricted – State Act 44 Funding	13,594
Restricted – State Act 44 Funding – Local Match	
Shared Ride Program:	
Restricted – for Future Contingencies	16,411
State Act 3	112,776
State Act 26	603,974
Total Restricted Fund Balances	$ 1,141,388

NOTE 17: LEGAL COMPLIANCE

For the year ended December 31, 2012, the following fund had a deficit net position balance:

Enterprise Fund:

Rest Haven Fund $(2,145,842)

The above deficit resulted from additional expenses exceeding revenues that will be paid through contributions by the General Fund.

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN

Plan Description. The County sponsors a post-employment benefits plan that covers health insurance benefits for eligible retirees. The County provides health insurance coverage for its eligible retirees under the terms of agreements with the unions that represent them. Groups of retirees that are eligible for OPEB were affiliated with the following: AFSCME Local 1512, AFSCME Local 1721, ALF-CIO Local 1512, AFL-CIO Local 668, Court Related Union Unit 1, Court Related Union Unit 2, Teamsters Local Union 429, and Non-Union/Management. The Plan does not issue a publicly available financial report.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Eligibility requirements for each union contract are as follows:

Union Contract	Eligibility Requirements
Non-Union/Management	• Employees hired on or after November 24, 2004 will not be eligible for County-paid health insurance upon and during retirement • Employees hired prior to November 24, 2004, but on or after January 1, 1988 are eligible for their current coverage or comparable health insurance coverage upon retirement. Benefit does not include dependents and applies to full time employees in an active employment status at age 60 or avoce who have at least 12 years of service or age 55 with 20 years of service. Elected officials within the time frame are eligible for benefits after eight years of service • Employees hired prior to January 1, 1988 and retirees meeting this criterion are eligible for their current coverage or comparable health insurance coverage. Benefits apply to employees who are full time, in active status with at least 8 years of continuous service, and includes spouse and eligible dependents
AFSCME Local 1512	• Employees hired on or after July 1, 2005 will not be eligible for County-paid health insurance upon and during retirement • Employees, and dependents, who retired prior to January 1, 1986 • Employees, and their dependents, who were employed prior to January 1, 1986, have at least 8 years of service and retires pursuant to the County Pension Plan • Employees employed between January 1, 1986 and July 1, 2005, have 20 years of service with the Pension Plan, are between the age of 60 and 65

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

AFL-CIO Local 1512	• Employees hired on or after July 1, 2005 will not be eligible for County-paid health insurance upon and during retirement • Employees, and dependents, who retired prior to January 1, 1986 • Employees, and dependents, who were employed prior to January 1, 1986, have at least 8 years of service and retires pursuant to the County Pension Plan • Employees employed between January 1, 1986 and July 1, 2005, have 20 years of service with the Pension Plan, are between the age of 60 and 65
Teamsters Local Union 429	• Employees, and spouses, employed on or before December 31, 2007 and retires pursuant to the County Pension plan • Employees hired after December 31, 2007 shall not be entitled to any health care coverage at the expense of the Employer
Court Related Union Unit 2	• Employees hired on or after February 1, 2007 will not be eligible for County-paid health insurance upon and during retirement • Employees, and dependents, retired prior to January 1, 1988 • Employees, and dependents, employed prior to January 1, 1988, have at least 8 years of service and retired in accordance with the County Pension Plan • Employees employed on January 1, 1988, or after, have at least 12 years of service, and retires from active employment between the ages of 60 and 65 • As of January 1, 1994, bargaining unit members who were dismissed for just cause and employees hired after February 1, 2007 are ineligible

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

AFSCME Local 1721	• Employees hired on or after April 1, 2006 will not be eligible for County-paid health insurance upon and during retirement • Employees, and dependents, retired prior to January 1, 1990, have at least 8 years of service • Employees employed on January 1, 1990 or thereafter, have 12 years of service, and are between the ages of 60-65
Court Related Union Unit 1	• Employees hired on or after September 29,2006 will not be eligible for County-paid health insurance upon and during retirement • Employees, and dependents, retired prior to January 1, 1988, and have at least 8 years of service • Employees employed on January 1, 1988, or thereafter, have 12 years of service, and retire between the ages of 60 and 65 • Employees dismissed for just cause will be ineligible as of January 1, 1994
AFL-CIO Local 668	• Employees hired on or after January 1, 2005 will not be eligible for County-paid health insurance upon and during retirement • Employees, and dependents, retired prior to January 1, 1988, have at least 8 years of service • Employees employed on or after January 1, 1988, have 12 years of continuous service, and retire between the ages of 60 and 65 • Employees as of January 1, 2000, or thereafter, and have 20 years of service

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funding Policy. The contribution requirements of the County are established and may be amended through future union negotiations. The Plan does require contributions from some retirees. The retiree contributions are based on their related contributions while they were employed by the County. The County funds the Plan on a pay-as-you-go basis. During 2012, the County contributed $3,667,376 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Plan:

	Governmental Activities	Proprietary 911	Proprietary Rest Haven	Total
Annual required contribution (ARC)	$ 6,398,214	$ 203,517	$ 2,161,491	$ 8,763,222
Interest on Net OPEB obligation	649,008	21,584	137,730	808,322
ARC Adjustment	(993,582)	(33,044)	(210,855)	(1,237,481)
Annual OPEB Cost (Expense)	6,053,640	192,057	2,088,366	8,334,063
Contributions made	(2,400,725)	(41,422)	(1,311,001)	(3,753,148)
Increase in net OPEB obligation	3,652,915	150,635	777,365	4,580,915
Net OPEB obligation – beginning of year	16,225,197	539,610	3,443,254	20,208,061
Net OPEB obligation – end of year	$ 19,878,112	$ 690,245	$ 4,220,619	$24,788,976

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2011, and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	$ 8,334,064	45.03%	$ 24,788,972
12/31/2011	$ 8,499,029	41.17%	$ 20,208,056
12/31/2010	$ 8,582,848	40.46%	$ 15,207,756

Funded Status and Funding Progress. As of January 1, 2012 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $115,816,224 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $115,816,224. The covered payroll (annual payroll of active employees covered by the plan) was $17,888,720, and the ratio of the UAAL to the covered payroll was 647.43%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 5% after 2 years. Active plan members' salaries were not assumed in the valuation. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2012 was 30 years.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 19: SUBSEQUENT EVENT

Component Unit-Subsequent Event

Schuylkill County Transportation Authority

Loan Receivable Carl R. Bieber, Inc.

In September and October 2012, at the request of and with the authorization of the Pennsylvania Department of Transportation, the Authority loaned Carl R. Bieber, Inc., an intercity bus operator serving communities in Pennsylvania, $400,000 from State Fund Reserves to pay employees and vendors due to a delay in the execution of the intercity bus operating agreement and consequently a delay in state payments. The Department ensured that the Schuylkill County Transportation Authority will be reimbursed in full for the amounts loaned. Terms require the Company to make two payments per week in the amount of $10,000 each to the Authority beginning in November 2012. At the audit date the Company has repaid $250,000 leaving an outstanding loan balance of $150,000.

NOTE 20: RESTATEMENT OF FUND BALANCES/NET POSITION

	Governmental Funds	Governmental Activities
Fund Balance/Net Position January 1, 2012	$ 31,036,382	$ 30,124,264
To correct accounting errors relating to the Schuylkill County Conservation District	529,567	529,567
Restated Fund Balance Net Position, January 1, 2012	$ 31,565,949	$ 30,653,831

NOTE 21: TERMINATION OF CONTRACTED MANAGEMENT AGREEMENT-COMPONENT UNIT

Component Unit

Schuylkill County Transportation Authority

Schuylkill County Transportation Authority D/B/A Schuylkill Transportation System commenced actual operation to the public on January 13, 1982. The ReDCo Group administered the program for the County of Schuylkill under a county resolution dated December 8, 1981 for a management fee thru March 31, 2011 when that contract was terminated. The System and ReDCo entered into a contract for the period of April 1, 2011 thru June 30, 2011 to perform accounting, human resource, and other matters. Effective July 1, 2011, the System is operating independently of ReDCo and Schuylkill County.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF SCHUYLKILL
EMPLOYEE RETIREMENT PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 3,227,289	98%
2011	$ 3,180,461	100%
2010	$ 3,148,444	100%
2009	$ 2,217,034	100%
2008	$ 733,243	100%
2007	$ 1,217,811	100%

Note: The aggregate actuarial cost method is used to determine the annual required contribution (ARC) for the plan. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the plan.

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012
Actuarial cost method	Aggregate
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.50%
Includes inflation at:	3.00%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Asset (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2012	$ 100,785,118	$ 119,612,051	$ 18,826,933	84.3%	$ 27,796,464	67.7%
12/31/2011	$ 97,595,446	$ 115,921,028	$ 18,325,582	84.2%	$ 27,725,849	66.1%
12/31/2010	$ 92,959,297	$ 111,277,577	$ 18,318,280	83.5%	$ 27,323,547	67.0%
12/31/2009	$ 88,175,275	$ 106,027,742	$ 17,852,467	83.2%	$ 27,521,360	64.9%
12/31/2008	$ 90,642,099	$ 101,240,012	$ 10,597,913	89.5%	$ 26,268,179	40.3%
12/31/2007	$ 97,213,001	$ 95,781,127	$ (1,431,874)	101.5%	$ 26,094,042	-5.5%

COUNTY OF SCHUYLKILL
SCHEDULE OF FUNDING PROGRESS FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	$ -	$ 115,816,224	$ 115,816,224	0%	$ 17,888,720	647.43%
12/31/2011	$ -	$ 114,226,534	$ 114,226,534	0%	$ 18,557,400	615.53%
12/31/2010	$ -	$ 112,292,823	$ 112,292,823	0%	$ 20,005,381	561.31%

COUNTY OF SCHUYLKILL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Real Estate Taxes	$ 28,007,051	$ 28,007,051	$ 28,015,147	$ 8,096
Per Capita Taxes	385,195	298,195	396,779	98,584
Hotel Tax	210,857	210,857	223,620	12,763
Grants and Gifts	2,802,623	2,902,623	2,837,374	(65,249)
Interest and Rents	137,000	137,000	80,311	(56,689)
Charges for Service	7,957,135	7,961,729	7,157,423	(804,306)
Miscellaneous Revenue	5,043,839	5,058,552	5,432,643	374,091
Total Revenues	44,543,700	44,576,007	44,143,297	(432,710)
Expenditures				
General Government - Administrative				
Systems	-	30,000	30,000	-
Commissioners' Office	295,339	278,780	271,933	6,847
Solicitor	187,220	223,295	193,720	29,575
Administration	286,679	287,722	284,117	3,605
Maintenance	942,206	1,008,854	818,747	190,107
Voter Registration and Elections	631,909	631,909	450,551	181,358
Central Services	399,771	399,771	367,064	32,707
Tax Assessment	555,010	555,010	518,363	36,647
Treasurer's Office	746,436	758,307	733,723	24,584
Tax Claim	497,417	497,417	452,448	44,969
Controller's Office	369,146	369,146	330,129	39,017
Engineering and Real Estate	14,800	14,800	6,076	8,724
Planning and Zoning	254,438	254,968	253,697	1,271
Recorder of Deeds	438,088	438,088	407,624	30,464
MIS/Data Processing	607,447	607,447	540,630	66,817
Records Management	184,036	184,036	175,265	8,771
Personnel	215,585	251,750	242,818	8,932
Public Defender	695,000	695,000	649,254	45,746
Veterans Affairs	158,097	158,097	130,357	27,740
Tax Refunds	60,883	90,883	74,011	16,872
Insurances	929,935	929,935	736,899	193,036
County Contributions	1,048,483	969,367	941,046	28,321
Total General Government - Administrative	9,517,925	9,634,582	8,608,472	1,026,110
Public Safety				
Maintenance - Adults in Non-County Institutions	12,000	12,840	12,833	7
County Prison	4,730,519	4,730,819	4,490,488	240,331
Emergency Management	319,036	382,036	267,928	114,108
Total Public Safety	5,061,555	5,125,695	4,771,249	354,446
Public Works				
Engineering	721,728	721,728	518,497	203,231

COUNTY OF SCHUYLKILL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
General Government - Judicial				
Register of Wills	279,628	279,628	255,337	24,291
Sherriff	1,024,443	1,025,443	992,219	33,224
Coroner	367,617	368,804	294,796	74,008
Prothonotary	366,900	366,900	359,510	7,390
Clerk of Courts	522,294	522,294	477,156	45,138
District Attorney	1,366,377	1,373,306	1,294,975	78,331
Law Library	278,382	278,382	276,046	2,336
Courts	1,757,498	1,767,498	1,653,500	113,998
District Justices	1,176,499	1,176,499	1,122,352	54,147
Constables	15,000	15,000	14,243	757
Jury Commissioners	26,694	26,694	26,634	60
Adult Probation	1,878,482	1,878,482	1,736,047	142,435
Juvenile Probation	1,037,266	1,040,030	987,095	52,935
Total General Government - Judicial	10,097,080	10,118,960	9,489,910	629,050
Conservation and Development				
Coal Lands	77,422	77,422	35,921	41,501
Economic Development	63,904	63,904	51,117	12,787
Solid Waste Management	104,083	104,083	62,886	41,197
Recycling Program	378,466	394,566	384,054	10,512
Parks and Recreation	140,236	142,154	133,510	8,644
Agricultural Extension	287,722	287,722	251,259	36,463
Soil Conservation	430,863	430,863	401,636	29,227
Total Conservation and Development	1,482,696	1,500,714	1,320,383	180,331
Human Services				
Human Services	227,779	242,177	230,469	11,708
Fringe Benefits				
Fringe Benefits	16,287,787	16,322,787	14,041,031	2,281,756
Total Expenditures	43,396,550	43,666,643	38,980,011	4,686,632
Excess of Revenues Over (Under) Expenditures	1,147,150	909,364	5,163,286	4,253,922
Other Financing Sources (Uses):				
Operating Transfers In				
Liquid Fuels	23,800	23,800	-	(23,800)
Community Development Block Grant	60,000	60,000	-	(60,000)
Conduit Funds	55,000	55,000	-	(55,000)
Hazmat	45,000	45,000	-	(45,000)
Rest Haven	365,499	365,499	-	(365,499)
Other Agencies	8,200	8,100	-	(8,100)
Adult Probation	151,381	151,381	301,381	150,000
Juvenile Probation	84,683	194,603	109,920	(84,683)
County Prison	25,000	125,000	100,000	(25,000)
Total Operating Transfers In	818,563	1,028,383	511,301	(517,082)

COUNTY OF SCHUYLKILL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating Transfers Out				
Domestic Relations	(697,653)	(697,653)	(523,240)	174,413
Mental Health	(277,973)	(277,973)	(277,973)	-
Drug & Alcohol	(25,229)	(25,229)	(25,229)	-
Children and Youth	(2,011,862)	(2,011,862)	(2,011,862)	-
Rest Haven	-	(255,416)	(255,416)	-
Capital Reserve Fund	(179,249)	(179,249)	-	179,249
Schuylkill Transportation System	(227,580)	(227,580)	(227,580)	-
Human Services Complex	(30,792)	(30,792)	-	30,792
911	(1,142,176)	(1,142,176)	(1,142,176)	-
System	-	-	(125,808)	(125,808)
Total Operating Transfers Out	(4,592,514)	(4,847,930)	(4,589,284)	258,646
Total Other Financing Sources (Uses)	(3,773,951)	(3,819,547)	(4,077,983)	(258,436)
Net Change in Fund Balance	$ (2,626,801)	$ (2,910,183)	$ 1,085,303	$ 3,995,486

COUNTY OF SCHUYLKILL
CHILDREN AND YOUTH FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	$ 15,707,391	$ 15,707,391	$ 14,773,066	$ (934,325)
Charges for Service	736,720	736,720	621,845	(114,875)
Interest and Rents	1,550	1,550	592	(958)
Total Revenues	16,445,661	16,445,661	15,395,503	(1,050,158)
Expenditures				
Current:				
Human Services	16,427,411	17,927,411	17,390,955	536,456
Capital Outlay	18,250	18,250	16,410	1,840
Total Expenditures	16,445,661	17,945,661	17,407,365	538,296
Excess of Revenues Under Expenditures	-	(1,500,000)	(2,011,862)	(511,862)
Other Financing Sources :				
Operating Transfers In	-	-	2,011,862	2,011,862
Total Other Financing Sources	-	-	2,011,862	2,011,862
Net Change in Fund Balances	$ -	$ (1,500,000)	$ -	$ 1,500,000

OTHER SUPPLEMENTAL INFORMATION

COUNTY OF SCHUYLKILL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Debt Service Fund
Revenues	
Taxes	$ 1,399,461
Other Revenue	269,459
Total Revenues	1,668,920
Expenditures	
Debt Service	
Principal	2,215,000
Interest	449,130
Total Expenditures	2,664,130
Excess of Revenues Over (Under) Expenditures	(995,210)
Other Financing Sources (Uses):	
Operating Transfers (Out)	(4,500,000)
Total Other Financing Sources (Uses)	(4,500,000)
Net Change in Fund Balances	(5,495,210)
Fund Balances - Beginning of Year	6,409,493
Fund Balances - End of Year	$ 914,283