COUNTY OF SCHUYLKILL

POTTSVILLE, PENNSYLVANIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

COUNTY OF SCHUYLKILL

YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

	Page
Independent Auditors' Report on Basic Financial Statements	1 – 2
Management Discussion and Analysis	3 – 16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Fund Net Assets (Deficits) – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets	27
Notes to Financial Statements	28 – 55
Required Supplemental Information	
Employee Retirement Plan - Schedule of Employer Contributions	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund for the Year Ended December 31, 2003	58 - 60
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Mental Health/Mental Retardation – Special Revenue Fund for the Year Ended December 31, 2003	61
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Children and Youth Services – Special Revenue Fund for the Year Ended December 31, 2003	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Other Agency – Special Revenue Fund for the Year Ended December 31, 2003	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Liquid Fuels – Special Revenue Fund for the Year Ended December 31, 2003	64

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, 2004, 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 opinions on these financial statements based on our audit. We did not audit the discretely presented component units, Child Development, Inc. and the North Central Highway Safety Network's financial statements which reflect total assets of $761,565 and $778,7846, respectively, and total revenues of $6,865,893 and $2,446,178, respectively, that were included in the COUNTY OF SCHUYLKILL's financial statements as of and for the year ended December 31, 2003. 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 discretely presented 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2005, 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.

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Zelenkofske Axelrod LLC

The management's discussion and analysis, schedule of employer contributions, and budgetary comparison information on pages 3 through 16 and 57 through 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
April 22, 2005

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, 2004. 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, 2004.

FINANCIAL HIGHLIGHTS

- For Fiscal Year 2004, the County's total real estate millage rate was increased 3 mills to 11.98 mills. The levy for general purposes was increased from 8.32 mills to 11.42 mills and the levy for debt purposes remained the same at .56 mills.
- The County's unrestricted net assets (deficit) for the Governmental Activities were ($251,844) and for the Business-Type Activities were ($275,384) at the end of the year. This was a change of $5,762,055 and $708,383, respectfully from the previous year.
- The County's net assets from Governmental and Business-Type Activities were $22,474,702 at the end of the year. This was an increase of $4,663,516 or 26.18% from the previous year.
- The County had $22,875,000 of General Obligation Debt outstanding at the end of the year. This was a decrease of $2,360,000 or 9.35% from the previous year.
- The General Fund Unreserved Fund Balance was $2,247,198 at the end of the year. This was an increase of $2,314,966 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 S*tatement 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 18 through 19 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 six major governmental funds: the General Fund, Mental Health/Mental Retardation Fund, Children and Youth Fund, Other Agency Fund, Liquid Fuels Fund and the Debt Service Fund. The County also maintains nineteen non-major governmental funds that are combined into a single aggregated presentation.

The governmental fund financial statements can be found on pages 20 through 23 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 24 through 26 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 27 through 28 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the third year Schuylkill County is presenting its financial statements using the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB Statement #34), "Basic Financial Statements and Management's Discussion and Analysis (MD&A) for State and Local Governments". A comparative analysis of financial data of prior year information is included in this report.

NET ASSETS

Schuylkill County's net assets as of December 31, 2004 and December 31, 2003 are presented below:

County Net Assets as of December 31, 2004 and 2003

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Other Assets	$ 33,073,490	$ 34,478,237	$ 1,318,142	$ 763,334
Capital Assets, net	$ 22,079,403	$ 21,800,688	$ 3,768,687	$ 4,151,079
Total Assets	$ 55,152,893	$ 56,278,925	$ 5,086,829	$ 4,914,413
Other Liabilities	$ 8,978,312	$ 13,156,998	$ 723,033	$ 869,590
Long-term Liabilities	$ 25,748,182	$ 26,898,053	$ 2,315,493	$ 2,457,511
Total Liabilities	$ 34,726,494	$ 40,055,051	$ 3,038,526	$ 3,327,101
Net Assets:				
Capital Assets, net of debt	$ 19,589,403	$ 17,800,688	$ 2,323,687	$ 2,571,079
Restricted	$ 1,088,840	$ 4,437,085	$ -	$ -
Unrestricted	$ (251,844)	$ (6,013,899)	$ (275,384)	$ (983,767)
Total Net Assets	$ 20,426,399	$ 16,223,874	$ 2,048,303	$ 1,587,312

Net assets of the County's governmental activities were $20,426,399. Of this amount, $19,589,403 represents the investment in capital assets, net of related debt, while $1,088,840 was restricted for various purposes. The unrestricted net asset deficit bal- ance as of the end of the year was ($251,844).

Net assets of the County's business-type activities were $2,048,303. Of this amount, $2,323,687 represents investment in capital assets, net of related debt. The unrestricted net asset deficit balance as of the end of the year was ($275,384).

The following table presents the County's changes in net assets for the fiscal year ended December 31, 2004 and December 31, 2003:

County's Changes in Net Assets as of December 31, 2004 and 2003

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Revenues:				
Program Revenues:				
Charges for Services	$ 13,322,436	$ 10,024,041	$ 10,498,045	$ 9,876,407
Operating Grants & Contributions	$ 58,884,331	$ 56,925,975		
Capital Grants & Contributions	$ 221,550			
General Revenues:				
Property Taxes	$ 25,602,933	$ 18,753,649		
Interest, Invest. Earnings & Royalties	$ 373,528	$ 331,801	$ 845	$ 2,040
Hotel Tax	$ 177,215	$ 164,193		
Per Capita Tax	$ 418,156	$ 421,478		
Gain/(Loss) on Disposal of Asset		$ 60,020		
Miscellaneous	$ 1,112,181	$ 1,260,644	$ 522,482	$ 429,057
Total Revenues	$ 100,112,330	$ 87,941,801	$ 11,021,372	$ 10,307,504
Expenses:				
General Government	$ 10,603,700	$ 9,976,675		
Judicial Government	$ 15,144,513	$ 14,625,902		
Public Safety	$ 5,478,159	$ 4,864,747		
Public Works	$ 4,483,649	$ 4,260,841		
Human Services	$ 51,985,981	$ 53,526,114		
Culture/Recreation	$ 438,118	$ 451,022		
Conservation/Development	$ 5,192,534	$ 4,663,871		
Interest on Long-Term Debt	$ 836,496	$ 762,003		
911 Fund			$ 2,302,434	$ 2,110,973
Nursing Home			$ 10,004,603	$ 10,073,162
Total Expenses	$ 94,163,150	$ 93,131,175	$ 12,307,037	$ 12,184,135
Change in Net Assets before Transfers	$ 5,949,180	$ (5,189,374)	$ (1,285,665)	$ (1,876,631)
Transfers	$ (1,746,656)	$ (682,517)	$1,746,656	$ 682,517
Change in Net Assets	$ 4,202,524	$ (5,871,891)	$ 460,991	$ (1,194,114)
Net Assets - Beginning	$ 16,223,875	$ 22,095,765	$ 1,587,312	$ 2,781,426
Net Assets - Ending	$ 20,426,399	$ 16,223,874	$ 2,048,303	$ 1,587,312

During 2004, total net assets of the County's governmental activities increased by $4,202,525 or 25.9% to $20,426,399. The contributing factors to this change were an increase in property tax revenue of $6,849,284.

During 2004, total net assets of the County's business-type activities increased by $460,991 or 29% to $2,048,303. The increase was primarily the result of the County Nursing Home receiving more revenue from Medicare Part A and receiving an Operating Transfer from the County General Fund.

GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES

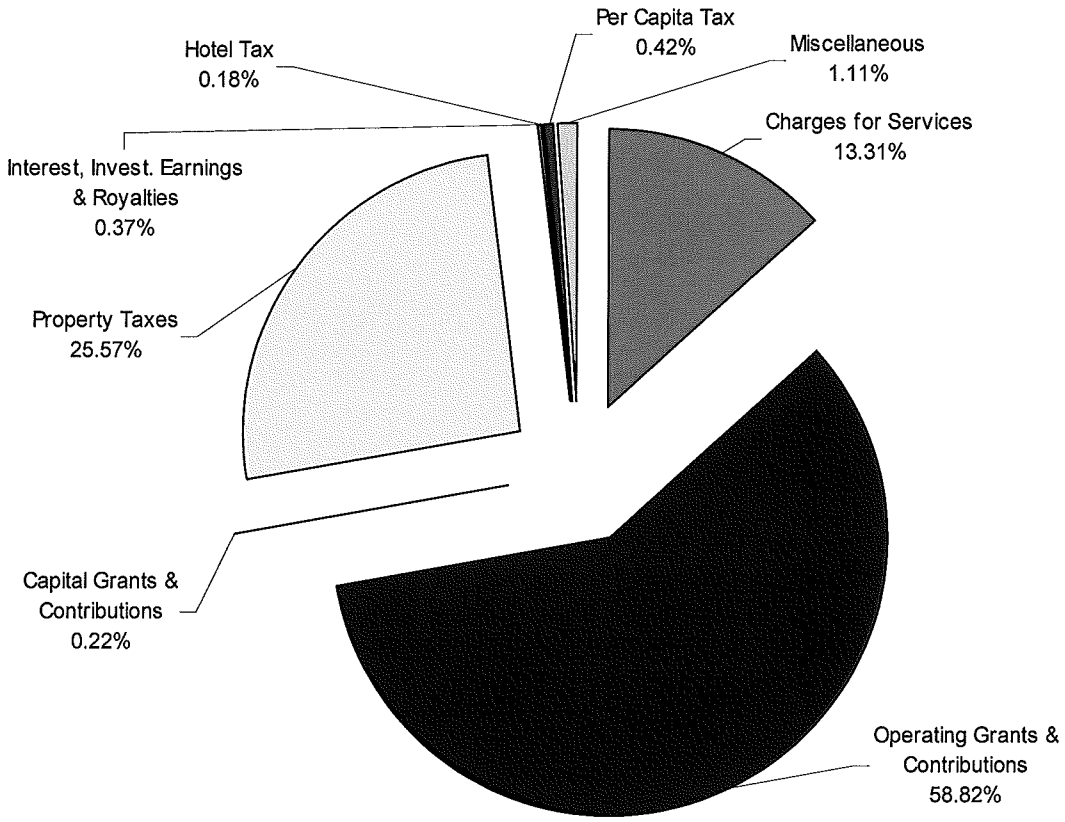
The following table presents the sources of revenues for the fiscal year ended December 31, 2004:

Sources of Revenues

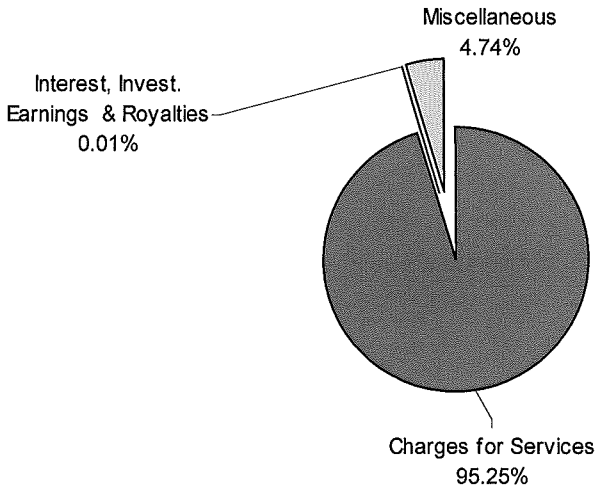
	Governmental Activities		Business-Type Activities	
Revenues:				
Charges for Services	$ 13,322,436	13.31%	$ 10,498,045	95.25%
Operating Grants & Contributions	$ 58,884,331	58.82%		0.00%
Capital Grants & Contributions	$ 221,550	0.22%		0.00%
Property Taxes	$ 25,602,933	25.57%		0.00%
Interest, Invest. Earnings & Royalties	$ 373,528	0.37%	$ 845	0.01%
Hotel Tax	$ 177,215	0.18%		0.00%
Per Capita Tax	$ 418,156	0.42%		0.00%
Miscellaneous	$ 1,112,181	1.11%	$ 522,482	4.74%
Total Revenues	$ 100,112,330	100.00%	$ 11,021,372	100.00%

(See the accompanying pie charts on next page)

Sources of Revenue - Governmental Activities



Sources of Revenue - Business -Type Activities

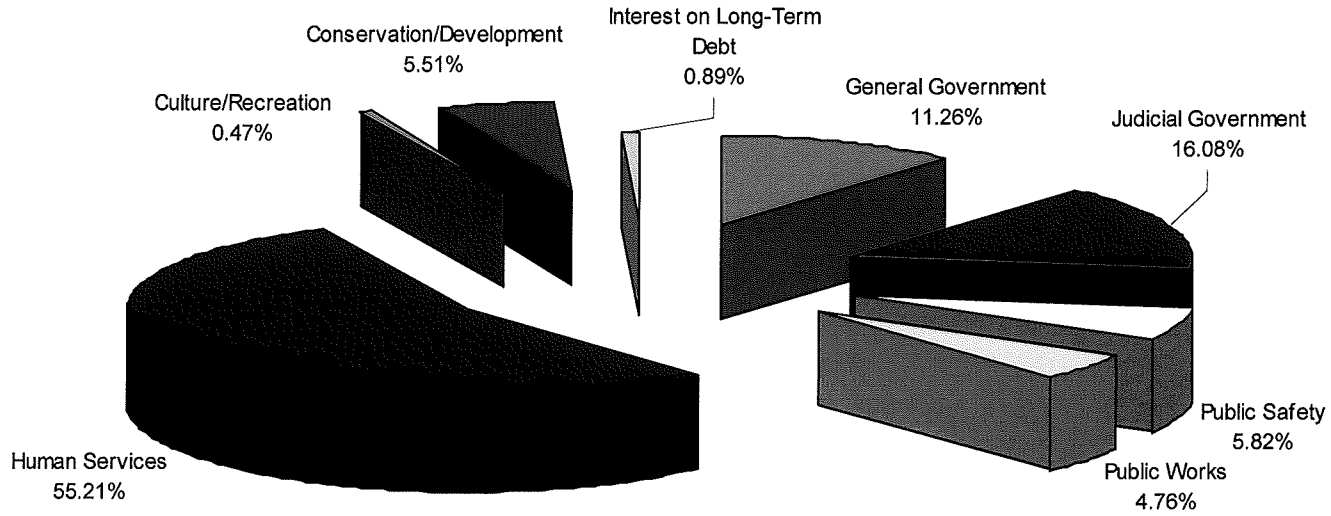


The following table presents the functional expenses for the fiscal year ended December 31, 2004:

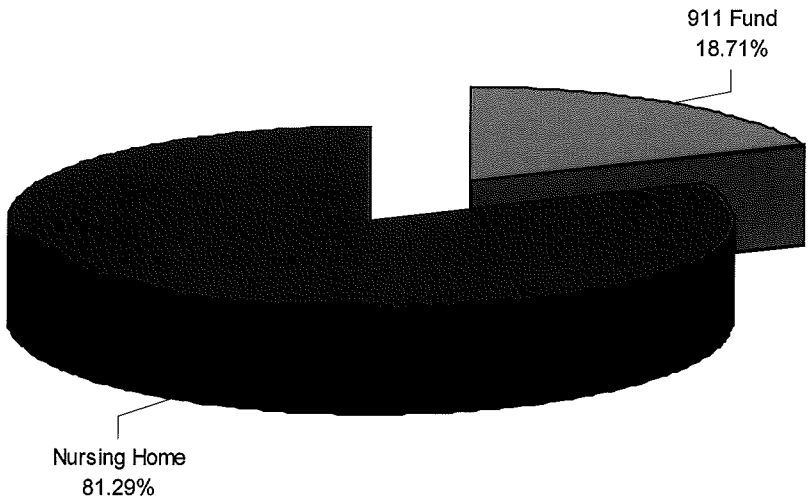
Functional Expenses

	Governmental Activities		Business-Type Activities	
Expenses:				
General Government	$ 10,603,700	11.26%		
Judicial Government	$ 15,144,513	16.08%		
Public Safety	$ 5,478,159	5.82%		
Public Works	$ 4,483,649	4.76%		
Human Services	$ 51,985,981	55.21%		
Culture/Recreation	$ 438,118	0.47%		
Conservation/Development	$ 5,192,534	5.51%		
Interest on Long-Term Debt	$ 836,496	0.89%		
911 Fund			$ 2,302,434	18.71%
Nursing Home			$ 10,004,603	81.29%
Total Expenses	$ 94,163,150	100.00%	$ 12,307,037	100.00%

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, Other Agency Special Revenue Fund, Liquid Fuels 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. For the year ended December 31, 2004, Schuylkill County governmental funds reported a combined ending fund balance of $20,610,839. This was an increase of $1,326,707 or 6.87% from the previous year.

General Fund – The General Fund is the primary operating fund of the County. At the end of 2004, the General Fund reported a fund balance of $3,524,401. This was an increase of $1,209,515 or 52.24% from the previous year. This increase was primarily the result of an increase in real estate tax revenue due to the increase in the millage rate for general purposes.

The unreserved fund balance in the General Fund was $2,247,198 as of December 31, 2004. A reserve of $666,220 was recorded for the purpose of purchasing agriculture easements. A reserve of $610,983 was recorded for the purpose of covering the deficit in the 911 Fund.

Mental Health/Mental Retardation Fund – At the end of 2004, the Mental Health/Mental Retardation Fund maintains no fund balance because the General Fund transfers a sufficient amount to bring the fund balance to zero.

Children and Youth Fund - At the end of 2004, the Children and Youth Fund maintains no fund balance because the General Fund transfers a sufficient amount to bring the fund balance to zero.

Other Agency Fund - At the end of 2004, the Other Agency Fund maintains no fund balance because the General Fund transfers a sufficient amount to bring the fund balance to zero.

Liquid Fuels Fund – At the end of 2004, the Liquid Fuels Fund reported a fund balance of $3,567,717. This was an increase of $96,160 or 2.77% from the previous year. This increase was the result of a decrease in expenses involving contracted services.

Debt Service Fund – At the end of 2004, the Debt Service Fund reported a fund balance of $11,136,860. This was a decrease of $2,225,327 or 16.6% from the previous year. This decrease was the result of a decrease in expenses. This primarily was a decrease in purchases of agriculture easements, a decrease in transfers to Capital Reserves, and an increase in retirement of debt principal.

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

Rest Haven Nursing Home – At the end of 2004, the Nursing Home reported net assets of $2,659,286. This was an increase of $493,132 or 22.7% from the previous year. This increase was primarily the combined result of an increase in revenue from Medicare Part A and an Operating Transfer In from the General Fund. The last time the General Fund transferred funds to the Nursing Home to subsidize their operation was in 1998.

911 Fund - At the end of 2004, the 911 Fund reported net assets (deficit) of ($610,983). This deficit was increased by $32,141 or 5.5% from the previous year. This was the result of a decrease in Tariff Revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the original general fund budget was increased to recognize supplemental revenues which were subsequently applied to the appropriations budget.
The County's original revenue budget increased from $35,351,372 to $35,667,432, an increase of $316,060 or .9%. Actual revenues received were $34,907,939 or 97.9% of the final budget. Intergovernmental revenues fell $957,435 short of the final budgeted amounts.

The County's original expenditure budget, excluding transfers, increased from $33,974,417 to $34,174,766, an increase of $200,349 or .6%. Actual expenditures were $29,900,364 or 87.5% of the final budget. The difference was the result of cost saving measures being applied during 2004.

CAPITAL ASSETS

Schuylkill County's investment in capital assets for its governmental and business-type activities as of December 31, 2004 was $25,848,090 (net of accumulated depreciation). This was a decrease of $103,677 or .4% 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 asset events during the fiscal year included the following:

Governmental Activities

- Construction in Progress decreased by a net amount of $2,415,973; this primarily was the result of a transfer to Land Improvements for improvements made to the Sweet Arrow Lake Dam, a transfer to Buildings and Improvements for improvements made to the Mahanoy City Senior Center and a transfer to Buildings and Improvements for improvements made to the Sweet Arrow Lake Clubhouse.
- Land Improvements increased by $1,203,821; this primarily was the result of a transfer from Construction in Progress for improvements made to the Sweet Arrow Lake Dam.
- Buildings and Improvements increased by $1,410,599; this primarily was the net result of a transfer from Construction in Progress as well as other improvements made to the Sweet Arrow Lake Clubhouse and a transfer from Construction in Progress as well as other improvements made to the Mahanoy City Senior Center.
- Motor Vehicles increased by a net amount of $1,514,177; this primarily was the net result of vehicles purchased for Schuylkill Transportation System, Solid Waste Department, and Juvenile Probation.

Business-Type Activities

- Construction in Progress increased by a net amount of $71,292; this was the result of an Emergency Mapping Project at 911.

The following is a summary of capital assets as of December 31, 2004 and December 31, 2003:

Summary of Capital Assets

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Balance at December 31, 2004	Balance at December 31, 2003
Land	$ 694,817	$ 694,817			$ 694,817	$ 694,817
Construction In Progress	$ 106,208	$ 2,522,181	$ 99,697	$ 28,405	$ 205,905	$ 2,550,586
Works of Art Collections	$ 174,000	$ 174,000			$ 174,000	$ 174,000
Land Improvements	$ 1,800,464	$ 596,643	$ 157,045	$ 154,845	$ 1,957,509	$ 751,488
Buildings and Improvements	$ 23,127,764	$ 21,717,165	$ 6,803,496	$ 6,798,470	$ 29,931,260	$ 28,515,635
Machinery and Equipment	$ 4,872,343	$ 4,719,773	$ 2,987,103	$ 2,961,842	$ 7,859,446	$ 7,681,615
Motor Vehicles	$ 7,625,899	$ 6,111,722	$ 119,173	$ 86,290	$ 7,745,072	$ 6,198,012
Computer Equipment	$ 2,436,957	$ 2,130,462	$ 1,276,134	$ 1,220,903	$ 3,713,091	$ 3,351,365
Agricultural Easements	$ 458,455	$ 280,000			$ 458,455	$ 280,000
Infrastructure	$ 5,598,110	$ 5,598,110			$ 5,598,110	$ 5,598,110
Accumulated Depreciation	$ (24,815,614)	$ (22,744,185)	$ (7,673,961)	$ (7,099,676)	$ (32,489,575)	$ (29,843,861)
Total Capital Assets, Net of Accumulated Depreciation	$ 22,079,403	$ 21,800,688	$ 3,768,687	$ 4,151,079	$ 25,848,090	$ 25,951,767

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, 2004, Schuylkill County had $22,875,000 in general obligation bonds outstanding. This was a decrease of $2,360,000 or 9.35% from the previous year. The following is a summary of general obligation bond activity during 2004:

Summary of General Obligation Bond Activity

	Governmental Activities	Business-Type Activities	Total
Beginning Balance at January 1, 2004	$ 23,655,000	$ 1,580,000	$ 25,235,000
Less Principal Payments	$ (2,225,000)	$ (135,000)	$ (2,360,000)
Ending Balance at December 31, 2004	$ 21,430,000	$ 1,445,000	$ 22,875,000

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

ECONOMIC FACTORS

The unemployment rate in Schuylkill County was 7.2% as of December 31, 2004. This was higher than the State unemployment rate of 5.6% and was higher than the National unemployment rate of 5.4%.

The net job gain to the County during 2004 was approximately 300 jobs. The Goods Producing Industry lost about 300 jobs but the Service Industry generated about 600 jobs.

Schuylkill County is making an effort to stimulate economic development by participating in the Pennsylvania Department of Community and Economic Development's Keystone Opportunity Zone (KOZ) Program as authorized under the Keystone Opportunity Zone (KOZ) program legislation.

Schuylkill County is a joint participant with Carbon County in the KOZ Program. The Schuylkill/Carbon Zone is designated a Keystone Opportunity Zone (KOZ) under Act 92 of 1998. Originally this Zone was comprised of 12 sub zones - nine (9) sub zones in Schuylkill County and three (3) sub zones in Carbon County and was for a twelve (12) year period effective January 1, 1999. A subsequent amendment to the initial legislation was enacted in December 2000 expanding the zones and extending the time period for the new zones from January 2001 through December 2013. With the new legislation, the number of sub zones increased to nineteen (19) – fourteen (14) in Schuylkill County and five (5) in Carbon County.

The goal of the Keystone Opportunity Zone Program is to revive economically distressed communities by utilizing a market based incentive – state and local tax abatement to recruit new businesses and to assist with the expansion of established businesses. It is anticipated that this initiative will help foster reinvestment in some of the more economically distressed areas.

During 2004, the following highlights occurred within Schuylkill County's KOZ sub zones:

1. Sub zone #2:
   - CanDo sold Lot #68 to Humboldt 68 Land LLC
   - Mericle Properties entered into a lease agreement with Kane Distribution to lease warehouse space.

2. Sub zone #6 – Tide Property constructed a 30,000 sq ft building and entered into a tenant agreement with Highwood USA LLC.

3. Sub zone #8 – Keystone Potato Products LLC, Newstead Development LLC, and Pleasant Valley Modular Homes Inc received a designation under the KOZ enhancement Program.

4. Sub zone #13 – Valley Enterprises Inc entered into a residential lease agreement with Vaihav Sapre and Tirupathi Kunta.

5. Sub zone #16 – Pottsville Redevelopment Authority entered into tenant agreements with the following companies – Schuylkill Alliance for Health Care Access Inc, Driving Technology Systems Inc, and AIS Consulting LLC.

6. Sub zone #17:
   - SEDCO sold a 425,000 sq ft warehouse to Wal-mart
   - Ashland Diesel Engines Inc and Ash-Tec Inc received a designation under the KOZ enhancement Program.

During fiscal year 2000, Schuylkill County issued GO Bonds in the amount of $10,000,000 for various projects. During 2004, the County spent $1,398,752 from the 2000 bond proceeds for the following economic development projects:

- Schuylkill County Airport Education Center
- Coaldale KOZ Site

With respect to the 2000 GO Bond Issue, there was a balance remaining of $477,669 at the end of the year. The County intends to spend the remaining funds on the following:

- 911 CAD system
- CAMA system
- Installing GIS Software
- Purchasing agricultural easements
- SEDCO/Highridge

NEXT YEAR'S BUDGET AND RATES

For Fiscal Year 2005, the County's total real estate millage will remain the same at 11.42 mills. The General Fund millage will remain the same at 11.42 mills and the Funded Debt millage will remain the same at .56 mills. The 2005 General Fund appropriation was approved at $40,987,282 on December 22, 2004. This was an increase of $1,831,283 above the previous year.

REQUEST 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.

County of Schuylkill
Statement of Net Assets
December 31, 2004

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 14,260,194	$ 402,323	$ 14,662,517	$ 527,543
Restricted Cash	1,468,333	82,891	1,551,224	-
Investments	1,993,502	-	1,993,502	-
Accounts Receivable	167,538	1,125,944	1,293,482	31,173
Interest Receivable	142,906	-	142,906	-
Taxes Receivable	3,681,081	-	3,681,081	-
Due From Other Governmental Units	2,175,438	-	2,175,438	731,958
Internal Balances	293,016	(293,016)	-	-
Notes Receivable	8,500,000	-	8,500,000	-
Other Assets	391,482	-	391,482	19,237
Capital Assets, Net	22,079,403	3,768,687	25,848,090	230,500
Total Assets	55,152,893	5,086,829	60,239,722	1,540,411
Laibilities				
Accounts Payable	2,675,376	440,394	3,115,770	325,576
Accrued Expenses and Withholdings	590,633	147,639	738,272	8,583
Due to Other Governments	7,293	-	7,293	15,425
Deferred Revenue	2,624,387	-	2,624,387	-
Escrow Funds- Other	1,069,710	-	1,069,710	-
Excess of Taxes - Tax Claim Bureau	224,202	-	224,202	-
Escrow Land Sales	84,154	-	84,154	-
Interest Payable	172,557	-	172,557	-
Current Portions of Long Term Liabilities:				
Loans and Notes Payable	-	-	-	499,979
General Obligation Bonds Payable	1,530,000	135,000	1,665,000	-
Non-Current Potions of Long Term Liabilities:				
Payable From Restricted Assets	1,151,610	82,891	1,234,501	-
General Obligation Bonds Payable	19,532,356	1,310,000	20,842,356	-
Accrued Compensated Absences	4,647,139	922,602	5,569,741	-
Self Insurance Claims Payable	417,077	-	417,077	-
Total Liabilities	34,726,494	3,038,526	37,765,020	849,563
Net Assets				
Invested In Capital Assets, Net of Related Debt	19,589,403	2,323,687	21,913,090	219,675
Restricted:				
Library	188	-	188	-
Economic Development	477,669	-	477,669	-
Mental Health/Mental Retardation	-	-	-	-
911 Fund	610,983	-	610,983	-
Unrestricted	(251,844)	(275,384)	(527,228)	471,173
Total Net Assets	$ 20,426,399	$ 2,048,303	$ 22,474,702	$ 690,848

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

County of Schuylkill
Statement of Activities
December 31, 2004

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:									
Governmental Activities:									
General Government	$ 10,603,700	$ (2,937,147)	$ 3,213,658	$ -	$ 221,550	$ (4,231,345)		$ (4,231,345)	
Judicial Government	15,144,513	1,978,149	2,073,666	4,435,437	-	(10,613,559)		(10,613,559)	
Public Safety	5,478,159	228,090	378,204	623,776	-	(4,704,269)		(4,704,269)	
Public Works	4,483,649	72,998	5,466,916	488,694	-	1,398,963		1,398,963	
Human Services	51,985,981	523,172	1,695,876	49,800,862	-	(1,012,415)		(1,012,415)	
Culture/Recreation	438,118	-	-	6,750	-	(431,368)		(431,368)	
Conservation/Development	5,192,534	134,738	494,116	3,528,812	-	(1,304,344)		(1,304,344)	
Interest on Long-Term Debt	836,496	-	-	-	-	(836,496)		(836,496)	
Total Governmental Activities	94,163,150	-	13,322,436	58,884,331	221,550	(21,734,833)		(21,734,833)	
Business-Type Activities:									
911 Operations	2,302,434	-	1,291,047	-	-		(1,011,387)	(1,011,387)	
Nursing Home	10,004,603	-	9,206,998	-	-		(797,605)	(797,605)	
Total Business-Type Activities	12,307,037	-	10,498,045	-	-		(1,808,992)	(1,808,992)	
Total Primary Government	$ 106,470,187	$ -	$ 23,820,481	$ 58,884,331	$ 221,550.00	(21,734,833)	(1,808,992)	(23,543,825)	
Component Units:									
Human Services	$ 6,881,099		$ 365,774	$ 6,476,206	$ -				(39,119)
Public Safety	2,382,397		-	2,437,685	-				55,288
Total Component Units	$ 9,263,496		$ 365,774	$ 8,913,891	$ -				16,169
General Revenues:									
Property Taxes - General Levy						25,602,933	-	25,602,933	-
Interest, Investment Earnings and Royalties						373,528	845	374,373	4,350
Hotel Tax						177,215	-	177,215	-
Per Capita Tax						418,156	-	418,156	-
Miscellaneous						1,112,181	522,482	1,634,663	28,056
Transfers (Internal Activities)						(1,746,656)	1,746,656	-	-
Total General Revenues and Transfers						25,937,357	2,269,983	28,207,340	32,406
Change in Net Assets						4,202,524	460,991	4,663,515	48,575
Net Assets - Beginning as Restated						16,223,875	1,587,312	17,811,187	642,273
Net Assets - Ending						$ 20,426,399	$ 2,048,303	$ 22,474,702	$ 690,848

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

COUNTY OF SCHUYLKILL
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

Assets	General	Mental Health/ Mental Retardation	Children and Youth	Other Agency	Liquid Fuels	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash on Hand	$ 15,000	$ -	$ -	$ -	$ -		$ -	$ 15,000
Cash and Cash Equivalents	2,012,843	276,452	953,424	1,514,167	3,367,600	2,076,698	3,740,297	13,941,481
Restricted Cash	1,151,610	-	-	-	-	316,723	-	1,468,333
Investments	1,015,125	-	-	-	200,192	-	778,185	1,993,502
Accounts Receivable	167,538	-	-	-	-	-	-	167,538
Taxes Receivable	3,481,828	-	-	-	-	199,253	-	3,681,081
Due From Other Governments	-	-	2,113,409	16,362	-	-	45,667	2,175,438
Due from Other Funds	2,004,923	33,652	-	-	-	205,340	-	2,243,915
Notes Receivable	-	-	-	-	-	8,500,000	-	8,500,000
Total Assets	$ 9,848,867	$ 310,104	$ 3,066,833	$ 1,530,529	$ 3,567,792	$ 11,298,014	$ 4,564,149	$ 34,186,288
Liabilities and Fund Balances								
Liabilities								
Vouchers and Warrants Payable	$ 570,445	$ 119,374	$ 951,558	$ 163,572	$ 75	$ 3,120	$ 835,605	$ 2,643,749
Accrued Expenses and Withholdings	331,728	2,419	50,156	-	-	-	206,330	590,633
Deferred Revenue	2,673,701	188,311	-	1,297,723	-	158,034	1,138,353	5,456,122
Taxes Held in Escrow (Road and School)	445,095	-	-	-	-	-	-	445,095
Excess of Taxes - Tax Claim Bureau	224,202	-	-	-	-	-	-	224,202
Escrow Funds - Other	1,069,710	-	-	-	-	-	-	1,069,710
Escrow Land Sales	84,154	-	-	-	-	-	-	84,154
Funds Held in Fiduciary Capacity	706,515	-	-	-	-	-	-	706,515
Due to Other Governments	-	-	-	7,293	-	-	-	7,293
Due to Other Funds	218,916	-	2,065,119	61,941	-	-	2,000	2,347,976
Total Liabilities	6,324,466	310,104	3,066,833	1,530,529	75	161,154	2,182,288	13,575,449
Fund Balances								
Fund Balances (Reserved)								
Debt Service	-	-	-	-	-	10,659,191	-	10,659,191
Economic Development	-	-	-	-	-	477,669	-	477,669
Library	-	-	-	-	-	-	188	188
Conservation and Development	666,220	-	-	-	-	-	-	666,220
Construction	-	-	-	-	-	-	9,590	9,590
911	610,983	-	-	-	-	-	-	610,983
Unreserved	2,247,198	-	-	-	3,567,717	-	2,372,083	8,186,998
Total Fund Balances	3,524,401	-	-	-	3,567,717	11,136,860	2,381,861	20,610,839
Total Liabilities and Fund Balances	$ 9,848,867	$ 310,104	$ 3,066,833	$ 1,530,529	$ 3,567,792	$ 11,298,014	$ 4,564,149	$ 34,186,288

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, 2004

Total Fund Balances of Governmental Funds:	$ 20,610,839
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.	22,079,403
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.	252,086
Interest Receivable on long term receivables is not accrued in the current period and accordingly not reported as a fund asset.	142,906
The funds record only the tax revenue received through a period of 60 days subsequent to year-end. The statement of net assets inludes a receivable for the County's anticipated collections on the levy.	2,831,735
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.	391,482
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	(21,430,000)
Deferred Refunding Loss	367,644
Accrued Interest Payable	(172,557)
Accrued Compensated Absences	(4,647,139)
Total Net Assets of Governmental Activities	$ 20,426,399

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, 2004

	General	Mental Health/ Mental Retardation	Children and Youth	Other Agency	Liquid Fuels	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues								
Real Estate Taxes	$ 23,833,289	$ -	$ -	$ -	$ -	$ 1,231,961	$ -	$ 25,065,250
Per Capita Taxes	418,156	-	-	-	-	-	-	418,156
Hotel Tax	177,215	-	-	-	-	-	-	177,215
Interest and Royalties	218,124	16,464	10,962	5,872	46,535	35,199	40,305	373,461
Grants and Gifts	3,685,159	20,113,696	10,753,727	3,697,704	298,085	-	20,557,510	59,105,881
Charges for Services	6,417,776	222,849	871,258	1,966	-	-	5,808,587	13,322,436
Other Revenue	158,220	-	-	98,592	-	718,096	137,273	1,112,181
Total Revenues	34,907,939	20,353,009	11,635,947	3,804,134	344,620	1,985,256	26,543,675	99,574,580
Expenditures								
General Government	8,985,323	-	-	-	-	105,524	42,928	9,133,775
Judicial Government	11,979,577	-	-	1,460,439	-	-	1,415,961	14,855,977
Public Safety	4,768,901	-	-	-	-	-	356,751	5,125,652
Public Works	484,376	-	-	-	38,828	-	3,107,774	3,630,978
Human Services	609,428	18,799,451	13,714,785	1,846,274	-	-	16,657,277	51,627,215
Culture/Recreation	402,139	-	-	-	-	-	-	402,139
Conservation/Development	2,400,373	-	-	-	-	19,001	2,574,146	4,993,520
Debt Service - Principal	-	-	-	-	-	2,225,000	-	2,225,000
Debt Service - Interest	-	-	-	-	-	783,305	-	783,305
Capital Projects	270,247	-	25,713	1,112	20,405	-	3,001,107	3,318,584
Total Expenditures	29,900,364	18,799,451	13,740,498	3,307,825	59,233	3,132,830	27,155,944	96,096,145
Excess of Revenues Over (Under) Expenditures	5,007,575	1,553,558	(2,104,551)	496,309	285,387	(1,147,574)	(612,269)	3,478,435
Other Financing Sources (Uses)								
Operating Transfers In	2,920,805	711,840	2,899,323	-	-	269,532	2,423,536	9,225,036
Operating Transfers (Out)	(6,718,865)	(461,586)	(794,772)	(496,309)	(189,227)	(1,347,285)	(1,368,720)	(11,376,764)
Total Other Financing Sources (Uses)	(3,798,060)	250,254	2,104,551	(496,309)	(189,227)	(1,077,753)	1,054,816	(2,151,728)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,209,515	1,803,812	-	-	96,160	(2,225,327)	442,547	1,326,707
Fund Balances - Beginning of Year	2,314,886	(1,803,812)	-	-	3,471,557	13,362,187	1,939,314	19,284,132
Fund Balances - End of Year	$ 3,524,401	$ -	$ -	$ -	$ 3,567,717	$ 11,136,860	$ 2,381,861	$ 20,610,839

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
YEAR ENDED DECEMBER 31, 2004

Net Change in fund balances - total governmental funds	$ 1,326,707
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 ($2,872,292) and depreciation expense ($2,593,577) is a reconciling item.	278,715
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.	537,683
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.	(15,470)
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.	7,776
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. The amounts related to the above items that make up differences are:	
Principal Repayments	2,225,000
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	(65,798)
Accrual of interest on long-term debt	21,048
Amortization of issuance costs	(38,898)
Amortization of Deferred Refunding Loss	(74,239)
Change in Net Assets of governmental activities	$ 4,202,524

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

COUNTY OF SCHUYLKILL
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-type Activites - Enterprise Funds			Governmental Activites
	Rest Haven Nursing Home	911 Fund	Totals	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 340,812	$ 61,511	$ 402,323	$ 71,765
Due From Other Funds	54,197	-	54,197	449,642
Accounts Receivable	1,017,265	108,679	1,125,944	-
Total Current Assets	1,412,274	170,190	1,582,464	521,407
Non-Current Assets:				
Restricted Cash	82,891	-	82,891	231,948
Property, Plant, and Equipment - Net of Accumulated Depreciation				
Fixed Assets	8,374,345	3,028,727	11,403,072	-
Non-Eligible Fixed Assets	-	39,576	39,576	-
Accumulated Depreciation	(5,571,860)	(2,070,921)	(7,642,781)	-
Non-Eligible Accumulated Depreciation	-	(31,180)	(31,180)	-
Property, Plant, and Equipment, Net	2,802,485	966,202	3,768,687	-
Total Non-Current Assets	2,885,376	966,202	3,851,578	231,948
Total Assets	4,297,650	1,136,392	5,434,042	753,355
LIABILITIES				
Current Liabilities				
Vouchers and Warrants Payable	429,292	11,102	440,394	31,627
Accrued Expenses and Witholdings	121,579	26,060	147,639	417,077
Bonds Payable - Current Portion	-	135,000	135,000	-
Due to Other Funds	341,873	5,340	347,213	52,565
Total Current Liabilities	892,744	177,502	1,070,246	501,269
Long-Term Liabilities				
Patient Funds Held in Safekeeping	82,891	-	82,891	-
Compensated Absenses	662,729	259,873	922,602	-
Bonds Payable	-	1,310,000	1,310,000	-
Total Long-Term Liabilities	745,620	1,569,873	2,315,493	-
Total Liabilities	1,638,364	1,747,375	3,385,739	501,269
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,802,485	(478,798)	2,323,687	-
Unrestricted	(143,199)	(132,185)	(275,384)	252,086
Total Net Assets	$ 2,659,286	$ (610,983)	$ 2,048,303	$ 252,086

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

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities
	Rest Haven Nursing Home	911 Fund	Total	Internal Service Fund
Operating Revenues				
Net Patient Service	$ 9,206,998	$ -	$ 9,206,998	$ -
Miscellaneous Revenue	500,951	21,531	522,482	7,230
Tariff Revenue	-	1,291,047	1,291,047	-
Total Operating Revenues	9,707,949	1,312,578	11,020,527	7,230
Operating Expenditures				
Administration Services	451,698	12,910	464,608	2,500
Dietary and Food	954,299	-	954,299	-
Laundry	205,701	-	205,701	-
Housekeeping	367,170	-	367,170	-
Plant Operations	392,652	-	392,652	-
Maintenance	159,427	-	159,427	-
Boiler House	64,777	-	64,777	-
Nursing	3,868,559	-	3,868,559	-
Practitioners	24,066	-	24,066	-
Social Services	102,245	-	102,245	-
Patient Services	188,875	-	188,875	-
Pharmacy and Medical Supplies	677,819	-	677,819	-
Physical, Speech, and Occupational Therapy	590,559	-	590,559	-
Medical Records	8,103	-	8,103	-
Depreciation	346,897	225,225	572,122	-
Other	1,654,321	-	1,654,321	-
Emergency Communications	-	1,999,634	1,999,634	-
Workers' Compensation	(52,565)	-	(52,565)	402,093
Total Operating Expenditures	10,004,603	2,237,769	12,242,372	404,593
Operating Loss	(296,654)	(925,191)	(1,221,845)	(397,363)
Nonoperating Revenues and Expenses				
Interest Income	759	86	845	67
Interest Expense	-	(64,665)	(64,665)	-
Total Nonoperating Revenues and Expenses	759	(64,579)	(63,820)	67
Loss Before Other Financing Sources (Uses)	(295,895)	(989,770)	(1,285,665)	(397,296)
Other Financing Sources (Uses)				
Operating Transfers In	975,000	1,163,039	2,138,039	405,072
Operating Transfers Out	(185,973)	(205,410)	(391,383)	-
Total Other Financing Sources (Uses)	789,027	957,629	1,746,656	405,072
Net Income (Loss)	493,132	(32,141)	460,991	7,776
Net Assets (Deficits) - Beginning of Year	2,166,154	(578,842)	1,587,312	244,310
Net Assets (Deficits) - End of Year	$ 2,659,286	$ (610,983)	$ 2,048,303	$ 252,086

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

COUNTY OF SCHUYLKILL
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Types			
	Rest Haven Nursing Home	911 Fund	Total Enterprise	Internal Service Fund
Cash Flow From Operating Activities				
Patient Service Revenue Receipts	$ 8,998,126	$ -	$ 8,998,126	$ -
911 Tariff Revenue Receipts	-	1,283,204	1,283,204	-
Payments to Suppliers	(5,554,690)	(891,466)	(6,446,156)	(464,191)
Payments to Employees	(4,892,528)	(1,146,016)	(6,038,544)	-
Internal - Payments From Other Funds	-	-	-	65,301
Other Receipts (Payments)	500,951	21,531	522,482	7,230
Total Adjustments	(948,141)	(732,747)	(1,680,888)	(391,660)
Net Cash Provided by (Used in) Operating Activities	(948,141)	(732,747)	(1,680,888)	(391,660)
Cash Flows from Investing Activities				
Interest Receipts	759	86	845	67
Net Cash Provided by Investing Activities	759	86	845	67
Cash Flows from Capital Activities				
Purchase of Property, Plant, and Equipment	(85,833)	(103,897)	(189,730)	-
Net Cash Used in Capital Activities	(85,833)	(103,897)	(189,730)	-
Cash Flows from Financing Activities				
Payments on Long-Term Debt	-	(135,000)	(135,000)	-
Net Operating Transfers	789,027	957,629	1,746,656	405,072
Interest Paid	-	(64,665)	(64,665)	-
Net Cash Provided by Financing Activities	789,027	757,964	1,546,991	405,072
Net Increase (Decrease) in Cash	(244,188)	(78,594)	(322,782)	13,479
Cash - Beginning of Year	585,000	140,105	725,105	290,234
Cash - End of Year	$ 340,812	$ 61,511	$ 402,323	$ 303,713
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Loss	$ (296,654)	$ (925,191)	$ (1,221,845)	$ (397,363)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Depreciation	346,897	225,225	572,122	-
(Increase) Decrease in Assets:				
Accounts Receivable	(208,872)	(7,843)	(216,715)	-
Due From Other Funds	-	-	-	65,301
Increase (Decrease) in Liabilities:				
Accounts Payable	35,783	(4,286)	31,497	(14,297)
Accrued Liabilities	(147,442)	(30,612)	(178,054)	(45,301)
Compensated Absenses	(25,288)	9,960	(15,328)	-
Due to Other Funds	(652,565)	-	(652,565)	-
Total Adjustments	(651,487)	192,444	(459,043)	5,703
Net Cash Provided by (Used in) Operating Activities	$ (948,141)	$ (732,747)	$ (1,680,888)	$ (391,660)

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

County of Schuylkill
Statement of Fiduciary Net Assets
December 31, 2004

	Employee Retirement	Agency	Total
Assets			
Cash and Cash Equivalents	$ 17,249,191	$ 1,909,759	$ 19,158,950
Investments	50,734,577	-	50,734,577
Unrealized Appreciation	9,530,172	-	9,530,172
Total Assets	77,513,940	1,909,759	79,423,699
Laibilities			
Funds Held in Fiduciary Capacity	-	1,909,759	1,909,759
Total Liabilities	-	1,909,759	1,909,759
Net Assets held for Employees' Pension Benefits	$ 77,513,940	$ -	$ 77,513,940

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, 2004

	Employee Pension
Additions:	
Contributions:	
Employee	$ 2,164,564
Employer	1,012,701
Total Contributions	3,177,265
Investment Income:	
Net Appreciation in Fair Value of Investments	4,699,159
Interest	1,180,504
Dividends	714,644
Less: Investment Expense	(480,779)
Net Investment Income	6,113,528
Total Additions	9,290,793
Deductions:	
Administrative Costs	5,522
Retirement Benefits	3,431,909
Death Benefits	268,838
Member Contribution Refunds	738,554
Total Deductions	4,444,823
Net Increase	4,845,970
Net Assets Held in Trust for Employees' Pension Benefits:	
Beginning of Year	72,667,970
End of Year	$ 77,513,940

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

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

The County of Schuylkill (the "County") which 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 basic 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 basic 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 basic 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, 2004.

b. Discretely Presented Component Units

The Component Units' columns in the basic 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, 2004

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, 2004.

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, 2004.

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, 2004

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)

Condensed Balance Sheets

	Child Development, Inc. June 30, 2004	North Central Highway Safety Network December 31, 2004
Assets		
Other Assets	$ 555,274	$ 754,637
Capital Assets, Net	206,291	24,209
Total Assets	761,565	778,846
Liabilities	319,929	529,634
Net Assets		
Unrestricted	246,170	225,003
Invested in Capital Assets, Net of Related Debt	195,466	24,209
Total Net Assets	$ 441,636	$ 249,212

Condensed Statements of Revenues, Expenditures, and Changes in Net Assets

	Child Development, Inc. Year Ended June 30, 2004	North Central Highway Safety Network Year Ended December 31, 2004
Revenues	$6,865,893	$2,446,178
Expenditures	6,881,099	2,382,397
Excess of Revenues Over (Under) Expenditures	(15,206)	63,781
Net Assets - Beginning of Year, as Restated	456,842	185,431
Net Assets - End of Year	$ 441,636	$ 249,212

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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 units. 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 units for which the primary government is financially accountable.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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 agency funds and the County's Retirement Trust fund. The agency funds of the County primarily represent assets held by the County in a custodial capacity for other individuals or governments.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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 thus 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, 2004

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, 2004

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. Other Agency

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

e. Liquid Fuels

The Liquid Fuels Fund is used to account for the proceeds of specific revenue sources related to the provision of infrastructure programs that are restricted to expenditures for those specified purposes.

f. 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.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

C) Basis of Presentation (Continued)

2. Proprietary Fund Types (Continued)

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.

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.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

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.

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. A 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 and 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 and 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 and are approved by the County Commissioners.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

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) Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts.

I) 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.

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

J) 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, 2004, appropriate interfund receivables or payables have been established.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

J) Interfund Transactions (Continued)

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

K) 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.

L) 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.

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 bond issuance costs in the debt service fund.

M) 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.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

N) 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.

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.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

- 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.

- 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, 2004, are as follows:

	Cash on Hand	Cash and Cash Equivalents	Investments	Total
General Fund	$15,000	$ 3,164,453	$ 1,015,125	$ 4,194,578
Special Revenue Funds	-	9,842,350	978,377	10,820,727
Debt Service Fund	-	2,393,421	-	2,393,421
Capital Projects Funds	-	9,590	-	9,590
Enterprise Funds	-	485,214	-	485,214
Internal Service	-	303,713	-	303,713
Employee Retirement Trust Fund	-	17,249,191	50,734,577	67,983,768
Trust and Other Agency Funds	-	1,909,759	-	1,909,759
	$15,000	$35,357,691	$52,728,079	$88,100,770

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.

Book Balance	Bank Balance	Category
$ 679,549	$ 579,959	1
34,678,142	36,740,401	3
$35,357,691	$37,320,360	

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

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.

Book Balance	Bank Balance	Category
$ 679,549	$ 579,959	1
34,678,142	36,740,401	3
$35,357,691	$37,320,360	

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.

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

Governmental Fund Types	Cost	Fair Value	Category
General Fund	$1,015,125	$1,015,125	3
Special Revenue Funds	978,377	978,377	3
Total Governmental Fund Types	$1,993,502	$1,993,502	

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

	Cost	Fair Value	Category
U.S. Government Bonds/Notes	$ 4,247,458	$ 4,205,242	3
Corporate Bonds	19,865,964	20,008,470	3
Common Stock	26,621,155	36,051,037	3
	$50,734,577	$60,264,749	

NOTE 3: RESTRICTED CASH

Restricted cash of $82,891 at December 31, 2004 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."

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 3: RESTRICTED CASH (CONTINUED)

Restricted cash of $1,151,610 at December 31, 2004 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."	$ 445,095
Cash for Clerk of Courts offset by a corresponding liability captioned "Funds held in Fiduciary Capacity".	706,515
	$1,151,610

Restricted cash of $316,723 in the debt service fund is composed of funds to be used for the payment of long-term obligation principal and interest.

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.

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.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 4: NOTES RECEIVABLE (CONTINUED)

Repayment terms on all notes as of December 31, 2004, require the following principal and interest payments:

Notes Receivable - Principal Payments

Year	1992A Note	1998A Note	1998B Note	1998C Note	Total
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	380,000	95,000	230,000	95,000	800,000
2009	405,000	100,000	245,000	100,000	850,000
2010 – 2014	185,000	580,000	1,395,000	560,000	2,720,000
2015 – 2018	-	580,000	825,000	560,000	1,965,000
	$1,970,000	$1,625,000	$3,335,000	$1,570,000	$8,500,000

Notes Receivable - Interest Payments

Year	1992A Note	1998A Note	1998B Note	1998C Note	Total
2005	$ 123,595	$ 74,546	$ 150,634	$ 72,082	$ 420,857
2006	104,065	70,783	141,602	68,534	384,984
2007	83,605	66,736	132,086	64,706	347,133
2008	61,595	62,508	122,071	60,588	306,762
2009	37,465	58,120	111,383	56,200	263,168
2010 – 2014	11,747	215,342	374,518	156,560	758,167
2015 – 2018	-	59,649	53,885	57,653	171,187
	$ 422,072	$ 607,684	$1,086,179	$ 536,323	$2,652,258

The principal amount of $8,500,000 is reflected as an asset of the Debt Service Fund. The Debt Service Fund will utilize the above funds as received for debt service.

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 2004 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 2004 real estate taxes assessed equaled $25,040,980 based on a total County valuation of $2,192,729,235. Based on the 2004 levy of 11.98 mills (11.42 mills allocated for general purposes; .56 mills allocated for debt purposes) a property owner would pay $11.98 per $1,000 of assessed valuation.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 6: CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2004 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 694,817	$ -	$ -	$ 694,817
Construction-In-Progress	2,522,181	73,276	(2,489,249)	106,208
Works of Art Collections	174,000	-	-	174,000
Total Capital Assets, Not Being Depreciated	3,390,998	73,276	(2,489,249)	975,025
Capital Assets, Being Depreciated:				
Land Improvements	596,643	1,203,821	-	1,800,464
Buildings and Improvements	21,717,165	2,003,276	(592,677)	23,127,764
Machinery and Equipment	4,719,773	243,771	(91,201)	4,872,343
Motor Vehicles	6,111,722	1,790,674	(276,497)	7,625,899
Computer Equipment	2,130,462	428,404	(121,909)	2,436,957
Agricultural Easements	280,000	178,455	-	458,455
Infrastructure	5,598,110	-	-	5,598,110
Total Capital Assets, Being Depreciated	41,153,875	5,848,401	(1,082,284)	45,919,992
Total Capital Assets, Historical Cost	44,544,873	5,921,677	(3,571,533)	46,895,017
Less Accumulated Depreciation for:				
Land Improvements	420,028	44,023	-	464,051
Buildings and Improvements	12,168,538	772,734	(16,081)	12,925,191
Machinery and Equipment	2,842,404	348,842	(102,074)	3,089,172
Motor Vehicles	4,743,798	861,019	(276,497)	5,328,320
Computer Equipment	1,437,024	338,610	(127,496)	1,648,138
Agricultural Easements	6,000	9,231	-	15,231
Infrastructure	1,126,393	219,118	-	1,345,511
Total Accumulated Depreciation	(22,744,185)	(2,593,577)	522,198	(24,815,614)
Total Capital Assets, Net of Accumulated Depreciation	$ 21,800,688	$ 3,328,100	$ (3,049,385)	$22,079,403

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 6: CAPITAL ASSETS (CONTINUED)

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Construction-In-Progress	$ 28,405	$ 71,292	$ -	$ 99,697
Total Capital Assets, Not Being Depreciated	28,405	71,292	-	99,697
Capital Assets, Being Depreciated:				
Land Improvements	154,845	2,200	-	157,045
Buildings and Improvements	6,798,470	5,026	-	6,803,496
Machinery and Equipment	2,961,842	25,261	-	2,987,103
Motor Vehicles	86,290	32,883	-	119,173
Computer Equipment	1,223,066	53,068	-	1,276,134
Total Capital Assets, Being Depreciated	11,224,513	118,438	-	11,342,951
Total Capital Assets	11,252,918	189,730	-	11,442,648
Less Accumulated Depreciation for:				
Land Improvements	132,639	4,118	-	136,757
Buildings and Improvements	4,102,462	243,848	-	4,346,310
Machinery and Equipment	2,045,636	176,406	-	2,222,042
Motor Vehicles	76,853	12,360	-	89,213
Computer Equipment	744,249	135,390	-	879,639
Total Accumulated Depreciation	(7,101,839)	(572,122)	-	(7,673,961)
Total Capital Assets, Net of Accumulated Depreciation	$ 4,151,079	$ (382,392)	$ -	$ 3,768,687

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

Governmental Activities:

General Government	$ 504,675
Judicial Government	288,536
Public Safety	353,937
Public Works	852,671
Human Services	358,765
Culture/Recreation	35,979
Conservation/Development	199,014
	$2,593,577

Business-Type Activities:

Rest Haven Nursing Home	$ 346,897
911 Operations	225,225
	$ 572,122

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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 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, 2005, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	407
Terminated Plan Members Entitled to but not yet Receiving Benefits	27
Active Plan Members	716
Total	1,150

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, 2004

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 2004, was determined as part of the January 1, 2005, actuarial valuation. The County's annual pension cost and net pension obligation to the Schuylkill County Employee's Retirement System for 2004, was as follows:

Annual Required Contribution	$(1,012,701)
Interest on Net Pension Obligation	2,555
Adjustment to Annual Required Contribution	(4,122)
Annual Pension Cost	(1,014,268)
Annual Required Contribution	1,012,701
Change in Net Pension Obligation	1,567
Net Pension Asset (Obligation) - January 1, 2004	34,071
Net Pension Asset (Obligation) - December 31, 2004	$32,504

Annual Pension Cost - Trend Information

Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Asset (Obligation)
December 31, 2002	$(1,707)	N/A	$35,870
December 31, 2003	(633,578)	99.72%	34,071
December 31, 2004	(1,014,268)	99.85%	32,504

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 8: POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 7, 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, 2004, 326 retirees satisfied the appropriate eligibility requirements and expenditures of $1,231,244 were recognized accordingly for fiscal year 2004.

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 $231,948 at December 31, 2004. The County was not required to fund the amount in 2004, 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, 2003 and 2004:

	2003	2004
January 1, Liability	$ 331,535	$ 462,378
Incurred Claims and Changes in Estimate	167,770	199,263
Payments	(36,927)	(244,564)
December 31, Liability	$ 462,378	$ 417,077

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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 2004, the County had no new series of General Obligation Bonds issued.

Long-term obligations outstanding at December 31, 2004, consisted of the following:

	Governmental Activities	Business-Type Activities	Total Long-term Obligations
General Obligation Bonds	$21,430,000	$ 1,445,000	$22,875,000
Compensated Absences	4,647,139	922,602	5,569,741
Workers' Compensation Liability	417,077	-	417,077
	$26,494,216	$ 2,367,602	$28,861,818

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

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

	Governmental Activities		911 Fund		Rest Haven County Home	Internal Service Fund	
	General Obligation Bonds Payable	Compensated Absences	General Obligation Bonds Payable	Compensated Absences	Compensated Absences	Workers' Compensation Liability	Total Long-term Debt
Outstanding at January 1, 2004	$ 23,655,000	$ 4,581,341	$ 1,580,000	$ 249,913	$ 688,017	$ 462,378	$31,216,649
Principal Retirements	(2,225,000)	-	(135,000)	-	-	-	(2,360,000)
Increase (Decrease) in Compensated Absences	-	65,798	-	9,960	(25,288)	-	50,470
Decrease in Workers' Compensation Liability	-	-	-	-	-	(45,301)	(45,301)
Outstanding at December 31, 2004	$ 21,430,000	$ 4,647,139	$ 1,445,000	$ 259,873	$ 662,729	$ 417,077	$28,861,818

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, 2004

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

The following table summarizes long-term obligations principal and interest payments for debt outstanding as of December 31, 2004:

Years Ending December 31,	Principal Requirements	Interest Requirements	Total Debt Requirements
2005	$ 1,665,000	$ 687,746	$ 2,352,746
2006	1,735,000	641,002	2,376,002
2007	1,795,000	589,154	2,384,154
2008	1,860,000	532,305	2,392,305
2009	1,935,000	471,477	2,406,477
2010-2014	10,990,000	1,386,052	12,376,052
2015-2018	2,895,000	166,556	3,061,556
	$22,875,000	$ 4,474,292	$27,349,292
To be Retired by:			
Business-type Activities	$ 1,445,000	$ 305,523	$ 1,750,523
Governmental Activities	21,430,000	4,168,769	25,598,769
	$22,875,000	$ 4,474,292	$27,349,292

The following is a summary of the bonds outstanding as of December 31, 2004:

Years	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2004
2000	$10,000,000	Variable interest rate General Obligation Bonds issued to finance various economic development and certain capital projects of the County.	$ 8,985,000
2001	$4,975,000	3.50%-4.65% General Obligation Bonds issued to currently refund the 1993 General Obligation Bond Series A and B.	4,060,000
2002	$6,400,000	2%-4% General Obligation Bonds issued to currently refund the 1992 A and 1993 C Series General Obligation Bonds.	2,490,000
2002A	$8,045,000	1.35% to 4.4% General Obligation Bonds issued to currently refund the 1998 Series General Obligation Bonds.	7,340,000
Total General Long-term Debt Obligations at December 31, 2004			$22,875,000

Interest rates are reset weekly and are settled on a monthly basis. The interest rate upon which payment is made is based on the Bond Market Association Index (BMA). The BMA interest rate was 2.04% at December 31, 2004.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 11: INTERFUND BALANCES

Interfund receivable and payable balances of each individual fund as of December 31, 2004, are as follows:

	Due From Other Funds	Due to Other Funds
Governmental Fund Types		
General Funds	$ 2,004,923	$ 218,916
Debt Service Fund	205,340	-
Special Revenue Funds		
Mental Health/Mental Retardation	33,652	-
Children and Youth Services	-	2,065,119
Other Agency	-	61,941
Conduit Fund	-	2,000
Total Special Revenue Funds	33,652	2,129,060
Total Governmental Fund Types	2,243,915	2,347,976
Proprietary Fund Types		
Rest Haven Nursing Home	54,197	341,873
Internal Service	449,642	52,565
911 Operations	-	5,340
Total Proprietary Funds	503,839	399,778
	$ 2,747,754	$ 2,747,754

These balances exist because the General Fund, Debt Service Fund, Rest Haven Nursing Home, and Internal Service Fund have funded the expenditure or expenses of other funds. These amounts have not been repaid at December 31, 2004.

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, 2004, are as follows:

	Transferred from Other Funds	Transferred to Other Funds
Governmental Fund Types		
General Fund	$ 2,920,805	$ 6,718,865
Debt Service Fund	269,532	1,347,285
Capital Projects Fund	1,181,916	-
Special Revenue Funds		
Human Service Complex	210,064	97,105
Liquid Fuels Tax	-	189,227
Domestic Relations Office	469,037	319,169
Drug and Alcohol	49,150	180,581
Mental Health/Mental Retardation	711,840	461,586
Children and Youth	2,899,323	794,772
Office of Senior Services	24,200	585,026
Other Agency	-	496,309
Farmland Preservation	165,369	-
Transportation	230,362	-
Demolition	93,438	-
Conduit	-	93,401
SCBG	-	93,438
Total Special Revenue Fund	4,852,783	3,310,614
Total Governmental Fund Types	$ 9,225,036	$11,376,764

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 11: INTERFUND BALANCES (CONTINUED)

Proprietary Fund Types		
Rest Haven Nursing Home	$ 975,000	$ 185,973
911 Operations	1,163,039	205,410
Internal Service	405,072	-
Total Proprietary Fund Types	2,543,111	391,383
	$11,768,147	$11,768,147

NOTE 12: OPERATING LEASES

The County leases office space under several operating lease agreements which have expiration dates ranging from 2004 to 2009 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, 2004:

Years	Courts	Agencies	Certain Departments	Total
2005	$ 175,169	$ 99,800	$ 236,467	$ 511,436
2006	175,169	99,800	236,467	511,436
2007	175,169	99,800	236,467	511,436
2008	168,345	99,800	236,467	504,612
2009	168,345	99,800	236,467	504,612
Thereafter	168,345	99,800	236,467	504,612
	$1,030,542	$598,800	$1,418,802	$3,048,144

Expenses incurred by the County under these leases in 2004 totaled $494,166.

NOTE 13: LEGAL COMPLIANCE AND MANAGEMENT PLANS

The 911 Fund had a deficit balance at December 31, 2004 in the amount of $610,983. The 911 deficit resulted from additional expenses to upgrade 911 operations that will be funded by additional transfers for operations by the General Fund. In addition, at December 31, 2004, the amount of $610,983 is recorded as Restricted Fund Balance for 911 in the General Fund.

COUNTY OF SCHUYLKILL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 14: 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, 2004.

NOTE 15: SUBSEQUENT EVENTS

In January 2004, the County issued a Tax and Revenue Anticipation Note with a financial institution in the amount of $6,000,000 at a fixed interest rate of 1.98%.

SUPPLEMENTAL

INFORMATION

COUNTY OF SCHUYLKILL
EMPLOYEE RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2004

Schedule of Employer Contributions - Trend Information

Years Ended	Annual Required Contributions ("ARC")	Percentage of ARC Contributed
December 31, 1999	0	N/A
December 31, 2000	0	N/A
December 31, 2001	0	N/A
December 31, 2002	0	N/A
December 31, 2003	$ 631,779	100%
December 31, 2004	$1,012,701	100%

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Real Estate Taxes	$ 24,075,990	$ 24,100,509	$ 23,833,289	$ (267,220)
Per Capita Taxes	421,177	421,177	418,156	(3,021)
Hotel Tax	165,000	165,000	177,215	12,215
Grants and Gifts	4,456,955	4,642,594	3,685,159	(957,435)
Interest and Royalties	83,950	160,550	218,124	57,574
Charges for Services	5,994,540	6,023,842	6,417,776	393,934
Other Revenue	153,760	153,760	158,220	4,460
Total Revenues	35,351,372	35,667,432	34,907,939	(759,493)
Expenditures				
General Government - Administrative				
Commissioners	245,318	246,718	248,130	(1,412)
Solicitor	173,996	174,994	158,367	16,627
County Administrator	166,946	166,946	164,458	2,488
Maintenance	669,425	669,425	650,763	18,662
Voter Registration and Elections	557,174	557,174	510,242	46,932
Central Services	455,165	455,165	443,589	11,576
Tax Assessment	586,394	586,394	517,853	68,541
Treasurer	577,082	653,682	641,916	11,766
Tax Claim	387,932	387,932	368,864	19,068
Controller	396,362	396,362	387,620	8,742
Engineering and Real Estate	212,829	211,529	194,754	16,775
Planning and Zoning	395,223	395,223	287,606	107,617
Recorder of Deeds	568,477	569,399	559,262	10,137
Data Processing	625,892	626,278	532,996	93,282
Records Management	156,400	156,400	153,170	3,230
Personnel	187,784	187,784	178,579	9,205
Public Defender	1,000	1,000	768	232
Veteran Affairs	180,649	180,649	153,782	26,867
Grant Writer	50,535	50,535	49,808	727
Tax Refunds	10,000	10,000	9,962	38
Fringe Benefits	2,143,215	2,144,174	2,020,985	123,189
Insurances	453,500	532,765	334,485	198,280
Contributions to Various Agencies	461,841	7,233	7,233	-
Contingency	200,000	400,000	328,856	71,144
Total - General Government Administrative	9,863,139	9,767,761	8,904,048	863,713

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Public Safety				
Adults in Non-County Institutions	11,000	11,000	9,920	1,080
County Prison	3,055,726	3,088,126	3,114,176	(26,050)
Emergency Management	301,177	406,995	333,068	73,927
Fringe Benefits	1,345,205	1,345,807	1,268,487	77,320
Contributions to Various Agencies	43,250	43,250	43,250	-
Total - Public Safety	4,756,358	4,895,178	4,768,901	126,277
Public Works				
Engineering	1,373,201	1,373,201	389,500	983,701
Fringe Benefits	91,473	91,514	86,256	5,258
Contributions to Various Agencies	8,700	8,700	8,620	80
Total - Public Works	1,473,374	1,473,415	484,376	989,039
General Government - Judicial				
Registrer of Wills	266,765	266,765	255,637	11,128
Sheriff	809,610	833,086	767,504	65,582
Coroner	251,353	251,353	251,338	15
Prothonotary	353,509	353,509	324,926	28,583
Clerk of Courts	399,994	399,994	385,415	14,579
Public Defender	608,075	608,075	609,806	(1,731)
District Attorney	1,123,087	1,158,774	1,136,185	22,589
Law Library	219,745	219,745	219,075	670
Courts	1,491,488	1,490,081	1,332,711	157,370
District Justices	946,364	949,224	952,002	(2,778)
Constables	10,000	10,000	8,116	1,884
Jury Commissioners	23,816	23,816	23,400	416
Adult Probation	1,405,998	1,405,998	1,303,035	102,963
Juvenile Probation	915,868	916,797	913,470	3,327
Fringe Benefits	3,708,455	3,710,114	3,496,957	213,157
Total - General Government - Judicial	12,534,127	12,597,331	11,979,577	617,754
Conservation and Development				
Coal Lands	72,003	72,003	70,980	1,023
Economic Development	271,436	271,436	152,117	119,319
Solid Waste Management	862,727	997,862	754,082	243,780
Agricultural Extension	401,243	401,243	300,430	100,813
Soil Conservation	441,811	441,811	421,189	20,622
Fringe Benefits	437,962	438,158	412,984	25,174
Contributions to Various Agencies	1,264,312	1,288,831	288,591	1,000,240
Total - Conservation and Development	3,751,494	3,911,344	2,400,373	1,510,971
Culture and Recreation				
Contributions to Various Agencies	395,395	402,145	402,139	6
Human Services				
Human Services Administration	547,488	513,488	431,793	81,695
Fringe Benefits	117,983	118,035	111,254	6,781
Contributions to Various Agencies	66,381	66,381	66,381	-
Total - Human Services	731,852	697,904	609,428	88,476
Capital Projects	468,678	347,588	270,247	77,341
Other Expenses	-	82,100	81,275	825
Total Expenditures	33,974,417	34,174,766	29,900,364	4,274,402
Excess of Revenues Over Expenditures	1,376,955	1,492,666	5,007,575	3,514,909

COUNTY OF SCHUYLKILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Other Financing Sources (Uses)				
Operating Transfers In				
911 Tariff Fund	56,234	56,234	-	(56,234)
Drug and Alcohol	177,154	177,154	102,167	(74,987)
Mental Health/Mental Retardation	596,015	596,015	308,591	(287,424)
Children and Youth Services	664,413	664,413	583,069	(81,344)
Domestic Relations Office	350,989	350,989	302,770	(48,219)
Liquid Fuels Tax	29,500	29,500	-	(29,500)
Office of Senior Services	583,559	583,559	418,136	(165,423)
Conduit Fund	187,953	190,953	106,073	(84,880)
Other Agency Fund	88,127	288,127	440,499	152,372
Human Services Complex Fund	27,573	27,573	27,573	-
County Home - Rest Haven	219,860	219,860	525,717	305,857
Community Development Block Grant	64,000	64,000	60,883	(3,117)
Highway Safety	-	-	13,069	13,069
Other Funds	791,784	791,784	32,258	(759,526)
	3,837,161	4,040,161	2,920,805	(1,119,356)
Operating Transfers (Out)				
Mental Health/Mental Retardation	277,295	711,840	711,840	-
Children and Youth Services	2,899,323	2,899,323	2,899,323	-
Domestic Relations Office	457,332	457,332	457,332	-
Office of Senior Services	24,200	24,200	24,200	-
Drug and Alcohol	28,058	28,058	49,150	(21,092)
Transportation Fund	230,362	230,362	230,362	-
Human Services Complex	-	-	208,618	(208,618)
Other Funds	-	975,000	975,000	-
911 Tariff Fund	1,265,013	1,274,301	1,163,040	111,261
Total Operating Transfers (Out)	5,181,583	6,600,416	6,718,865	(118,449)
Total Other Financing Uses	(1,344,422)	(2,560,255)	(3,798,060)	(1,237,805)
Excess of Revenue Over Expenditures and Other Financing Uses	32,533	(1,067,589)	1,209,515	2,277,104
Fund Balances - Beginning of Year	(32,533)	1,067,589	2,314,886	1,247,297
Fund Balances - End of Year	$ -	$ -	$ 3,524,401	$ 3,524,401

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, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Grants and Gifts	$ 17,599,612	$ 19,617,250	$ 19,673,134	$ 55,884
Interest and Royalties	30,000	30,000	16,464	(13,536)
Charges for Services	664,030	664,030	663,411	(619)
Total Revenues	18,293,642	20,311,280	20,353,009	41,729
Expenditures				
Human Services	18,570,937	20,729,947	18,799,451	1,930,496
Total Expenditures	18,570,937	20,729,947	18,799,451	1,930,496
Excess of Revenues Over (Under) Expenditures	(277,295)	(418,667)	1,553,558	1,972,225
Other Financing Sources (Uses)				
Operating Transfers In	277,295	277,295	711,840	434,545
Operating Transfers (Out)	-	-	(461,586)	(461,586)
Total Other Financing Sources (Uses)	277,295	277,295	250,254	(27,041)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(141,372)	1,803,812	1,945,184
Fund Balances - Beginning of Year		141,372	(1,803,812)	(1,945,184)
Fund Balances - End of Year	$ -	$ -	$ -	$ -

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, 2004

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Grants and Gifts	$ 11,492,712	$ 11,492,712	$ 10,753,727	$ (738,985)
Interest and Royalties	10,400	10,400	10,962	562
Charges for Services	935,104	935,104	871,258	(63,846)
Total Revenues	12,438,216	12,438,216	11,635,947	(802,269)
Expenditures				
Human Services	15,725,830	15,846,558	13,714,785	2,131,773
Capital Projects	118,200	118,200	25,713	92,487
Total Expenditures	15,844,030	15,964,758	13,740,498	2,224,260
Excess of Revenues Over (Under) Expenditures	(3,405,814)	(3,526,542)	(2,104,551)	1,421,991
Other Financing Sources (Uses)				
Operating Transfers In	2,899,323	2,899,323	2,899,323	-
Operating Transfers (Out)	-	-	(794,772)	(794,772)
Total Other Financing Sources (Uses)	2,899,323	2,899,323	2,104,551	(794,772)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(506,491)	(627,219)	-	627,219
Fund Balances - Beginning of Year	506,491	627,219	-	(627,219)
Fund Balances - End of Year	$ -	$ -	$ -	$ -

COUNTY OF SCHUYLKILL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - OTHER AGENCY - SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Grants and Gifts	$ 3,344,095	$ 4,010,606	$ 3,697,704	$ (312,902)
Interest and Royalties	9,348	9,428	5,872	(3,556)
Charges for Services	-	-	1,966	1,966
Other Revenue	45,841	79,419	98,592	19,173
Total Revenues	3,399,284	4,099,453	3,804,134	(295,319)
Expenditures				
Judicial Government	1,200,000	1,200,000	1,460,439	(260,439)
Human Services	1,624,490	2,539,019	1,846,274	692,745
Capital Projects	13,000	11,000	1,112	9,888
Total Expenditures	2,837,490	3,750,019	3,307,825	442,194
Excess of Revenues Over (Under) Expenditures	561,794	349,434	496,309	146,875
Other Financing Sources (Uses)				
Operating Transfers (Out)	(54,960)	(54,960)	(496,309)	(441,349)
Total Other Financing Sources (Uses)	(54,960)	(54,960)	(496,309)	(441,349)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	506,834	294,474	-	(294,474)
Fund Balances - Beginning of Year	(506,834)	(294,474)	-	294,474
Fund Balances - End of Year	$ -	$ -	$ -	$ -

COUNTY OF SCHUYLKILL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIQUID FUELS - SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Grants and Gifts	$ 589,300	$ 589,300	$ 298,085	$ (291,215)
Interest and Royalties	47,500	47,500	46,535	(965)
Total Revenues	636,800	636,800	344,620	(292,180)
Expenditures				
Public Works	331,975	331,975	38,828	293,147
Capital Projects	1,460,000	1,460,000	20,405	1,439,595
Total Expenditures	1,791,975	1,791,975	59,233	1,732,742
Excess of Revenues Over (Under) Expenditures	(1,155,175)	(1,155,175)	285,387	1,440,562
Other Financing Sources (Uses)				
Operating Transfers (Out)	-	-	(189,227)	(189,227)
Total Other Financing Sources (Uses)	-	-	(189,227)	(189,227)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,155,175)	(1,155,175)	96,160	1,251,335
Fund Balances - Beginning of Year	1,155,175	1,155,175	3,471,557	2,316,382
Fund Balances - End of Year	$ -	$ -	$ 3,567,717	$ 3,567,717