

COUNTY OF SCHUYLKILL
POTTSVILLE, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2002

COUNTY OF SCHUYLKILL
YEAR ENDED DECEMBER 31, 2002

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Schuylkill
Pottsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of COUNTY OF SCHUYLKILL as of and for the year ended December 31, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the COUNTY OF SCHUYLKILL. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Component Units, Child Development, Inc. and the North Central Highway Safety Network's financial statements which reflect total assets of \$733,633 and \$811,542, respectively, and total revenues of \$6,433,356 and \$2,811,420, respectively, that were included in the COUNTY OF SCHUYLKILL's financial statements as of and for the year ended December 31, 2002. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, Child Development, Inc., and North Central Highway Safety Network, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF SCHUYLKILL as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2002 the COUNTY OF SCHUYLKILL adopted the provisions of Governmental Accounting Standards Board's Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments", Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Note Disclosures."

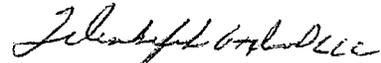
<i>Harrisburg</i>	<i>Lehigh Valley</i>	<i>Blue Bell</i>
4316 Derry Street Harrisburg, PA 17111 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 610.871.5078	650 Sentry Parkway, Suite One Blue Bell, PA 19422 610.941.2143 Fax 610.941.2123

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County Commissioners
County of Schuylkill
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, schedule of employer contributions, and budgetary comparison information on pages 3 through 14 and 55 through 61 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
April 18, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Schuylkill's comprehensive annual financial report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2002. 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, 2002.

FINANCIAL HIGHLIGHTS

- For fiscal year 2002, the County's real property tax rate was increased from 8.13 mills to 8.88 mills.
- The County's net assets decreased \$1,918,263 in 2002 or 7.7%.
- The County's net assets exceeded its liabilities by \$24,877,191. Of this amount, \$2,283,135 may be used to meet the government's ongoing obligations to citizens and creditors.
- At December 31, 2002, the County had \$28,275,000 of General Obligation Debt outstanding. This was a decrease of \$1,155,000 or 3.9% from the previous year.
- At December 31, 2002, the unreserved/undesignated fund balance of the general fund was \$5,403,038, which was a decrease of \$2,651,184 or 32.9% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: management's discussion and analysis, the basic financial statements (including notes to the financial statements), and required supplemental information. The basic financial statements include two types of financial statements (*Government-Wide Financial Statements and Fund Financial Statements*); they present a dual perspective on the financial activities of the County.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of a *Statement of Net Assets 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 Assets* presents information on all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as *Net Assets*. Net Assets 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 assets 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 legally separate entities which are financially accountable to the County (known as component units). These component units include Child Development Inc and the North Central Highway Safety Network. Financial information for these component units 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 15-16 of this report.

FUND FINANCIAL STATEMENTS

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, 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 *Governmental Activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *Governmental Activities* in the government-wide financial statements. By doing so, 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 provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

Schuylkill County maintains the following five major governmental funds: the General fund, Mental Health/Mental Retardation special revenue fund, Children and Youth special revenue fund, Office of Senior Services special revenue fund, and debt service fund. The County also maintains twenty non-major governmental funds that are combined into a single aggregated presentation.

The governmental fund financial statements can be found on pages 17 through 20 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 21 through 23 of this report.

Fiduciary Funds of the County consist of the employee's retirement trust fund and of certain agency funds. The County is the trustee, or fiduciary, for the employee's 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 assets. A statement of changes in

fiduciary net assets 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 24 through 25 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the first 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". Because this reporting model significantly changes both the recording and presentation of financial data, the County has not restated prior fiscal years for the purpose of providing comparative information for MD&A. In future years when prior year information is available, a comparative analysis of financial data will be included in this report.

NET ASSETS

Schuylkill County's net assets at December 31, 2002 are presented below:

County Net Assets as of December 31, 2002

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Other Assets	\$ 43,700,262.00	\$ 1,668,492.00	\$ 45,368,754.00
Capital Assets, net	<u>\$ 19,983,241.00</u>	<u>\$ 4,415,403.00</u>	<u>\$ 24,398,644.00</u>
Total Assets	\$ 63,683,503.00	\$ 6,083,895.00	\$ 69,767,398.00
Other Liabilities	\$ 9,797,785.00	\$ 719,813.00	\$ 10,517,598.00
Long-term Liabilities	<u>\$ 31,789,953.00</u>	<u>\$ 2,582,656.00</u>	<u>\$ 34,372,609.00</u>
Total Liabilities	\$ 41,587,738.00	\$ 3,302,469.00	\$ 44,890,207.00
Net Assets:			
Capital Assets, net of debt	\$ 13,643,241.00	\$ 2,715,403.00	\$ 16,358,644.00
Restricted	\$ 6,235,412.00		\$ 6,235,412.00
Unrestricted	<u>\$ 2,217,112.00</u>	<u>\$ 66,023.00</u>	<u>\$ 2,283,135.00</u>
Total Net Assets	\$ 22,095,765.00	\$ 2,781,426.00	\$ 24,877,191.00

Net assets of the County's governmental activities were \$22,095,765. Of this amount, \$13,643,241 represents the investment in capital assets, net of related debt, while \$6,235,412 was restricted for various purposes. The unrestricted net asset balance as of the end of the year was \$2,217,112.

Net assets of the County's business-type activities were \$2,781,426. Of this amount, \$2,715,403 represents investment in capital assets, net of related debt. The unrestricted net asset balance as of the end of the year was \$66,023.

The following table presents the County's changes in net assets for the fiscal year ended December 31, 2002:

County's Changes in Net Assets as of December 31, 2002

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 11,111,303.00	\$ 9,718,937.00
Operating Grants & Contributions	\$ 56,682,101.00	
General Revenues:		
Property Taxes	\$ 18,624,806.00	
Interest, Invest. Earnings & Royalties	\$ 645,032.00	\$ 11,556.00
Hotel Tax	\$ 101,645.00	
Per Capita Tax	\$ 425,240.00	
Loss on Disposal of Asset	\$ (50,101.00)	
Miscellaneous	\$ 1,703,976.00	\$ 404,911.00
Total Revenues	<u>\$ 89,244,002.00</u>	<u>\$ 10,135,404.00</u>
Expenses:		
General Government	\$ 9,317,539.00	
Judicial Government	\$ 13,971,637.00	
Public Safety	\$ 4,893,170.00	
Public Works	\$ 3,731,486.00	
Human Services	\$ 52,838,866.00	
Culture/Recreation	\$ 377,245.00	
Conservation/Development	\$ 4,037,926.00	
Interest on Long-Term Debt	\$ 835,799.00	
911 Fund		\$ 2,314,730.00
Nursing Home		\$ 8,979,271.00
Total Expenses	<u>\$ 90,003,668.00</u>	<u>\$ 11,294,001.00</u>
Change in Net Assets before Transfers	\$ (759,666.00)	\$ (1,158,597.00)
Transfers	<u>\$ (241,626.00)</u>	<u>\$ 241,626.00</u>
Change in Net Assets	\$ (1,001,292.00)	\$ (916,971.00)
Net Assets - Beginning	<u>\$ 23,097,057.00</u>	<u>\$ 3,698,397.00</u>
Net Assets - Ending	<u>\$ 22,095,765.00</u>	<u>\$ 2,781,426.00</u>

During 2002, net assets of the County's governmental activities decreased by \$1,001,292 or 4.3% to \$22,095,765. A majority of the decrease was the result of the Mental Health/Mental Retardation Agency incurring expenditures and exceeding their budget allocation from the Commonwealth of Pennsylvania.

During 2002, net assets of the County's business-type activities decreased by \$916,971 or 25% to \$2,781,426. A majority of the decrease was the result of the Rest Haven Nursing Home repaying money to the County's General Fund. In previous years, the County General Fund advanced money to the Rest Haven Nursing Home for the purpose of financing their operating deficits. During 2002, the Rest Haven Nursing Home was no longer operating in a deficit and they were able to repay some of the money that was previously advanced to them from the County's General Fund. In addition, there was also a \$114,125 reduction in long-term liabilities for the 911 Fund.

GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES

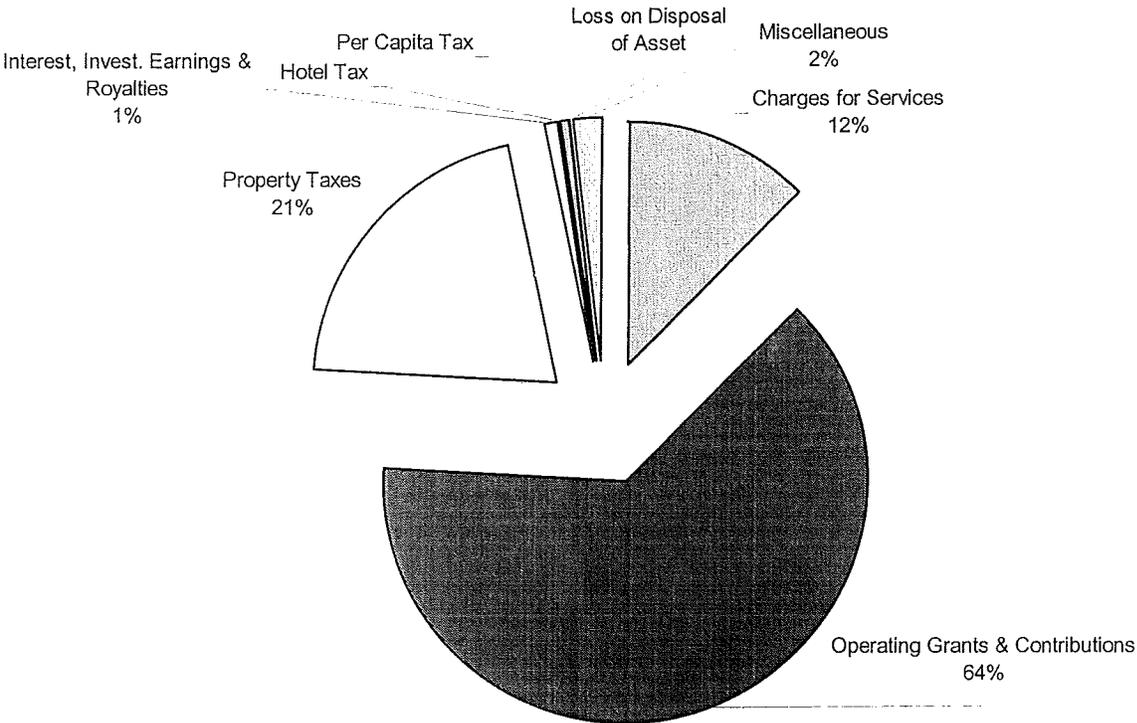
The following table presents the sources of revenues for the fiscal year ended December 31, 2002:

Sources of Revenues

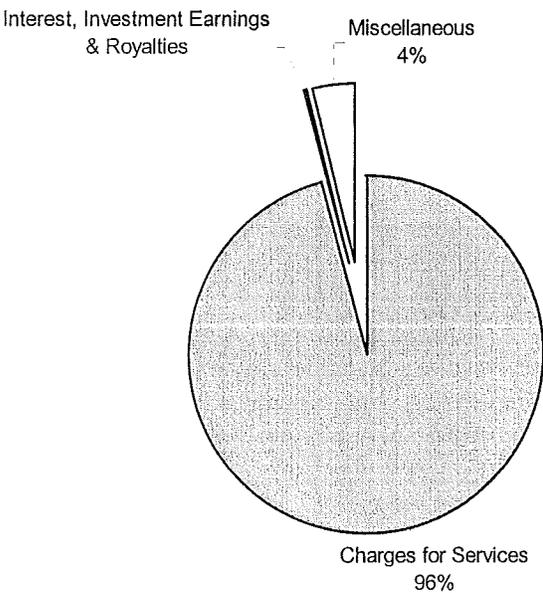
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
Revenues:				
Charges for Services	\$ 11,111,303.00	12.45%	\$ 9,718,937.00	95.89%
Operating Grants & Contributions	\$ 56,682,101.00	63.51%		0.00%
Property Taxes	\$ 18,624,806.00	20.87%		0.00%
Interest, Invest. Earnings & Royalties	\$ 645,032.00	0.72%	\$ 11,556.00	0.11%
Hotel Tax	\$ 101,645.00	0.11%		0.00%
Per Capita Tax	\$ 425,240.00	0.48%		0.00%
Loss on Disposal of Asset	\$ (50,101.00)	-0.06%		0.00%
Miscellaneous	\$ 1,703,976.00	1.92%	\$ 404,911.00	4.00%
Total Revenues	<u>\$ 89,244,002.00</u>	<u>100.00%</u>	<u>\$ 10,135,404.00</u>	<u>100.00%</u>

(See the accompanying pie charts on next page)

Sources of Revenue - Governmental Activities



Sources of Revenue - Business-Type Activities

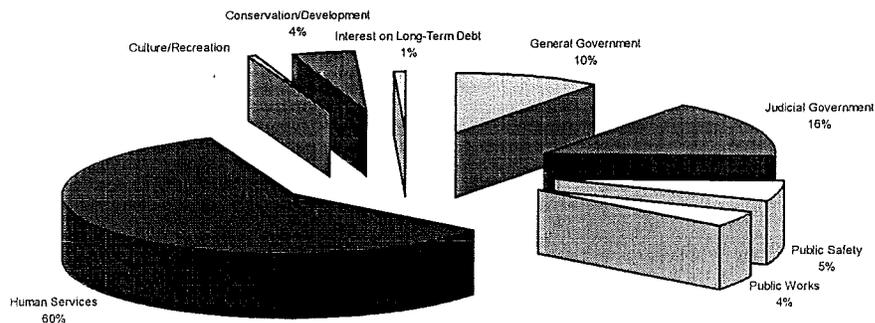


The following table presents the functional expenses for the fiscal year ended December 31, 2002:

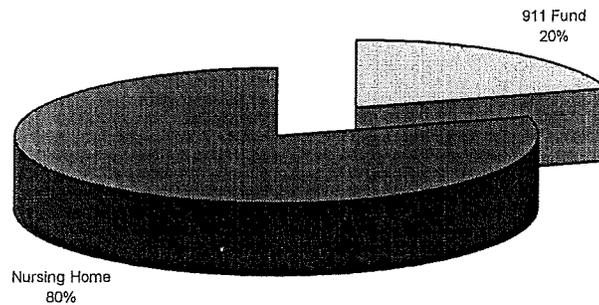
Functional Expenses

	Governmental Activities		Business-Type Activities	
Expenses:				
General Government	\$ 9,317,539.00	10.35%		
Judicial Government	\$ 13,971,637.00	15.52%		
Public Safety	\$ 4,893,170.00	5.44%		
Public Works	\$ 3,731,486.00	4.15%		
Human Services	\$ 52,838,866.00	58.71%		
Culture/Recreation	\$ 377,245.00	0.41%		
Conservation/Development	\$ 4,037,926.00	4.49%		
Interest on Long-Term Debt	\$ 835,799.00	0.93%		
911 Fund			\$ 2,314,730.00	20.50%
Nursing Home			\$ 8,979,271.00	79.50%
Total Expenses	<u>\$ 90,003,668.00</u>	<u>100.00%</u>	<u>\$ 11,294,001.00</u>	<u>100.00%</u>

Functional Expenses - Governmental Activities



Functional Expenses - Business-Type Activities



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, Mental Health/Mental Retardation special revenue fund, Children and Youth special revenue fund, Office of Senior Services special revenue fund, and Debt Service 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. In particular, unreserved/undesignated fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

At December 31, 2002, the General fund reported a fund balance of \$6,148,967 which was a \$2,774,770 or 31.1% decrease from the previous year's balance of \$8,923,737. This decrease was due to the following:

- The Board of Arbitration awarded the Schuylkill County Court Related Employees Union - Unit 1, a settlement in an amount of \$832,180.23 for retroactive pay increases.
- There was a settlement of the Walter H. and Leonore Annenberg v. Commonwealth of Pennsylvania lawsuit and various individuals received personal property tax refunds in the amount of \$680,553.55.

- The Mental Health/Mental Retardation Agency incurred expenditures that exceeded their budget allocation from the Commonwealth of Pennsylvania.

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

Unrestricted net assets of the Rest Haven Nursing Home at the end of the year amounted to \$160,035 and those for the 911 fund amounted to (\$94,012). Other factors concerning the finances of these two funds mirror those highlighted in the analysis of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original general fund budget and the final budget.

However, there were some differences between the general fund actual results and the final budget. There was a large negative variance for Actual Operating Transfers In to the general fund for \$1,246,554. This was the result of an accounting adjustment that was made to reclassify funds from Operating Transfers In to Charges for Services. There was also a large negative variance for Actual Operating Transfers Out of the general fund to the Mental Health/Mental Retardation Agency for \$1,082,999. This was to fund the additional cost that resulted from the Mental Health/Mental Retardation Agency incurring expenditures and exceeding their budget allocation from the Commonwealth of Pennsylvania.

CAPITAL ASSETS

Schuylkill County's investment in capital assets for its governmental and business-type activities as of December 31, 2002 was \$24,398,644 (net of accumulated depreciation). This was an increase of \$396,995 or 1.65% 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, agricultural easements, and infrastructure.

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

- With respect to governmental activities, construction in progress increased by \$497,690. This primarily was the result of incurring expenditures to restore the Sweet Arrow Lake Dam and to purchase of tax assessment software.
- With respect to business-type activities, the increase of \$256,625 was primarily the result of a CAD upgrade for the 911 operations.

The following is a summary of capital assets as of December 31, 2002:

Summary of Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Balance at December 31, 2002</u>
Land	\$ 694,817.00		\$ 694,817.00
Construction In Progress	\$ 497,690.00	\$ 256,625.00	\$ 754,315.00
Works of Art Collections	\$ 174,000.00		\$ 174,000.00
Land Improvements	\$ 592,968.00	\$ 152,140.00	\$ 745,108.00
Buildings and Improvements	\$ 21,282,830.00	\$ 6,791,678.00	\$ 28,074,508.00
Machinery and Equipment	\$ 4,492,439.00	\$ 2,893,487.00	\$ 7,385,926.00
Motor Vehicles	\$ 5,315,424.00	\$ 86,290.00	\$ 5,401,714.00
Computer Equipment	\$ 1,965,212.00	\$ 754,897.00	\$ 2,720,109.00
Agricultural Easements	\$ 100,000.00		\$ 100,000.00
Infrastructure	\$ 5,598,111.00		\$ 5,598,111.00
Accumulated Depreciation	<u>\$ (20,730,250.00)</u>	<u>\$ (6,519,714.00)</u>	<u>\$ (27,249,964.00)</u>
Total Capital Assets, Net of Accumulated Depreciation	\$ 19,983,241.00	\$ 4,415,403.00	\$ 24,398,644.00

More detailed information about the County's capital assets can be found in Note 6 of the notes to the financial statements.

LONG-TERM DEBT

As of December 31, 2002, Schuylkill County had \$28,275,000 in general obligation bonds outstanding. This was a decrease of \$1,155,000 or 3.9% from the previous year. The following is a summary of general obligation bond activity during 2002:

Summary of General Obligation Bond Activity

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance at January 1, 2002	\$ 27,663,875.00	\$ 1,766,125.00	\$ 29,430,000.00
Debt Issued	\$ 14,445,000.00		\$ 14,445,000.00
Less Principal Refunded	\$ (14,080,000.00)		\$ (14,080,000.00)
Less Principal Payments	<u>\$ (1,453,875.00)</u>	<u>\$ (66,125.00)</u>	<u>\$ (1,520,000.00)</u>
Ending Balance at December 31, 2002	\$ 26,575,000.00	\$ 1,700,000.00	\$ 28,275,000.00

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

During fiscal year 2000, Schuylkill County issued GO Bonds in the amount of \$10,000,000 for various purposes. As of December 31, 2002, there was a balance remaining of \$5,935,275. The County intends to spend the remaining funds on the following:

- Renovating certain County facilities
- Constructing a senior center at Mahanoy City
- Constructing an education center at the Joe Zerbe airport
- Purchasing agricultural easements
- Restoring the Sweet Arrow Lake Dam
- Improving the 911 CAD system
- Improving the CAMA system

For fiscal year 2003, the County's total real property tax rate will remain the same at 8.88 mills; however, there will be a change in the allocation between general fund millage and the funded debt millage. For fiscal year 2003, the general fund millage will increase from 8.00 mills to 8.32 mills while the funded debt millage will decrease from .88 mills to .56 mills. The County will also appropriate \$2,975,341 from the unreserved general fund balance for spending in the 2003 fiscal year budget. This appropriation will allow the County to avoid raising taxes and to adopt a balanced budget for the 2003 fiscal year.

REQUESTS FOR INFORMATION

The separately issued financial statements on the two discrete component units – Child Development Inc and the North Central Highway Safety Network may be obtained by directly contacting their respective offices.

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 the Office of the Controller, 401 North Second Street, Pottsville, PA 17901.

This entire report is available online at www.co.schuylkill.pa.us.

County of Schuylkill
Statement of Net Assets
December 31, 2002

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 18,079,541	\$ 482,100	\$ 18,561,641	\$ 481,348
Restricted Cash	2,493,430	102,059	2,595,489	-
Investments	6,817,376	-	6,817,376	-
Accounts Receivable	2,658,834	1,338,324	3,997,158	25,962
Interest Receivable	164,084	-	164,084	-
Taxes Receivable	2,818,089	-	2,818,089	-
Due From Other Governmental Units	169,758	-	169,758	768,949
Internal Balances	253,991	(253,991)	-	-
Notes Receivable	9,780,000	-	9,780,000	-
Other Assets	465,159	-	465,159	15,410
Capital Assets	19,983,241	4,415,403	24,398,644	253,506
Total Assets	63,683,503	6,083,895	69,767,398	1,545,175
Laibilities				
Accounts Payable	4,900,734	316,692	5,217,426	487,704
Accrued Expenses and Withholdings	1,083,564	283,121	1,366,685	17,462
Due to Other Governments	7,293	-	7,293	-
Deferred Revenue	2,348,466	-	2,348,466	74,288
Escrow Funds- Coal Lands	1,142,240	-	1,142,240	-
Excess of Taxes - Tax Claim Bureau	159,058	-	159,058	-
Interest Payable	156,430	-	156,430	-
Current Portions of Long Term Liabilities:				
Loans and Notes Payable	-	-	-	415,235
General Obligation Bonds Payable	-	120,000	120,000	-
Non-Current Potions of Long Term Liabilities:				
Payable From Restricted Assets	1,374,235	102,059	1,476,294	-
General Obligation Bonds Payable	26,069,910	1,580,000	27,649,910	-
Accrued Compensated Absences	4,014,273	900,597	4,914,870	-
Self Insurance Claims Payable	331,535	-	331,535	-
Total Liabilities	41,587,738	3,302,469	44,890,207	994,689
Net Assets				
Invested In Capital Assets, Net of Related Debt	13,643,241	2,715,403	16,358,644	253,506
Restricted:				
Library	1,088	-	1,088	-
Economic Development	6,116,485	-	6,116,485	-
Capital Projects	117,839	-	117,839	-
Unrestricted	2,217,112	66,023	2,283,135	296,980
Total Net Assets	\$ 22,095,765	\$ 2,781,426	\$ 24,877,191	\$ 550,486

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

COUNTY OF SCHUYLKILL
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2002

	Assets					Liabilities and Fund Balances	
	General	Mental Health/ Mental Retardation	Children and Youth	Office of Senior Services	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash on Hand	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Cash and Cash Equivalents	279,952	461,053	1,796,639	306,500	7,266,408	7,652,211	17,764,773
Restricted Cash	1,331,411	-	-	-	1,192,019	-	2,493,430
Investments	6,617,376	-	-	-	-	200,000	6,817,376
Accounts Receivable	330,545	-	-	-	-	-	330,545
Taxes Receivable	2,530,119	-	-	-	287,970	-	2,818,089
Due From Other Governments	-	1,010,941	1,317,348	168,510	-	1,248	2,498,047
Due from Other Funds	-	1,082,989	-	-	5,340	-	3,132,915
Notes Receivable	2,044,176	-	-	-	9,760,000	-	9,760,000
Total Assets	\$ 13,148,589	\$ 2,554,993	\$ 3,115,987	\$ 475,010	\$ 18,501,737	\$ 7,853,459	\$ 45,649,775
Liabilities							
Vouchers and Warrants Payable	601,117	2,468,299	945,273	403,369	211	412,214	4,630,513
Accrued Expenses and Withholdings	653,608	86,694	105,595	71,611	-	165,056	1,083,564
Deferred Revenue	1,966,385	-	-	-	227,578	2,346,466	4,562,409
Taxes Held in Escrow (Road and School)	188,171	-	-	-	-	-	188,171
Escrow Funds - Tax Claim Bureau	159,058	-	-	-	-	-	159,058
Escrow Funds - Coal Lands	1,142,240	-	-	-	-	-	1,142,240
Funds Held in Fiduciary Capacity	502,880	-	-	-	-	-	502,880
Property Taxes Payable	682,184	-	-	-	-	-	682,184
Due to Other Governments	-	-	-	-	-	7,293	7,293
Due to Other Funds	1,082,989	-	2,065,119	-	-	61,941	3,210,059
Loans Payable	-	-	-	-	-	-	-
Accrued Compensated Absence Liability	-	-	-	-	-	-	-
Total Liabilities	6,999,622	2,554,993	3,115,987	475,010	227,789	2,995,970	16,369,371
Fund Balances							
Fund Balances (Reserved)	-	-	-	-	-	-	-
Debt Service	-	-	-	-	12,157,463	-	12,157,463
Economic Development	-	-	-	-	6,116,485	-	6,116,485
Library	-	-	-	-	-	1,088	1,088
Construction	-	-	-	-	-	117,839	117,839
911	745,929	-	-	-	-	-	745,929
Unreserved	5,403,038	-	-	-	-	4,738,562	10,141,600
Total Fund Balances	6,148,967	-	-	-	18,273,948	4,857,489	29,280,404
Total Liabilities and Fund Balances	\$ 13,148,589	\$ 2,554,993	\$ 3,115,987	\$ 475,010	\$ 18,501,737	\$ 7,853,459	\$ 45,649,775

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 ASSETS
 DECEMBER 31, 2002

Total Fund Balances of Governmental Funds: \$ 29,280,404

Amounts reported for governmental activities in the Statement of Net Assets
 are different because:

Capital Assets including Infrastructure assets, used in governmental
 activities are not current financial resources and, therefore,
 are not reported in the funds. 19,983,241

An internal service fund is used by management to charge the costs and
 accrue the liability for worker's compensation claims for which the county
 is self-insured. The assets and liabilities of the internal service funds are
 included in governmental activities in the statement of net assets. 229,546

Interest Receivable on long term receivables is not accrued in the current
 period and accordingly not reported as a fund asset. 164,085

The funds record only the tax revenue received through a period of 60
 days subsequent to year-end. The statement of net assets includes
 a receivable for the County's anticipated collections on the levy. 2,213,943

The funds record bond issuance costs as a current period expenditure
 while those costs are capitalized on the statement of net assets and
 amortized over the life of the bonds. 465,159

Long-term liabilities are not due and payable in the current period and
 accordingly 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. Long-term liabilities at year-
 end consist of:

General Obligation Bonds Payable	(26,575,000)
Deferred Refunding Loss	505,090
Accrued Interest Payable	(156,430)
Accrued Compensated Absences	(4,014,273)
	<u>(26,239,513)</u>

Total Net Assets of Governmental Activities \$ 22,095,765

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
YEAR ENDED DECEMBER 31, 2002

	General	Mental Health/ Mental Retardation	Children and Youth	Office of Senior Services	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Real Estate Taxes	\$ 16,625,799	\$ -	\$ -	\$ -	\$ 1,841,723	\$ 69	\$ 18,467,591
Per Capita Taxes	425,240	-	-	-	-	-	425,240
Hotel Tax	101,645	-	-	-	-	-	101,645
Interest and Royalties	284,551	30,431	12,428	6,094	191,406	129,218	654,128
Grants and Gifts	2,070,189	19,817,485	10,043,522	6,397,625	-	18,353,280	56,682,101
Charges for Services	7,255,033	683,166	924,861	539,536	-	1,708,706	11,111,302
Other Revenue	105,945	-	-	-	1,251,432	403,665	1,761,042
Total Revenues	26,868,402	20,531,082	10,980,811	6,943,255	3,284,561	20,594,938	89,203,049
Expenditures							
General Government	8,364,728	-	-	-	487,935	72,027	8,924,690
Judicial Government	10,780,739	-	-	-	-	2,980,350	13,761,089
Public Safety	3,903,181	-	-	-	-	639,541	4,542,722
Public Works	400,561	-	-	-	-	2,846,196	3,246,757
Human Services	666,357	21,279,830	13,264,561	6,373,733	-	11,004,113	52,588,594
Culture/Recreation	375,280	-	-	-	-	375,280	375,280
Conservation/Development	1,801,763	-	-	-	605,874	1,465,586	3,873,223
Debt Service - Principal	-	-	-	-	1,520,000	-	1,520,000
Debt Service - Interest	-	-	-	-	917,831	-	917,831
Capital Projects	323,835	78,141	85,008	147,197	-	1,142,296	1,776,477
Bond Issuance Costs	-	-	-	-	201,647	-	201,647
Total Expenditures	26,616,444	21,357,971	13,349,569	6,520,930	3,733,287	20,150,109	91,728,310
Excess of Revenues Over (Under) Expenditures	251,958	(826,889)	(2,368,758)	422,325	(448,726)	444,829	(2,525,261)
Other Financing Sources (Uses)							
Operating Transfers In	2,883,981	1,360,294	2,920,766	24,200	122,238	1,883,319	9,194,798
Operating Transfers (Out)	(5,910,709)	(533,405)	(552,008)	(446,525)	(1,012,190)	(1,326,997)	(9,781,834)
Payments to Retire Debt	-	-	-	-	(14,332,799)	-	(14,332,799)
Bond Issuance Proceeds	-	-	-	-	14,387,934	-	14,387,934
Total Other Financing Sources (Uses)	(3,026,728)	826,889	2,368,758	(422,325)	(834,817)	556,322	(531,901)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,774,770)	-	-	-	(1,283,543)	1,001,151	(3,057,162)
Fund Balances - Beginning of Year	8,923,737	-	-	-	19,557,491	3,856,338	32,337,566
Fund Balances - End of Year	\$ 6,148,967	\$ -	\$ -	\$ -	\$ 18,273,948	\$ 4,857,489	\$ 29,280,404

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
 DECEMBER 31, 2002

Net Change in fund balances - total governmental funds \$ (3,057,162)

Amounts reported for governmental activities in the Statement of Activities
 are different because:

Governmental funds report capital purchases as expenditures. In the
 Statement of Activities, the cost of these assets is depreciated over the
 estimated useful lives and is reported as depreciation expense. The
 difference in the current period between capital expenditures (\$2,672,205)
 and depreciation expense (\$2,020,870) is a reconciling item. 651,335

Additional tax revenue recorded on statement of activities. The funds report
 only receipts through 60 days of subsequent period. Statement of Activities
 includes full amount of levy deemed collectible by County. 157,215

Funds do not record interest earned on long term notes receivable until it
 is paid. The interest receivable is recorded on the Statement of Net
 Assets with the revenue included in the statement of activities. (9,435)

An internal service fund is used by management to charge the costs and
 accrue the liability for worker's compensation claims for which the county
 is self-insured. The net revenue of the internal service funds is
 included in governmental activities in the statement of activities. 2,068

The issuance of long-term liabilities provide financial resources to
 governmental funds and contribute to the change in fund balance.
 However, the issuance of debt does not affect the Statement of Activities
 since it increases long-term liabilities in the Statement of Net Assets.
 Accordingly, the repayment of principal is reported as an expenditure
 in the governmental funds, but reduces the liability in the Statement of Net
 Assets. Also, governmental funds report the effect of issuance costs,
 premiums, discounts and similar items when the debt is first issued, while
 these amounts are deferred and amortized in the Statement of Activities.
 The amounts related to the above items that make up differences are:

Issuance proceeds	(14,445,000)
Issuance Costs	201,647
Principal Repayments	1,520,000
Refunding Payments	14,332,799

Pursuant to the modified basis of accounting, governmental funds do not
 recognize expenditures for transactions that are not normally paid with
 expendable available financial resources. Pursuant to the accrual basis
 of accounting, the Statement of Activities reports expenses and liabilities
 regardless of when financial resources are available. In addition, interest
 on long-term debt is not recognized in the governmental funds until due,
 while it is accrued in the Statement of Activities. The differences for the
 items discussed above are:

Compensated absence expense	(416,470)
Accrual of interest on long-term debt	117,189
Amortization of issuance costs	(20,322)
Amortization of Deferred Refunding Loss	(35,156)

Change in Net Assets of governmental activities \$ (1,001,292)

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

COUNTY OF SCHUYLKILL
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2002

	Business-type Activites - Enterprise Funds			Governmental Activites
	Rest Haven Nursing Home	911 Fund	Totals	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 447,046	\$ 35,054	\$ 482,100	\$ 299,768
Due From Other Funds	-	-	-	331,535
Accounts Receivable	1,166,933	171,391	1,338,324	-
Total Current Assets	<u>1,613,979</u>	<u>206,445</u>	<u>1,820,424</u>	<u>631,303</u>
Non-Current Assets:				
Restricted Cash	102,059	-	102,059	-
Property, Plant, and Equipment - Net of Accumulated Depreciation				
Fixed Assets	8,217,629	2,677,912	10,895,541	-
Non-Eligible Fixed Assets	-	39,576	39,576	-
Accumulated Depreciation	(4,850,309)	(1,651,165)	(6,501,474)	-
Non-Eligible Accumulated Depreciation	-	(18,240)	(18,240)	-
Property, Plant, and Equipment, Net	<u>3,367,320</u>	<u>1,048,083</u>	<u>4,415,403</u>	<u>-</u>
Total Non-Current Assets	<u>3,469,379</u>	<u>1,048,083</u>	<u>4,517,462</u>	<u>-</u>
Total Assets	<u>5,083,358</u>	<u>1,254,528</u>	<u>6,337,886</u>	<u>631,303</u>
LIABILITIES				
Current Liabilities				
Vouchers and Warrants Payable	298,476	18,216	316,692	70,222
Accrued Expenses and Withholdings	231,467	51,654	283,121	331,535
Bonds Payable - Current Portion	-	120,000	120,000	-
Due to Other Funds	248,651	5,340	253,991	-
Total Current Liabilities	<u>778,594</u>	<u>195,210</u>	<u>973,804</u>	<u>401,757</u>
Long-Term Liabilities				
Patient Funds Held in Safekeeping	102,059	-	102,059	-
Compensated Absenses	675,350	225,247	900,597	-
Bonds Payable	-	1,580,000	1,580,000	-
Total Long-Term Liabilities	<u>777,409</u>	<u>1,805,247</u>	<u>2,582,656</u>	<u>-</u>
Total Liabilities	<u>1,556,003</u>	<u>2,000,457</u>	<u>3,556,460</u>	<u>401,757</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,367,320	(651,917)	2,715,403	-
Unrestricted	160,035	(94,012)	66,023	229,546
Total Net Assets	<u>\$ 3,527,355</u>	<u>\$ (745,929)</u>	<u>\$ 2,781,426</u>	<u>\$ 229,546</u>

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

COUNTY OF SCHUYLKILL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2002

	Business-type Activities - Enterprise Funds			Governmental Activities
	Rest Haven Nursing Home	911 Fund	Total	Internal Service Fund
Operating Revenues				
Net Patient Service	\$ 8,400,583	\$ -	\$ 8,400,583	\$ -
Miscellaneous Revenue	404,911	-	404,911	2,505
Tariff Revenue	-	1,318,354	1,318,354	-
Total Operating Revenues	<u>8,805,494</u>	<u>1,318,354</u>	<u>10,123,848</u>	<u>2,505</u>
Operating Expenditures				
Administration Services	564,221	37,426	601,647	-
Dietary and Food	927,516	-	927,516	-
Laundry	214,864	-	214,864	-
Housekeeping	361,896	-	361,896	-
Plant Operations	302,466	-	302,466	-
Maintenance	158,328	-	158,328	-
Boiler House	85,683	-	85,683	-
Nursing	3,315,327	-	3,315,327	-
Practitioners	22,405	-	22,405	-
Social Services	96,353	-	96,353	-
Patient Services	181,972	-	181,972	-
Pharmacy and Medical Supplies	548,336	-	548,336	-
Physical, Speech, and Occupational Therapy	653,553	-	653,553	-
Medical Records	30,480	-	30,480	-
Depreciation	398,115	186,648	584,763	-
Other	1,384,796	-	1,384,796	-
Emergency Communications	-	2,017,376	2,017,376	-
Workers' Compensation	(267,040)	-	(267,040)	346,187
Total Operating Expenditures	<u>8,979,271</u>	<u>2,241,450</u>	<u>11,220,721</u>	<u>346,187</u>
Operating Loss	<u>(173,777)</u>	<u>(923,096)</u>	<u>(1,096,873)</u>	<u>(343,682)</u>
Nonoperating Revenues and Expenses				
Interest Income	10,799	757	11,556	-
Interest Expense	-	(73,280)	(73,280)	339
Total Nonoperating Revenues and Expenses	<u>10,799</u>	<u>(72,523)</u>	<u>(61,724)</u>	<u>339</u>
Loss Before Other Financing Sources (Uses)	<u>(162,978)</u>	<u>(995,619)</u>	<u>(1,158,597)</u>	<u>(343,343)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	1,176,086	1,176,086	345,411
Operating Transfers Out	(877,579)	(56,881)	(934,460)	-
Total Other Financing Sources (Uses)	<u>(877,579)</u>	<u>1,119,205</u>	<u>241,626</u>	<u>345,411</u>
Net Income (Loss)	<u>(1,040,557)</u>	<u>123,586</u>	<u>(916,971)</u>	<u>2,068</u>
Net Assets - Beginning of Year	<u>4,567,912</u>	<u>(869,515)</u>	<u>3,698,397</u>	<u>227,478</u>
Net Assets - End of Year	<u>\$ 3,527,355</u>	<u>\$ (745,929)</u>	<u>\$ 2,781,426</u>	<u>\$ 229,546</u>

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

COUNTY OF SCHUYLKILL
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types			Internal Service Fund
	Rest Haven Nursing Home	911 Fund	Total Enterprise	
Cash Flow From Operating Activities				
Patient Service Revenue Receipts	8,484,317	-	8,484,317	-
911 Tariff Revenue Receipts	-	1,247,799	1,247,799	-
Payments to Suppliers	(4,412,913)	(1,663,413)	(6,076,326)	(410,137)
Payments to Employees	(4,139,479)	(362,686)	(4,502,165)	-
Internal - Payments From Other Funds	-	-	-	76,561
Other Receipts (Payments)	404,911	-	404,911	2,505
Total Adjustments	336,836	(778,300)	(441,464)	(331,071)
Net Cash Provided by (Used in) Operating Activities	336,836	(778,300)	(441,464)	(331,071)
Cash Flows from Investing Activities				
Interest Receipts	10,799	757	11,556	339
Net Cash Provided by Investing Activities	10,799	757	11,556	339
Cash Flows from Capital Activities				
Purchase of Property, Plant, and Equipment	(61,939)	(268,484)	(330,423)	-
Net Cash Used in Capital Activities	(61,939)	(268,484)	(330,423)	-
Cash Flows from Financing Activities				
Payments on Long-Term Debt	-	(66,125)	(66,125)	-
Net Operating Transfers	(877,579)	1,119,205	241,626	345,411
Interest Paid	-	(73,280)	(73,280)	-
Net Cash Used in Financing Activities	(877,579)	979,800	102,221	345,411
Net Increase (Decrease) in Cash	(591,883)	202,257	(389,626)	14,679
Cash - Beginning of Year	1,038,929	101,281	1,140,210	285,089
Cash - End of Year	\$ 447,046	\$ 303,538	\$ 750,584	\$ 299,768
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Loss	\$ (173,777)	\$ (923,096)	\$ (1,096,873)	\$ (343,682)
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities				
Depreciation	398,115	186,648	584,763	-
(Increase) Decrease in Assets:				
Accounts Receivable	83,734	(70,555)	13,179	-
Due From Other Funds	-	-	-	76,561
Increase (Decrease) in Liabilities:				
Accounts Payable	25,122	346	25,468	12,611
Accrued Liabilities	37,635	12,732	50,367	(76,561)
Compensated Absences	23,428	15,625	39,053	-
Due to Other Funds	(57,421)	-	(57,421)	-
Total Adjustments	510,613	144,796	655,409	12,611
Net Cash Provided by (Used in) Operating Activities	\$ 336,836	\$ (778,300)	\$ (441,464)	\$ (331,071)

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

County of Schuylkill
Statement of Fiduciary Net Assets
December 31, 2002

	<u>Employee Retirement</u>	<u>Agency</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 4,696,478	\$ 1,750,146	\$ 6,446,624
Restricted Cash	-	-	-
Investments	52,294,795	-	52,294,795
Unrealized Appreciation	<u>4,659,581</u>	<u>-</u>	<u>4,659,581</u>
Total Assets	<u>61,650,854</u>	<u>1,750,146</u>	<u>63,401,000</u>
Laibilities			
Funds Held in Fiduciary Capacity	<u>-</u>	<u>1,750,146</u>	<u>1,750,146</u>
Total Liabilities	<u>-</u>	<u>1,750,146</u>	<u>1,750,146</u>
Net Assets held for Employees' Pension Benefits	<u>\$ 61,650,854</u>	<u>\$ -</u>	<u>\$ 61,650,854</u>

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

COUNTY OF SCHUYLKILL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED DECEMBER 31, 2002

	Employee Pension
Additions:	
Contributions:	
Employee	\$ 1,968,708
Total Contributions	1,968,708
Investment Income:	
Net Depreciation in Fair Value of Investments	(7,839,175)
Interest	1,761,291
Dividends	517,180
Less: Investment Expense	(438,053)
Net Investment Income	(5,998,757)
Total Additions	(4,030,049)
Deductions:	
Administrative Costs	6,305
Retirement Benefits	2,453,605
Death Benefits	130,974
Member Contribution Refunds	345,521
Total Deductions	2,936,405
Net Decrease	(6,966,454)
Net Assets Held in Trust for Employees' Pension Benefits:	
Beginning of Year	68,617,308
End of Year	\$ 61,650,854

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

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

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

The County of Schuylkill (the "County") was formed on March 1, 1811, operates under the direction of an elected Board of Commissioners, and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, and human services programs. The accompanying general purpose financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, 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 general purpose financial statements is as follows:

A) Reporting Entity

The County follows the criteria promulgated by GASB for purposes of determining the scope of its reporting entity. As required by GAAP, the general purpose 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 their operational or financial relationship with the County.

1. Component Units

In conformity with GAAP, the financials of Component Units have been included in the financial Reporting Entity either as a Blended Component Unit or as a Discretely Presented Component Unit.

a. Blended Component Unit

The Schuylkill County Conservation District was formed on September 25, 1955, to establish and to administer the programs to conserve soil, water, and related natural resources and for land use practices to control and to prevent soil erosion. The Schuylkill Conservation District is fiscally dependent upon the County. In addition, the employees of the Schuylkill Conservation District are County employees. Therefore, the Schuylkill Conservation District is included in the Special Revenue Funds of the financial statements of the Reporting Entity. The reporting period for the Schuylkill Conservation District is for the year ended December 31, 2002.

b. Discretely Presented Component Units

The Component Units' columns in the combined financial statements include the financial data of the following Component Units and is reported in a separate column to emphasize that it is legally separate from the County.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

A) Reporting Entity (Continued)

1. Component Units (Continued)

b. Discretely Presented Component Units (Continued)

Child Development, Inc. (the "Corporation") is a nonprofit organization that was formed on July 1, 1982, to provide child care services and a comprehensive development program for children ranging from birth to nine years of age. Child Development, Inc. is fiscally dependent upon the County. The reporting period for Child Development, Inc. is for the year ended June 30, 2002.

The North Central Highway Safety Network, Inc., (the "Organization") is a nonprofit organization that was formed to provide safety awareness to the community by developing educational highway safety programs targeted at the public to include schools, healthcare providers, law enforcement agencies, and industry. The reporting period for North Central Highway Safety Network, Inc., is for the year ended December 31, 2002.

c. Condensed Financial Statements

The following presents the condensed financial statements of the Discretely Presented Component Units. Complete and more detailed financial statements for the individual component units can be obtained from their administrative offices.

Administrative Offices

Child Development, Inc.
Route 61
Schuylkill Haven, PA 17972

North Central Highway Safety Network, Inc.
118 South Claude A. Lord Boulevard
Pottsville, PA 17901

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

A) Reporting Entity (Continued)

1. Component Units (Continued)

c. Condensed Financial Statements (Continued)

<u>Condensed Balance Sheets</u>		
	<u>Child Development, Inc. June 30, 2002</u>	<u>North Central Highway Safety Network December 31, 2002</u>
Assets		
Other Assets	\$ 488,018	\$ 803,651
Property and Equipment, Net	245,615	7,891
Total Assets	733,633	811,542
Liabilities		
	307,916	686,773
Net Assets		
Unrestricted	411,917	124,769
Restricted	13,800	-
Total Net Assets	\$ 425,717	\$ 124,769

<u>Condensed Statements of Revenues, Expenditures, and Changes in Net Assets</u>		
	<u>Child Development, Inc. Year Ended June 30, 2002</u>	<u>North Central Highway Safety Network Year Ended December 31, 2002</u>
Revenues	\$6,433,356	\$2,811,420
Expenditures	6,415,641	2,739,544
Excess of Revenues Over Expenditures	17,715	71,876
Net Assets - Beginning of Year, Restated	408,002	52,893
Net Assets - End of Year	\$ 425,717	\$ 124,769

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

A) Reporting Entity (Continued)

2. Related Organizations

The Board of Commissioners is also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations generally does not extend beyond making the appointments. 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

B) Measurement Focus and Basis of Accounting

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component unit. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

B) Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The County chooses to eliminate the indirect costs between governmental activities to avoid "doubling up" effect.

2. Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statements includes financial information for the agency fund. The agency fund of the County primarily represents assets held by the County in a custodial capacity for other individuals or governments.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

B) Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Governmental Funds

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, except taxes, to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating and 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 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 a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

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 made.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

B) Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Proprietary Funds

The County's enterprise funds and internal service fund 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 assets. The Board applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

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 fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund 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.

C) Basis of Presentation

The determination of major funds is based on minimum criteria as set forth in GASB Statement Number 34. The non-major funds are combined in a column in the fund financial statements. The following are the County's major funds:

1. Governmental Fund Types

a. General Fund

The General Fund is used to account for all financial resources 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 activities.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

C) Basis of Presentation (Continued)

1. Governmental Fund Types (Continued)

b. Mental Health/Mental Retardation Fund

The Mental Health/Mental Retardation Fund is used to account for the proceeds of specific revenue sources related to the provision of Mental Health/Mental Retardation services that are restricted to expenditures for those specified purposes.

c. Children and Youth

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

d. Office of Senior Services

The Office of Senior Services Fund is used to account for the proceeds of specific revenue sources related to the provision of various human services programs related to the elderly that are restricted to expenditures for those specified purposes.

e. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

2. Proprietary Fund Types

a. Enterprise/Rest Haven - County Long-term Care Facility

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

b. Enterprise/911 Fund

The 911 Fund is used to account for operations of the County's Emergency Communication System, that is financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that 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, 2002

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

C) Basis of Presentation (Continued)

3. Other Fund Types

a. Internal Service Fund

An Internal Service Fund is used to account for the financing of workers' compensation insurance costs which are being incurred by the County for all departments, agencies and Rest Haven.

b. Retirement Trust Fund

The Employee Retirement Trust Fund is used to account for the revenue (i.e., member contributions, County appropriations, and net investment income) and the expenditures (i.e., allowance contributions refunded, retirement allowances, and death benefits paid) of the Retirement Trust Fund.

c. Agency Funds

Agency Funds consist of restricted assets of the various row offices of the County. The row office funds, in essence, are escrow funds maintained with the row offices for bail posted, funds held from sheriff's sales, realty transfer taxes held and owed to other governmental entities, and other funds reserved for disposition of legal actions.

D) Budgets and Budgetary Accounting

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, Certain Special Revenue Funds, Capital Projects Funds, Debt Service Fund, Enterprise Funds and Internal Service Fund, and is based on estimates of revenues and expenditures or expenses approved by the Commissioners. The budget is adopted on a basis consistent with generally accepted accounting principles. The County of Schuylkill follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the department heads submit to the County Commissioners proposed operating budgets for the fiscal year which commences on January 1.
2. The Commissioners then interview all department heads to discuss their budgets as submitted and allow them to substantiate projected expenditures at public hearings.
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 from the Commissioners' review.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

D) Budgets and Budgetary Accounting (Continued)

4. Public hearings 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.
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.

Each Fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by major function level. Expenditures may not exceed appropriations at this level. During the course of the year, departmental needs may change, emergencies may occur and additional revenue sources may arrive. As a result, funds are occasionally 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 major function level basis during the year and are approved by the County Commissioners.

E) Cash and Cash Equivalents

The County considers all highly liquid instruments purchased with a remaining maturity of three months or less to be cash equivalents.

F) Restricted Cash

Restricted cash represents cash set aside for liquidation of specific obligations as detailed in Note 3.

G) Investments

Investments are stated at fair value in all funds. Investments that do not have an established market value are reported at estimated fair value.

H) Capital Assets

Capital Assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$1,000 (\$75,000 for infrastructure assets) and an estimated useful life exceeding one year. Such assets are recorded at historical costs. Donated capital assets are recorded at the estimated fair market value at the time of donation.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

H) Capital Assets (Continued)

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

The capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Land Improvements	10 - 15 Years
Buildings and Improvements	10 - 50 Years
Machinery and Equipment	8 - 20 Years
Motor Vehicles	3 - 5 Years
Computer Equipment	3 - 5 Years
Agricultural Easements	40 Years
Infrastructure	20 - 50 Years

I) Interfund Transactions

The County affects a variety of transactions between the funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2002, appropriate interfund receivables or payables have been established.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as Internal Balances.

J) Compensated Absences

The County accrues accumulated unpaid vacation and sick leave when earned by the employee in the government-wide and proprietary fund financial statements.

K) 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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the County has adopted the following policy for current refundings and advance refundings resulting in defeasance of debt reported in proprietary funds.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

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

K) Long-Term Obligations (Continued)

The difference between the reacquisition price and the net carrying amount of the old debt, as well as the related bond issuance costs, will be deferred and amortized in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the deferred amount and bond issuance costs are reported as a deduction from or an addition to the new debt liability.

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.

L) Deferred Revenues

Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The County deems revenues received within 180 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.

M) Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets* – 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 Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

COUNTY OF SCHUYLKILL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2002

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

N) Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB's Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments", Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Note Disclosures."

The adoption of these statements resulted in a comprehensive modification of the financial reporting required for the County. The statements require the presentation of the Government-wide Financial Statements which had not been previously reported. The Fund Level Financial Statements required by these statements are similar to the financial statements that have previously been issued by the County. The adoption of the statements does not affect the amounts that were previously reported by the County at the fund level.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various temporary investment sources in an effort to maximize interest earnings on its cash balances.

Under Section 1706 of the County Code of the Commonwealth of Pennsylvania, the County is authorized to invest its funds in the following:

- United States Treasury Bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania which are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets net of its liabilities.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

- Commercial paper and prime commercial paper meeting certain requirements.
- Repurchase agreements which are fully collateralized by obligations of the United States of America.

In addition, the County Code provides that the retirement trust fund may make any investment authorized by 20 Pa.C.S. A. §7302(b) (relating to fiduciaries' investments).

For all deposits above the insured maximum, assets are pledged as collateral under Subsection (c)(3), to be pooled in accordance with the Act of August 6, 1971 (P.L. 281, No. 72).

The components of cash, cash equivalents and investments at December 31, 2002, are as follows:

	Cash on Hand	Cash and Cash Equivalents	Investments	Total
General Fund	\$15,000	\$ 1,611,373	\$ 6,617,376	\$ 8,243,749
Special Revenue Funds	-	10,093,507	200,000	10,293,507
Debt Service Fund	-	7,266,408	-	7,266,408
Capital Projects Funds	-	124,896	-	124,896
Enterprise Funds	-	584,159	-	584,159
Internal Service	-	299,768	-	299,768
Employee Retirement Trust Fund	-	4,696,478	56,954,336	61,650,814
Trust and Other Agency Funds	-	1,750,146	-	1,750,146
	<u>\$15,000</u>	<u>\$26,426,735</u>	<u>\$63,771,752</u>	<u>\$90,213,447</u>

The County's cash and cash equivalents, including unrestricted and restricted, are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes bank balances insured or collateralized with securities held by the County or its agent in the County's name. Category 2 includes balances collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. Category 3 includes uncollateralized balances, including those balances held by the pledging financial trust department or agent but not in the County's name.

<u>Book Balance</u>	<u>Bank Balance</u>	<u>Category</u>
\$ 608,142	\$ 615,934	1
<u>25,818,593</u>	<u>30,786,876</u>	3
<u>\$26,426,735</u>	<u>\$31,402,810</u>	

The County's investments are classified below into three categories to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered, or securities which are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments with the securities held by the counterparty or by its trust department or agent but not in the County's name.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments of the County with the exception of the Retirement Fund consist of the following:

<u>Governmental Fund Types</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Category</u>
Special Revenue Funds	\$ 200,000	\$ 200,000	3
Debt Service Funds	<u>6,817,376</u>	<u>6,817,376</u>	3
Total Governmental Fund Types	<u>\$7,017,376</u>	<u>\$7,017,376</u>	

The Retirement Trust Fund's investments are held separately from other County funds by a Trustee and are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Category</u>
U.S. Government Bonds/Notes	\$ 4,647,046	\$ 4,898,219	3
Corporate Bonds	20,145,424	21,300,470	3
Common Stock	<u>27,502,325</u>	<u>30,755,687</u>	3
	<u>\$52,294,795</u>	<u>\$56,954,376</u>	

NOTE 3: RESTRICTED CASH

Restricted cash of \$102,059 in the combined balance sheet - Enterprise Fund is composed of patient account funds held by Rest Haven in escrow for residents and offset by a corresponding liability captioned "patients' funds held in safekeeping."

Restricted cash of \$1,331,411 in the General Fund is comprised of the following:

Cash for road and school district taxes offset by a corresponding liability captioned "excess held in escrow - road and school."	\$ 189,171
Cash for coals lands offset by a corresponding liability captioned escrow funds - coal lands.	<u>1,142,240</u>
	<u>\$1,331,411</u>

NOTE 4: NOTES RECEIVABLE

On March 16, 1992 (1992A Note), the Penn State Advisory Board (the "Company"), a 501(c)(3) Corporation, borrowed from the County in the original amount of \$4,925,000 for the purpose of refinancing its two existing notes payable to the County, one dated July 27, 1988, in the original amount of \$2,505,000 and the other dated May 23, 1990, in the original amount of \$1,975,000. The average interest rates were 7.441% on the \$2,505,000 and 7.085% on the \$1,975,000 and both were secured by a mortgage on the real estate of the Company and a security agreement that encumbered all furniture and equipment and rental income of the Company. The purpose of the original notes were to finance dormitory projects of the Company.

On February 28, 1997 (1997A Note), the Company borrowed from the County the original amount of \$2,000,000 for the purpose of funding the construction of student housing for the Penn State Schuylkill Campus. The Company borrowed an additional note (1998C Note) in the amount of \$2,000,000 for the purpose of replacing the 1997A Note and to continue the construction of student housing for the Penn State Schuylkill Campus.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 4: NOTES RECEIVABLE (CONTINUED)

Both of the above notes are secured by a mortgage and security agreement encumbering all of the real estate of the Company and all of the tangible personal property of the Company which it now owns or may acquire as well as all rents to which the Company is or may be entitled in the future.

On December 30, 1998 (1998A Note), the Schuylkill Economic Development Corporation (SEDCO) a 501(C)(3) Corporation, borrowed from the County in the original amount of \$2,000,000 for the purpose of capital purchases.

On May 20, 1998 (1998B Note), the Schuylkill County Industrial Development Authority (SCIDA), a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic organized and duly existing under Pennsylvania Economic Development Financing Law Act of August 23, 1967, P.L. 251 as amended, borrowed from the County in the original amount of \$4,235,000 for the purpose of infrastructure improvements and capital purchases.

Repayment terms on all notes as of December 31, 2002, require the following principal and interest payments:

Notes Receivable - Principal Payments

<u>Year</u>	<u>1992A Note</u>	<u>1998A Note</u>	<u>1998B Note</u>	<u>1998C Note</u>	<u>Total</u>
2003	\$ 280,000	\$ 80,000	\$ 185,000	\$ 75,000	\$ 620,000
2004	305,000	80,000	195,000	80,000	660,000
2005	315,000	85,000	205,000	80,000	685,000
2006	330,000	90,000	215,000	85,000	720,000
2007	355,000	95,000	220,000	90,000	760,000
2008 – 2012	970,000	525,000	1,275,000	510,000	3,280,000
2013 – 2017	-	675,000	1,420,000	655,000	2,750,000
2018	-	155,000	-	150,000	305,000
	<u>\$2,555,000</u>	<u>\$1,785,000</u>	<u>\$3,715,000</u>	<u>\$1,725,000</u>	<u>\$9,780,000</u>

Notes Receivable - Interest Payments

<u>Year</u>	<u>1992A Note</u>	<u>1998A Note</u>	<u>1998B Note</u>	<u>1998C Note</u>	<u>Total</u>
2003	\$ 173,380	\$ 84,492	\$ 174,366	\$ 81,718	\$ 513,956
2004	158,275	81,352	166,973	78,680	485,280
2005	141,895	78,032	159,085	75,462	454,474
2006	104,065	70,783	141,602	68,534	384,984
2007	83,605	66,736	132,086	64,706	347,133
2008 – 2012	110,808	266,164	497,584	257,586	1,132,142
2013 – 2017	-	125,580	164,273	121,365	411,218
2018	-	3,875	-	3,750	7,625
	<u>\$ 772,028</u>	<u>\$ 777,014</u>	<u>\$1,435,969</u>	<u>\$ 751,801</u>	<u>\$3,736,812</u>

The principal amount of \$9,780,000 is reflected as an asset of the Debt Service Fund. The Debt Service Fund will utilize the above funds as received for debt service.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 5: REAL ESTATE TAXES

Real estate taxes for the calendar year are levied on March 1 of each year. Unpaid real estate taxes attach as an enforceable lien on property as at January 1 of the following year. 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.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt.

The County's 2002 real estate taxes are based on assessed values established by the County's Bureau of Assessments. Assessed values of real property are generally 50% of the market value as determined by the Schuylkill County Bureau of Assessments. The last reevaluation was completed for the property list in 1996 upon which the 1997 levy was based. The total 2002 real estate taxes assessed equaled \$18,838,183 based on a total County valuation of \$2,121,416,960. Based on the 2002 levy of 8.88 mills (8 mills allocated for general purposes; .88 mills allocated for debt purposes) a property owner would pay \$8.88 per \$1,000 of assessed valuation.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 6: CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2002 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 445,000	\$ 249,817	\$ -	\$ 694,817
Construction-In-Progress	-	497,690	-	497,690
Works of Art Collections	174,000	-	-	174,000
Total Capital Assets, Not Being Depreciated	619,000	747,507	-	1,366,507
Capital Assets, Being Depreciated:				
Land Improvements	592,968	-	-	592,968
Buildings and Improvements	20,998,391	290,834	(6,395)	21,282,830
Machinery and Equipment	3,996,314	637,568	(141,443)	4,492,439
Motor Vehicles	5,492,162	245,355	(422,093)	5,315,424
Computer Equipment	1,829,936	167,195	(31,919)	1,965,212
Agricultural Easements	-	100,000	-	100,000
Infrastructure	5,114,364	483,747	-	5,598,111
Total Capital Assets, Being Depreciated	38,024,135	1,924,699	(601,850)	39,346,984
Total Capital Assets, Historical Cost	38,643,135	2,672,206	(601,850)	40,713,491
Less Accumulated Depreciation for:				
Land Improvements	385,772	17,067	-	402,839
Buildings and Improvements	10,693,863	728,434	(4,476)	11,417,821
Machinery and Equipment	2,369,356	282,416	(85,641)	2,566,131
Motor Vehicles	4,082,984	520,349	(422,093)	4,181,240
Computer Equipment	980,098	297,608	(24,013)	1,253,693
Agricultural Easements	-	1,250	-	1,250
Infrastructure	799,156	108,120	-	907,276
Total Accumulated Depreciation	(19,311,229)	(1,955,244)	536,223	20,730,250
Total Capital Assets, Net of Accumulated Depreciation	\$ 19,331,906	\$ 716,962	\$ (65,627)	\$19,983,241

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 6: CAPITAL ASSETS (CONTINUED)

Business-Type Activities:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital Assets, Not Being Depreciated:				
Construction-In-Progress	\$ -	\$ 256,625	\$ -	\$ 256,625
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>256,625</u>	<u>-</u>	<u>256,625</u>
Capital Assets, Being Depreciated:				
Land Improvements	152,140	-	-	152,140
Buildings and Improvements	6,783,959	7,719	-	6,791,678
Machinery and Equipment	2,850,465	43,022	-	2,893,487
Motor Vehicles	86,290	-	-	86,290
Computer Equipment	731,840	23,057	-	754,897
Total Capital Assets, Being Depreciated	<u>10,604,694</u>	<u>73,798</u>	<u>-</u>	<u>10,678,492</u>
Total Capital Assets	<u>10,604,694</u>	<u>330,423</u>	<u>-</u>	<u>10,935,117</u>
Less Accumulated Depreciation for:				
Land Improvements	124,894	3,828	-	128,722
Buildings and Improvements	3,610,081	253,312	-	3,863,393
Machinery and Equipment	1,624,015	221,228	-	1,845,243
Motor Vehicles	48,605	14,124	-	62,729
Computer Equipment	527,356	92,271	-	619,627
Total Accumulated Depreciation	<u>(5,934,951)</u>	<u>(584,763)</u>	<u>-</u>	<u>(6,519,714)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,669,743</u>	<u>\$ (254,340)</u>	<u>\$ -</u>	<u>\$ 4,415,403</u>

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

Governmental Activities:

General Government	\$ 542,578
Judicial Government	210,546
Public Safety	350,448
Public Works	434,732
Human Services	250,272
Culture/Recreation	1,965
Conservation/Development	164,703
	<u>\$1,955,244</u>

Business-Type Activities:

Rest Haven Nursing Home	\$ 398,115
911 Operations	186,648
	<u>\$ 584,763</u>

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND

Plan Description

The County of Schuylkill provides a single-employer defined benefit pension plan that is administered by the County Retirement Board. All employees working over 1,000 hours per year are required to enter the plan, and County elected officials have the option of enrolling in the plan. The plan is included in the general purpose financial statements of County of Schuylkill as a pension trust fund and does not issue a stand-alone report. The plan provides retirement, disability and death benefits to plan members and their beneficiaries pursuant to Act 96 of 1971 of the Commonwealth of Pennsylvania (County Pension Law). Cost-of-living adjustments are provided at the discretion of the County Retirement Board.

Basis of Accounting

The financial statements of the pension trust fund are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

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

Membership

Membership of the plan consisted of the following at January 1, 2003, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	374
Terminated Plan Members Entitled to but not yet Receiving Benefits	15
Active Plan Members	<u>795</u>
 Total	 <u>1,184</u>

Contributions

Plan members are required to contribute 8% of their salary and may contribute up to 18%. The County contributions are determined as part of an annual actuarial valuation. 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. Administrative costs of the plan are financed through investment earnings.

The Schuylkill County Employee's Retirement System uses the aggregate actuarial cost method, therefore a schedule of funding progress is not presented as required supplementary information.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Actuarial Valuation Information

The County has an actuarial valuation prepared on an annual basis. The following methods and assumptions were used to prepare the valuation:

Actuarial Cost Method:	Aggregate Actuarial Cost
Asset Valuation Method:	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5% (including 3% inflation)
Projected Salary Increases	4.5% (Including 3% inflation)
No Postretirement Benefit Increases	

Annual Pension Cost and Net Pension Obligation

The County's Annual Required Contribution for 2002, was determined as part of the January 1, 2002, actuarial valuation. The County's annual pension cost and net pension obligation to the Schuylkill County Employee's Retirement System for 2002, was as follows:

Interest on Net Pension Obligation	\$ 2,818
Adjustment to Annual Required Contribution	<u>(4,525)</u>
Annual Pension Cost	(1,707)
Change in Net Pension Obligation	(1,707)
Net Pension Asset (Obligation) - January 1, 2002	<u>37,577</u>
Net Pension Asset (Obligation) - December 31, 2002	<u>\$ 35,870</u>

Annual Pension Cost - Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Asset (Obligation)</u>
December 31, 2000	\$(1,780)	N/A	\$39,333
December 31, 2001	(1,756)	N/A	37,577
December 31, 2002	(1,707)	N/A	35,870

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 8: POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the County provides post-employment health care benefits in accordance with the requirements of the member's respective bargaining unit and in accordance with the requirements set forth by the Retirement Board of Schuylkill County. The postemployment health care benefit applies to all employees who retire from the County and who qualify for either normal retirement or early retirement. In addition, the County reimburses the retiree for the cost incurred in connection with the Medicare Premium - Part B.

Once a retiree becomes eligible for Medicare, the County changes the health insurance coverage to a Medicare supplemental insurance and the County continues to pay the supplemental insurance premium for the retiree. The County also pays a fixed amount of \$300.00 per quarter to a retiree who elects out of the postemployment health care benefit.

Expenditures for postemployment health care benefits are financed on a pay-as-you-go basis. As of December 31, 2002, 359 retirees satisfied the appropriate eligibility requirements and expenditures of \$1,580,407 were recognized accordingly for fiscal year 2002.

NOTE 9: WORKERS' COMPENSATION SELF-INSURANCE

The County has elected to self-insure the potential obligations applicable to workers' compensation. The County established an Internal Service Fund to account for all the transactions associated with workers' compensation.

The County has elected to retain a portion of the Risk of Loss from Workers' Compensation claims by reducing insurance coverage to obtain benefits of reduced premium costs. The County provides coverage up to a maximum of \$1,000,000 for each Workers' Compensation claim and has purchased insurance coverage for excess obligations over the \$1,000,000 limit.

As required by the Pennsylvania Department of Labor and Industry, the County has established a trust amount for workers' compensation with a cash balance of \$299,768 at December 31, 2002. The County was not required to fund the amount in 2002, a result of the County's loss reserves not exceeding the loss reserves calculated by the Pennsylvania Department of Labor and Industry. The purpose of the account is to provide a source of funds for claimants entitled to benefits under Article III Section 305 of the Pennsylvania Workers' Compensation Act in case the County could not pay claims.

The accrued liability for workers' compensation claims is determined by an actuary in accordance with actuarial principles; such claims are not discounted for workers' compensation.

The following summary reflects the changes in the actuarially determined liability for workers' compensation for the year ended December 31, 2001 and 2002:

	<u>2001</u>	<u>2002</u>
January 1, Liability	\$ 541,000	\$ 408,096
Incurred Claims and Changes in Estimate	249,057	222,278
Payments	<u>(381,961)</u>	<u>(298,839)</u>
December 31, Liability	<u>\$ 408,096</u>	<u>\$ 331,535</u>

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 9: WORKERS' COMPENSATION SELF-INSURANCE (CONTINUED)

There have been no significant reductions in insurance coverage from coverage in the prior year and the amount of settlements have not exceeded insurance coverage for each of the past three years.

NOTE 10: LONG-TERM OBLIGATIONS

During 2002, the County issued two series of General Obligation Bonds to refund prior issuances.

Series 2002 was issued in the amount of \$6,400,000, and the proceeds were used to currently refund the outstanding bonds of the 1992 Series A General Obligation Bonds, currently refund the outstanding bonds of the 1993 Series C General Obligation Bonds and pay the costs and expenses related to issuing and insuring the bonds. The current refundings resulted in a debt service cash flow reduction in the amount of \$311,621 and an economic gain of \$314,596.

Series 2002 A was issued in the amount of \$8,045,000 and the proceeds were used to currently refund the outstanding bonds of the 1998 Series General Obligation Bonds and pay the costs and expenses related to issuing and insuring the Bonds. The current refunding resulted in a debt service cash flow reduction in the amount of \$308,676 and an economic gain of \$314,416.

Long-term obligations outstanding at December 31, 2002, consisted of the following:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total Long-term <u>Obligations</u>
General Obligation Bonds	\$26,575,000	\$ 1,700,000	\$28,275,000
Compensated Absences	4,014,273	900,597	4,914,870
Workers' Compensation Liability	331,535	-	331,535
	<u>\$30,920,808</u>	<u>\$ 2,600,597</u>	<u>\$33,521,405</u>

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

A summary of changes in long-term obligations is as follows:

	<u>Governmental Activities</u>		<u>911 Fund</u>		<u>Rest Haven</u>	<u>Internal</u>	<u>Total</u>
	<u>General</u>	<u>Compensated</u>	<u>General</u>	<u>Compensated</u>	<u>County Home</u>	<u>Service Fund</u>	
	<u>Obligation</u>	<u>Absences</u>	<u>Obligation</u>	<u>Absences</u>	<u>Compensated</u>	<u>Workers'</u>	<u>Long-term</u>
	<u>Bonds Payable</u>		<u>Bonds Payable</u>		<u>Absences</u>	<u>Liability</u>	<u>Debt</u>
Outstanding at January 1, 2002	\$ 27,663,875	\$ 3,597,803	\$ 1,766,125	\$ 209,622	\$ 651,922	\$ 408,096	\$34,297,443
Principal Retirements	(1,453,875)	-	(66,125)	-	-	-	(1,520,000)
Principal Currently Refunded	(14,080,000)	-	-	-	-	-	(14,080,000)
Par Value of New Issuances	14,445,000	-	-	-	-	-	14,445,000
Increase in Compensated Absences	-	416,470	-	15,625	23,428	-	455,523
(Decrease) in Workers' Compensation Liability	-	-	-	-	-	(76,561)	(76,561)
Outstanding at December 31, 2002	\$ 26,575,000	\$ 4,014,273	\$ 1,700,000	\$ 225,247	\$ 675,350	\$ 331,535	\$33,521,405

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued vacation pay, accrued sick time, and workers' compensation liability.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

The following table summarizes long-term obligations principal and interest payments for debt outstanding as of December 31, 2002:

<u>Years Ending December 31,</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Requirements</u>
2003	\$ 2,040,000	\$ 1,014,417	\$ 3,054,417
2004	2,360,000	1,042,266	3,402,266
2005	1,665,000	978,739	2,643,739
2006	1,735,000	921,833	2,656,833
2007	1,795,000	859,416	2,654,416
2008-2012	10,095,000	3,169,247	13,264,247
2013-2018	8,585,000	875,263	9,460,263
	<u>\$28,275,000</u>	<u>\$8,861,181</u>	<u>\$37,136,181</u>
To be Retired by:			
Business-type Activities	\$ 1,700,000	\$ 440,100	\$ 2,140,100
Governmental Activities	26,575,000	8,421,081	34,996,081
	<u>\$28,275,000</u>	<u>\$ 8,861,181</u>	<u>\$37,136,181</u>

The following is a summary of the bonds outstanding as of December 31, 2002:

<u>Years</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2002</u>
2000	\$10,000,000	Variable interest rate General Obligation Bonds issued to finance various economic development and certain capital projects of the County.	\$ 9,995,000
2001	\$4,975,000	3.50%-4.65% General Obligation Bonds issued to currently refund the 1993 General Obligation Bond Series A and B.	4,775,000
2002	\$6,400,000	2%-4% General Obligation Bonds issued to currently refund the 1992 A and 1993 C Series General Obligation Bonds.	5,460,000
2002A	\$8,045,000	1.35% to 4.4% General Obligation Bonds issued to currently refund the 1998 Series General Obligation Bonds.	<u>8,045,000</u>
Total General Long-term Debt Obligations at December 31, 2002			<u>\$28,275,000</u>

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 11: INTERFUND BALANCES

Interfund receivable and payable balances of each individual fund as of December 31, 2002, are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Fund Types</u>		
General Funds	\$ 2,044,176	\$ 1,082,999
Debt Service Fund	5,340	-
<u>Special Revenue Funds</u>		
Mental Health/Mental Retardation	1,082,999	-
Children and Youth Services	-	2,065,119
Other Agency	-	61,941
Total Special Revenue Funds	1,082,999	2,127,060
Total Governmental Fund Types	3,132,515	3,210,059
<u>Proprietary Fund Types</u>		
Rest Haven Nursing Home	-	248,651
Internal Service	331,535	-
911 Operations	-	5,340
Total Proprietary Funds	331,535	253,991
	<u>\$ 3,464,050</u>	<u>\$ 3,464,050</u>

These balances exist because the General Fund, Debt Service Fund, Mental Health/Mental Retardation Fund, and Internal Service Fund have funded the expenditure or expenses of other funds. These amounts have not been repaid at December 31, 2002.

Interfund transfers are executed as a result of the requirement for certain funds to fund a portion of the expenditures or expenses of other funds. The amounts transferred for the year ended December 31, 2002, are as follows:

	<u>Transferred from Other Funds</u>	<u>Transferred to Other Funds</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 2,883,981	\$ 5,910,708
Debt Service Fund	122,238	1,012,190
Capital Projects Fund	929,436	260,875
<u>Special Revenue Funds</u>		
Human Service Complex	258,328	68,532
Liquid Fuels Tax	-	135,453
Domestic Relations Office	372,922	219,549
Drug and Alcohol	31,282	179,477
Mental Health/Mental Retardation	277,295	533,405
Children and Youth	1,360,294	552,008
Office of Senior Services	24,200	446,525
Offender Supervision	-	17,246
Other Agency	-	341,035
Affordable Housing	-	25,585
Library	-	79,245
Farmland Preservation	100,000	-
Transportation	165,765	-
Demolition	25,585	-
Total Special Revenue Fund	4,284,442	2,598,060
Total Governmental Fund Types	9,194,797	9,781,833

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 11: INTERFUND BALANCES (CONTINUED)

<u>Proprietary Fund Types</u>		
Rest Haven Nursing Home	-	877,579
911 Operations	1,176,086	56,882
Internal Service	345,411	-
	<hr/>	
Total Proprietary Fund Types	1,521,497	934,461
	<hr/>	
	\$10,716,294	\$10,716,294
	<hr/>	

NOTE 12: OPERATING LEASES

The County leases office space under several operating lease agreements which have expiration dates ranging from 2003 to 2007 and beyond. 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, 2002:

<u>Years</u>	<u>Courts</u>	<u>Agencies</u>	<u>Certain Departments</u>	<u>Total</u>
2003	\$ 180,775	\$ 78,400	\$ 263,020	\$ 522,195
2004	180,775	78,400	270,020	529,195
2005	180,775	78,400	270,020	529,195
2006	164,427	78,400	270,020	512,847
2007	164,427	78,400	270,020	512,847
Thereafter	164,427	78,400	270,020	512,847
	<hr/>			
	\$1,035,606	\$470,400	\$1,613,120	\$3,119,126
	<hr/>			

Expenses incurred by the County under these leases in 2002 totaled \$520,304.

NOTE 13: LEGAL COMPLIANCE

For the year ended December 31, 2002, expenditures in the Mental Health/Mental Retardation Fund exceeded appropriations by \$4,265,182. The expenditures over appropriations were funded by additional grant revenues and transfers from the General Fund received by the fund.

The 911 Fund had a deficit balance at December 31, 2002, in the amount of \$745,929. The deficit resulted from additional expenses to upgrade 911 operations that were funded by additional transfers for operations by the General Fund and through streamlining of expenses in the future.

NOTE 14: COMPONENT UNITS - FUND BALANCE RESTATEMENT

	<u>Component Units</u>
Fund Balance, as Previously Reported at January 1, 2002	\$50,050
To Adjust the Beginning Fund Balance of North Central Highway Safety Network, Inc. to reflect a prior period adjustment to reduce accrued revenue balances at January 1, 2002	<hr/>
	2,843
Fund Balance, as Restated, January 1, 2002	<hr/> <u>\$52,893</u>

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 15: LITIGATION

In the normal course of business, there are various claims and suits pending against the County and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the County's financial position at December 31, 2002.

**SUPPLEMENTAL
INFORMATION**

COUNTY OF SCHUYLKILL
EMPLOYEE RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2002

Schedule of Employer Contributions - Trend Information

<u>Years Ended</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Percentage of ARC Contributed</u>
December 31, 1997	\$0	N/A
December 31, 1998	0	N/A
December 31, 1999	0	N/A
December 31, 2000	0	N/A
December 31, 2001	0	N/A
December 31, 2002	0	N/A

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Real Estate Taxes	\$ 16,709,702	\$ 16,709,702	\$ 16,625,799	\$ (83,903)
Per Capita Taxes	432,862	432,862	425,240	(7,622)
Hotel Tax	-	-	101,645	101,645
Grants and Gifts	3,225,530	3,225,530	2,070,189	(1,155,341)
Interest and Royalties	408,000	408,000	284,551	(123,449)
Charges for Services	5,936,907	5,936,907	7,255,033	1,318,126
Other Revenue	113,461	113,461	105,945	(7,516)
Total Revenues	26,826,462	26,826,462	26,868,402	41,940
Expenditures				
General Government - Administrative				
Commissioners	251,834	251,834	237,212	14,622
Solicitor	195,296	195,296	151,666	43,630
County Administrator	206,773	207,525	204,576	2,949
Maintenance	621,014	642,214	649,527	(7,313)
Voter Registration and Elections	523,593	523,593	483,450	40,143
Central Services	413,492	413,492	399,737	13,755
Tax Assessment	566,707	571,427	592,661	(21,234)
Treasurer	594,918	595,918	591,804	4,114
Tax Claim	368,231	368,713	332,426	36,287
Controller	449,459	448,756	383,324	65,432
Engineering and Real Estate	104,008	187,954	188,774	(820)
Planning and Zoning	323,210	323,210	195,143	128,067
Recorder of Deeds	453,856	453,856	424,461	29,395
Data Processing	630,963	627,963	482,497	145,466
Records Management	115,341	115,341	165,033	(49,692)
Personnel	145,530	170,530	163,158	7,372
Veteran Affairs	180,892	180,892	153,674	27,218
Tax Refunds	10,000	10,000	756,402	(746,402)
Fringe Benefits	1,465,316	1,481,245	1,413,456	67,789
Insurances	405,000	405,000	370,090	34,910
Contributions to Various Agencies	16,750	16,750	16,750	-
Contingency	523,200	347,352	8,907	338,445
Total - General Government Administrative	8,565,383	8,538,861	8,364,728	174,133

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Public Safety				
Adults in Non-County Institutions	11,000	11,000	7,910	3,090
County Prison	2,481,495	2,479,495	2,771,186	(291,691)
Emergency Management	224,054	234,054	206,158	27,896
Fringe Benefits	838,754	847,872	886,177	(38,305)
Contributions to Various Agencies	31,750	31,750	31,750	-
Total - Public Safety	<u>3,587,053</u>	<u>3,604,171</u>	<u>3,903,181</u>	<u>(299,010)</u>
Public Works				
Engineering	264,108	193,383	312,509	(119,126)
Fringe Benefits	70,130	70,893	79,432	(8,539)
Contributions to Various Agencies	8,700	8,700	8,620	80
Total - Public Works	<u>342,938</u>	<u>272,976</u>	<u>400,561</u>	<u>(127,585)</u>
General Government - Judicial				
Registrar of Wills	254,220	254,220	247,689	6,531
Sheriff	746,492	745,323	687,472	57,851
Coroner	237,052	237,052	235,336	1,716
Prothonotary	355,750	353,250	312,015	41,235
Clerk of Courts	392,845	392,485	366,614	25,871
Public Defender	555,704	572,982	571,759	1,223
District Attorney	994,355	991,494	981,691	9,803
Law Library	186,923	186,923	215,711	(28,788)
Courts	1,361,370	1,361,370	1,244,731	116,639
District Justices	789,800	775,500	1,015,302	(239,802)
Constables	9,000	9,000	8,983	17
Jury Commissioners	22,800	22,800	22,649	151
Adult Probation	1,134,782	1,141,182	1,302,885	(161,703)
Juvenile Probation	723,614	723,614	850,378	(126,764)
Fringe Benefits	2,665,946	2,694,928	2,717,524	(22,596)
Total - General Government - Judicial	<u>10,430,653</u>	<u>10,462,123</u>	<u>10,780,739</u>	<u>(318,616)</u>
Conservation and Development				
Coal Lands	68,430	68,430	67,451	979
Economic Development	161,079	161,079	119,277	41,802
Solid Waste Management	580,151	580,151	403,574	176,577
Agricultural Extension	486,186	490,482	351,782	138,700
Soil Conservation	355,856	355,856	363,707	(7,851)
Fringe Benefits	304,752	308,065	311,435	(3,370)
Contributions to Various Agencies	147,900	166,150	184,537	(18,387)
Total - Conservation and Development	<u>2,104,354</u>	<u>2,130,213</u>	<u>1,801,763</u>	<u>328,450</u>
Culture and Recreation				
Contributions to Various Agencies	280,495	280,495	375,280	(94,785)
Human Services				
Human Services Administration	519,337	519,337	514,445	4,892
Fringe Benefits	110,991	109,797	103,362	6,435
Contributions to Various Agencies	47,356	49,744	48,550	1,194
Total - Human Services	<u>677,684</u>	<u>678,878</u>	<u>666,357</u>	<u>12,521</u>
Capital Projects	933,122	953,465	323,835	629,630
Total Expenditures	<u>26,921,682</u>	<u>26,921,182</u>	<u>26,616,444</u>	<u>304,738</u>
Excess of Revenues Over Expenditures	(95,220)	(94,720)	251,958	346,678

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Other Financing Sources (Uses)				
Operating Transfers In				
911 Tariff Fund	52,902	52,902	-	(52,902)
Drug and Alcohol	124,956	124,956	101,938	(23,018)
Mental Health/Mental Retardation	321,137	321,137	300,653	(20,484)
Children and Youth Services	405,253	405,253	388,113	(17,140)
Domestic Relations Office	312,384	312,384	216,040	(96,344)
Liquid Fuels Tax	45,000	45,000		(45,000)
Office of Senior Services	370,725	370,725	309,345	(61,380)
Offender Supervision	500,000	500,000	-	(500,000)
Human Services Complex Fund	9,016	9,016	-	(9,016)
County Home - Rest Haven	706,824	706,824	651,224	(55,600)
Community Development Block Grant	60,000	60,000		(60,000)
Other Funds	1,143,093	1,143,093	837,423	(305,670)
Library	79,245	79,245	79,245	-
Total Operating Transfers In	<u>4,130,535</u>	<u>4,130,535</u>	<u>2,883,981</u>	<u>(1,246,554)</u>
Operating Transfers (Out)				
Mental Health/Mental Retardation	(277,295)	(277,295)	(1,360,294)	(1,082,999)
Children and Youth Services	(2,920,766)	(2,920,766)	(2,920,766)	-
Domestic Relations Office	(378,031)	(378,031)	(372,923)	5,108
Office of Senior Services	(24,200)	(24,200)	(24,200)	-
Farmland Preservation	-	(500)	(500)	-
Internal Service	-	-	(109,630)	(109,630)
Drug and Alcohol	(31,282)	(31,282)	(31,282)	-
Transportation Fund	(165,765)	(165,765)	(165,765)	-
Human Services Complex	-	-	(10,138)	(10,138)
911 Tariff Fund	(1,115,211)	(1,115,211)	(915,211)	200,000
Total Operating Transfers (Out)	<u>(4,912,550)</u>	<u>(4,913,050)</u>	<u>(5,910,709)</u>	<u>(997,659)</u>
Total Other Financing Uses	<u>(782,015)</u>	<u>(782,515)</u>	<u>(3,026,728)</u>	<u>(2,244,213)</u>
Excess of Revenue Over Expenditures and Other Financing U	(877,235)	(877,235)	(2,774,770)	(1,897,535)
Fund Balances - Beginning of Year	<u>877,235</u>	<u>877,235</u>	<u>8,923,737</u>	<u>8,046,502</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,148,967</u>	<u>\$ 6,148,967</u>

COUNTY OF SCHUYLKILL
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - MENTAL HEALTH/MENTAL RETARDATION - SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Grants and Gifts	\$ 16,135,494	\$ 16,135,494	\$ 19,817,485	\$ 3,681,991
Interest and Royalties	80,000	80,000	30,431	(49,569)
Charges for Services	600,000	600,000	683,166	83,166
Total Revenues	<u>16,815,494</u>	<u>16,815,494</u>	<u>20,531,082</u>	<u>3,715,588</u>
Expenditures				
Human Services	17,072,089	16,997,089	21,279,830	(4,282,741)
Capital Projects	20,700	95,700	78,141	17,559
Total Expenditures	<u>17,092,789</u>	<u>17,092,789</u>	<u>21,357,971</u>	<u>(4,265,182)</u>
Excess of Revenues Over (Under) Expenditures	<u>(277,295)</u>	<u>(277,295)</u>	<u>(826,889)</u>	<u>(549,594)</u>
Other Financing Sources (Uses)				
Operating Transfers In	277,295	277,295	1,360,294	1,082,999
Operating Transfers (Out)	-	-	(533,405)	(533,405)
Total Other Financing Sources (Uses)	<u>277,295</u>	<u>277,295</u>	<u>826,889</u>	<u>549,594</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF SCHUYLKILL
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - CHILDREN AND YOUTH - SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Grants and Gifts	\$ 10,365,924	\$ 10,365,924	\$ 10,043,522	\$ (322,402)
Interest and Royalties	26,700	26,700	12,428	(14,272)
Charges for Services	1,024,219	1,024,219	924,861	(99,358)
Total Revenues	<u>11,416,843</u>	<u>11,416,843</u>	<u>10,980,811</u>	<u>(436,032)</u>
Expenditures				
Human Services	14,229,109	14,225,609	13,264,561	961,048
Capital Projects	108,500	112,000	85,008	26,992
Total Expenditures	<u>14,337,609</u>	<u>14,337,609</u>	<u>13,349,569</u>	<u>988,040</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,920,766)</u>	<u>(2,920,766)</u>	<u>(2,368,758)</u>	<u>552,008</u>
Other Financing Sources (Uses)				
Operating Transfers In	2,920,766	2,920,766	2,920,766	-
Operating Transfers (Out)	-	-	(552,008)	(552,008)
Total Other Financing Sources (Uses)	<u>2,920,766</u>	<u>2,920,766</u>	<u>2,368,758</u>	<u>(552,008)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF SCHUYLKILL
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - OFFICE OF SENIOR SERVICES - SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Grants and Gifts	\$ 6,314,000	\$ 6,314,000	\$ 6,397,625	\$ 83,625
Interest and Royalties	32,000	32,000	6,094	(25,906)
Charges for Services	595,000	595,000	539,536	(55,464)
Total Revenues	<u>6,941,000</u>	<u>6,941,000</u>	<u>6,943,255</u>	<u>2,255</u>
Expenditures				
Human Services	6,935,200	6,851,200	6,373,733	477,467
Capital Projects	30,000	114,000	147,197	(33,197)
Total Expenditures	<u>6,965,200</u>	<u>6,965,200</u>	<u>6,520,930</u>	<u>444,270</u>
Excess of Revenues Over (Under) Expenditures	<u>(24,200)</u>	<u>(24,200)</u>	<u>422,325</u>	<u>446,525</u>
Other Financing Sources (Uses)				
Operating Transfers In	24,200	24,200	24,200	-
Operating Transfers (Out)	-	-	(446,525)	(446,525)
Total Other Financing Sources (Uses)	<u>24,200</u>	<u>24,200</u>	<u>(422,325)</u>	<u>(446,525)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>