

**COUNTY OF SCHUYLKILL**  
**POTTSVILLE, PENNSYLVANIA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007**

COUNTY OF SCHUYLKILL  
YEAR ENDED DECEMBER 31, 2007

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

County Commissioners  
County of Schuylkill  
Pottsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of COUNTY OF SCHUYLKILL as of and for the year ended December 31, 2007, 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 \$931,888 and \$1,578,558, respectively, and total revenues of \$8,295,728 and \$5,611,184, respectively, that were included in the COUNTY OF SCHUYLKILL's financial statements as of and for the year ended December 31, 2007. 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 opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2007, 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.

<i>Harrisburg</i>	<i>Lehigh Valley</i>	<i>Philadelphia</i>
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# Zelenkofske Axelrod LLC

County Commissioners  
County of Schuylkill  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008, on our consideration of the COUNTY OF SCHUYLKILL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The management's discussion and analysis, schedule of employer contributions, and budgetary comparison information on pages 3 through 16 and 58 through 65 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*

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania  
May 9, 2008

## 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, 2007. 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, 2007.

### FINANCIAL HIGHLIGHTS

- For Fiscal Year 2007, the County's total real estate millage rate remained the same at 11.98 mills. The levy for general purposes was 11.42 mills and the levy for debt purposes was .56 mills.
- The County's unrestricted net assets for the Governmental Activities were \$825,927 and for the Business-Type Activities were \$2,637,335 at the end of the year. This was a change of \$1,712,654 and \$1,748,967, respectfully from the previous year.
- The County's net assets from Governmental and Business-Type Activities were \$38,597,549 at the end of the year. This was an increase of \$7,277,656 or 23.24% from the previous year.
- The County had \$18,405,516 of General Obligation Debt outstanding at the end of the year. This was a decrease of \$1,819,484 or 8.99% from the previous year.
- The General Fund Unreserved Fund Balance was \$6,098,936 at the end of the year. This was an increase of \$860,235 or 16.42% from the previous year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include not only Schuylkill County itself (known as the primary government), but also include legally separate entities which are financially accountable to the County (known as component units). These component units include Child Development, Inc. and the North Central Highway Safety Network. Financial information for these component units is reported separately from the financial information presented for the primary government itself. In addition, the Schuylkill County Conservation District is also a legally separate entity; however, it functions for all practical purposes as a department of Schuylkill County. Therefore, the Schuylkill County Conservation District has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17 through 18 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, Liquid Fuels Fund, Other Agency Fund and the Debt Service Fund. The County also maintains twenty non-major governmental funds that are combined into a single aggregated presentation.

The governmental fund financial statements can be found on pages 19 through 22 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 23 through 25 of this report.

*Fiduciary Funds* of the County consist of the employee's retirement trust fund and certain agency funds. The County is the trustee, or fiduciary, for the 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 26 through 27 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 56 of this report.

### FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the sixth 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, 2007 and December 31, 2006 are presented below:

#### County Net Assets as of December 31, 2007 and 2006

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Other Assets	\$39,573,807	\$39,536,879	\$4,304,855	\$2,240,129
Capital Assets, Non Depreciable	2,325,117	1,237,904	215,500	-
Capital Assets, Depreciable, net	<u>23,945,275</u>	<u>22,527,402</u>	<u>4,386,514</u>	<u>5,026,348</u>
<b>Total Assets</b>	<b>65,844,199</b>	<b>63,302,185</b>	<b>8,906,869</b>	<b>7,266,477</b>
Other Liabilities	12,873,818	14,105,943	1,026,338	750,736
Long-term Liabilities	<u>19,858,736</u>	<u>21,867,407</u>	<u>2,394,627</u>	<u>2,524,683</u>
<b>Total Liabilities</b>	<b>32,732,554</b>	<b>35,973,350</b>	<b>3,420,965</b>	<b>3,275,419</b>
Net Assets:				
Capital Assets, net of debt	24,377,346	21,094,033	2,848,569	3,102,690
Restricted	7,099,326	7,121,529	-	-
Unrestricted	<u>1,634,973</u>	<u>(886,727)</u>	<u>2,637,335</u>	<u>888,368</u>
<b>Total Net Assets</b>	<b>\$33,111,645</b>	<b>\$27,328,835</b>	<b>\$5,485,904</b>	<b>\$3,991,058</b>

Net assets of the County's governmental activities were \$33,111,645. Of this amount, \$24,377,346 represents the investment in capital assets, net of related debt, while \$7,099,326 was restricted for various purposes. The unrestricted net asset balance as of the end of the year was \$1,634,973.

Net assets of the County's business-type activities were \$5,485,904. Of this amount, \$2,848,569 represents investment in capital assets, net of related debt. The unrestricted net asset balance as of the end of the year was \$2,637,335.

The following table presents the County's changes in net assets for the fiscal year ended December 31, 2007 and December 31, 2006:

**County's Changes in Net Assets as of December 31, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Services	\$ 10,326,544	\$ 10,258,210	\$12,212,987	\$11,961,944
Operating Grants & Contributions	74,371,245	65,679,653		
Capital Grants & Contributions	145,707	450,654		
<b>General Revenues:</b>				
Property Taxes	27,144,306	26,499,254		
Interest, Invest. Earnings & Royalties	1,862,018	982,003	19,775	19,761
Hotel Tax	224,234	198,378		
Per Capita Tax	411,643	411,629		
Miscellaneous	<u>826,539</u>	<u>713,466</u>	<u>811,886</u>	<u>585,814</u>
<b>Total Revenues</b>	<b>115,312,236</b>	<b>105,193,247</b>	<b>13,044,648</b>	<b>12,567,519</b>
<b>Expenses:</b>				
General Government	11,615,839	11,208,447		
Judicial Government	18,143,115	15,656,892		
Public Safety	7,071,530	6,390,267		
Public Works	4,176,386	4,949,869		
Human Services	60,228,280	56,425,523		
Culture/Recreation	587,508	428,836		
Conservation/Development	6,244,504	5,074,372		
Interest on Long-Term Debt	602,741	706,036		
911 Fund	-	-	2,906,250	2,713,717
Nursing Home	-	-	<u>9,503,075</u>	<u>9,425,816</u>
<b>Total Expenses</b>	<b>108,669,903</b>	<b>100,840,242</b>	<b>12,409,325</b>	<b>12,139,533</b>
Change in Net Assets before Transfers	6,642,333	4,353,005	635,323	427,986
Transfers	<u>(859,523)</u>	<u>(350,312)</u>	<u>859,523</u>	<u>350,312</u>
Change in Net Assets	5,782,810	4,002,693	1,494,846	778,298
Net Assets – Beginning	<u>27,328,835</u>	<u>23,326,142</u>	<u>3,991,058</u>	<u>3,212,760</u>
<b>Net Assets – Ending</b>	<b>\$ 33,111,645</b>	<b>\$ 27,328,835</b>	<b>\$ 5,485,904</b>	<b>\$ 3,991,058</b>

During 2007, total net assets of the County's governmental activities increased by \$5,782,810 or 21.1% to \$33,111,645. This increase primarily was the result of a combined increase in the collection of Charges for Services as well as an increase in the Operating Grants received for the General Fund, Mental Health/Mental Retardation Fund, Children and Youth Fund, and Office of Senior Services Fund.

During 2007, total net assets of the County's business-type activities increased by \$1,494,846 or 37.5% to \$5,485,904. This was the result of an increase in revenue for both the 911 Fund as well as the Rest Haven Nursing Home. With respect to the 911 Fund, the increase in revenues was primarily the result of receiving \$209,782 in damage recovery which resulted from an insurance claim. In addition, there was an Operating Transfer In to the 911 Fund from the General Fund for \$1,194,774. With respect to the Rest Haven Nursing Home, the increase in revenues was primarily the result of an increase in funds received from PROMISE through the Department of Public Welfare.

### **Governmental Activities and Business-Type Activities**

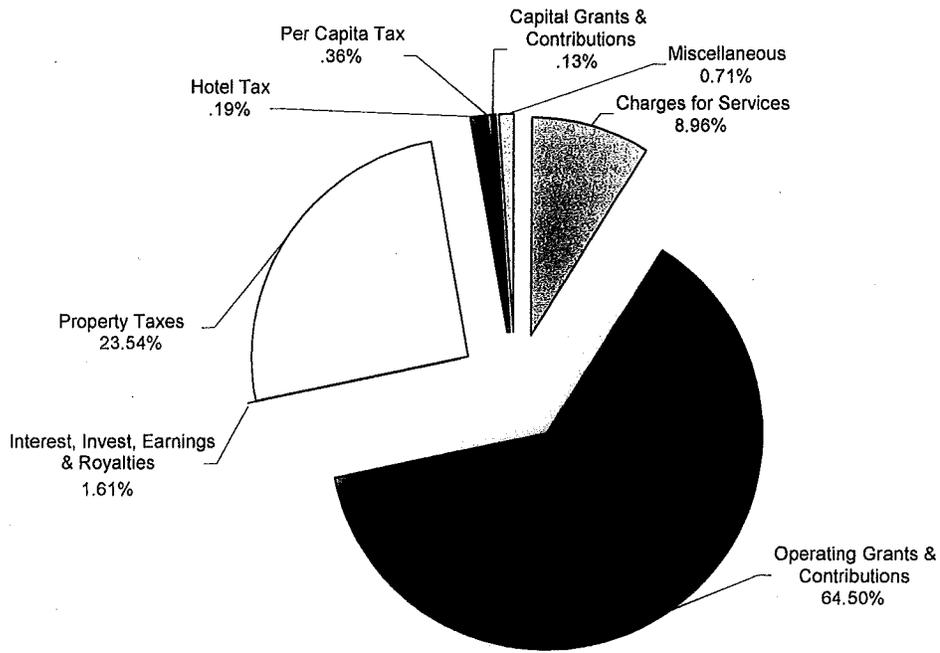
The following table presents the sources of revenues for the fiscal year ended December 31, 2007:

#### **Sources of Revenues**

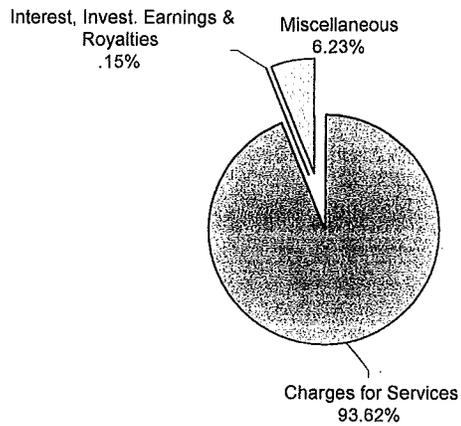
<b>Revenues</b>	<b><u>Governmental Activities</u></b>		<b><u>Business – Type Activities</u></b>	
Charges for Services	\$ 10,326,544	8.96%	\$12,212,987	93.62%
Operating Grants & Contributions	74,371,245	64.50%		0.00%
Capital Grants & Contributions	145,707	0.13%		0.00%
Property Taxes	27,144,306	23.54%		0.00%
Interest, Invest, Earnings & Royalties	1,862,018	1.61%	19,775	0.15%
Hotel Tax	224,234	0.19%		0.00%
Per Capita Tax	411,643	0.36%		0.00%
Miscellaneous	<u>826,539</u>	<u>0.71%</u>	<u>811,886</u>	<u>6.23%</u>
<b>Total Revenues</b>	<b>\$115,312,236</b>	<b>100.00%</b>	<b>\$13,044,648</b>	<b>100.00%</b>

*(See the accompanying pie charts on next page)*

### Sources of Revenues - Governmental Activities



### Sources of Revenues - Business -Type Activities

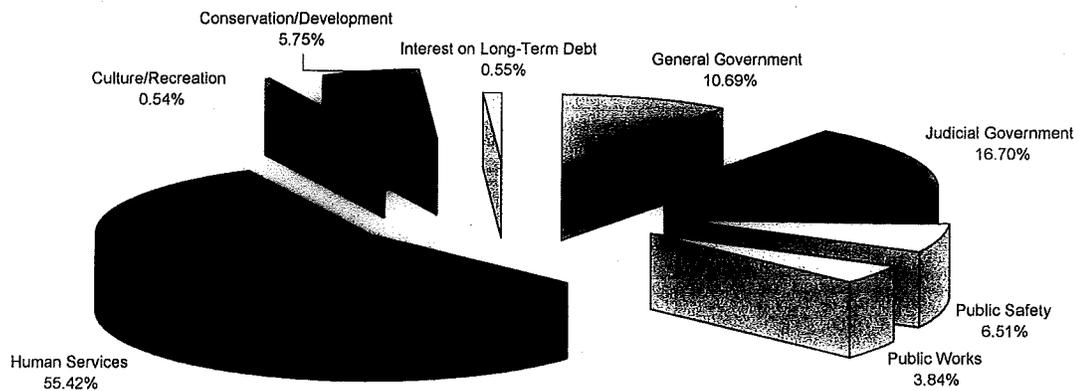


The following table presents the functional expenses for the fiscal year ended December 31, 2007:

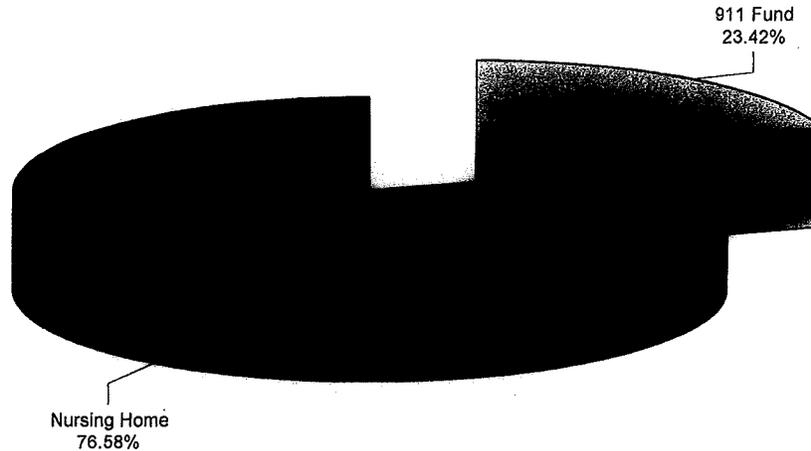
**Functional Expenses**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<b>Expenses:</b>				
General Government	\$ 11,615,839	10.69%		
Judicial Government	18,143,115	16.70%		
Public Safety	7,071,530	6.51%		
Public Works	4,176,386	3.84%		
Human Services	60,228,280	55.42%		
Culture/Recreation	587,508	0.54%		
Conservation/Development	6,244,504	5.75%		
Interest on Long-Term Debt	602,741	0.55%		
911 Fund			\$ 2,906,250	23.42%
Nursing Home			9,503,075	76.58%
<b>Total Expenses</b>	<b>\$ 108,669,903</b>	<b>100.00%</b>	<b>\$ 12,409,325</b>	<b>100.00%</b>

**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, Liquid Fuels Special Revenue Fund, Other Agency 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, 2007, Schuylkill County governmental funds reported a combined ending fund balance of \$23,091,705. This was an increase of \$725,868 or 3.25% from the previous year.

**General Fund** - The General Fund is the primary operating fund of the County. At the end of 2007, the General Fund reported a fund balance of \$6,098,936. This was an increase of \$860,235 or 16.42% from the previous year. This increase primarily was the result of a combined increase in the collection of Charges for Services as well as an increase in Operating Grants.

The unreserved fund balance in the General Fund was also \$6,098,936 as of December 31, 2007.

**Mental Health/Mental Retardation Fund** – At the end of 2007, 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 2007, the Children and Youth 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 2007, the Liquid Fuels Fund reported a fund balance of \$5,044,168. This was an increase of \$418,025 or 9.04% from the previous year. This increase was the result of postponing actual major repair work on several bridge projects from 2007 until 2008.

**Other Agency Fund** – At the end of 2007, the Other Agency Fund maintains no fund balance because the General Fund transfers a sufficient amount to bring the fund balance to zero.

**Debt Service Fund** – At the end of 2007, the Debt Service Fund reported a fund balance of \$9,084,397. This was a decrease of \$337,592 or 3.72% from the previous year. This decrease was the result of total expenditures exceeding total revenues for the fund. The 2007 expenditures were budgeted to exceed the total budgetary revenues with the difference to be offset by the corresponding fund balance.

*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 2007, the Nursing Home reported net assets of \$2,868,630. This was an increase of \$194,718 or 7.28% from the previous year. This increase primarily was the result of the amount of medical assistance that was received from PROMISE through the Department of Public Welfare. During 2007, the number of billable medical assistance days increased and there was increase in the medical assistance rate from \$159.04 to \$163.81 per day.

**911 Fund** - At the end of 2007, the 911 Fund reported net assets of \$2,617,274. This was an increase of \$1,300,128 or 98.71% from the previous year. With respect to the 911 Fund, there was an increase in revenues and this primarily was the result of receiving \$209,782 in damage recovery which resulted from an insurance claim. In addition, there was an Operating Transfer In to the 911 Fund from the General Fund for \$1,194,774.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the original general fund budget was modified to accommodate budgetary adjustments that were approved by the Board of County Commissioners.

The County's original revenue and other financing sources budget increased from \$42,671,025 to \$43,892,575, an increase of \$1,221,550 or 2.86%. The increase was due to various miscellaneous adjustments. Actual revenues and other financing sources received were \$42,787,090 or 97.48% of the final budget. The variance between actual revenues and other financing sources vs. final budgetary revenue and other financing sources totaled \$1,105,485. This negative variance was primarily the result of a decrease in state grants for Engineering Department, a decrease in host fees for Solid Waste Department, a decrease in federal grants for SCBG, and a decrease in overall revenue for the Parks and Recreation Department.

The County's original expenditure and other financing uses budget increased from \$42,671,025 to \$45,756,950, an increase of \$3,085,925 or 7.23%. The increase was due to various miscellaneous adjustments. Actual expenditures and other financing uses were \$41,926,855 or 91.63% of the final budget. The variance between actual expenditures vs. final budgetary expenditures and other financing uses totaled \$3,830,095. This positive variance was primarily the result of a decrease in anticipated expenses for the Planning and Zoning Department, Engineering Department, Solid Waste Department, Fringe Benefits, County Prison, and for the Parks and Recreation Department.

## CAPITAL ASSETS

Schuylkill County's investment in capital assets for its governmental and business-type activities as of December 31, 2007 was \$30,872,406 (net of accumulated depreciation). This was an increase of \$2,080,752 or 7.23% over the previous year. Capital assets consist primarily of land, construction in progress, works of art collections, land improvements, buildings and improvements, machinery and equipment, motor vehicles, computer equipment and software, agricultural easements, and infrastructure.

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

### Governmental Activities

- Construction in Progress increased by a net amount of \$1,080,313; this primarily was the result of work completed on Bridge #134 and expanding the entrance road and parking areas at Sweet Arrow Lake.
- Land Improvements increased by a net amount of \$445,332; this primarily was the result of improvements to three Solid Waste Drop-Off locations, expansion to the fish and boat access area at Sweet Arrow Lake, and improvements to streambank stabilization at Sweet Arrow Lake.
- Agricultural Easements increased by a net amount of \$516,763; this primarily was the result of purchasing ten additional agricultural easements in connection with the farmland preservation act.

- Buildings and Improvements increased by a net amount of \$486,323; this primarily was the result of improvements to the Sweet Arrow Lake Clubhouse, improvements to the Tremont Senior Center, and the purchase of a storage building located on Laurel Boulevard in Pottsville.
- Motor vehicles increased by a net amount of \$923,586; this was the result of purchasing 30 vehicles during the year. A majority of the purchases were made for Schuylkill Transportation System (STS), Emergency Management and MH/MR Agency.

### Business-Type Activities

- Machinery and Equipment increased by a net amount of \$46,694; this increase was the net result of two components. Purchasing new chairs for the 911 Center and purchasing communication antennas for the 911 tower sites amounted to \$16,857 and purchasing ice makers, cubicle curtains and dishwashers for Rest Haven amounted to \$29,837.
- Construction in Progress increased by a net amount of \$215,500; this primarily was the net result of replacing a damaged microwave at the 911 radio tower located on Rt. 183 and incurring consult fees for installing a new sprinkler system at Rest Haven.

The following is a summary of capital assets as of December 31, 2007 and December 31, 2006:

### Summary of Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Balance at</u>	<u>Balance at</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Land	\$ 701,717	\$ 694,817	\$ -	\$ -	\$ 701,717	\$ 694,817
Construction In Progress	1,449,400	369,087	215,500	-	1,664,900	369,087
Works of Art Collections	174,000	174,000	-	-	174,000	174,000
Land Improvements	2,251,123	1,805,791	158,645	158,645	2,409,768	1,964,436
Buildings and Improvements	24,015,196	23,528,873	7,599,910	7,599,910	31,615,106	31,128,783
Machinery and Equipment	6,416,336	6,308,412	4,395,423	4,348,729	10,811,759	10,657,141
Motor Vehicles	8,417,804	7,494,218	104,374	104,374	8,522,178	7,598,592
Computer						
Equipment/Software	2,450,150	2,286,591	1,274,900	1,273,596	3,725,050	3,560,187
Agricultural Easements	1,365,084	848,321	-	-	1,365,084	848,321
Infrastructure	6,982,521	6,758,489	-	-	6,982,521	6,758,489
Leasehold Assets	1,113,179	1,056,273	4,111	4,111	1,117,290	1,060,384
Accumulated Depreciation	<u>(29,066,118)</u>	<u>(27,559,566)</u>	<u>(9,150,850)</u>	<u>(8,463,017)</u>	<u>(38,216,968)</u>	<u>(36,022,583)</u>
Total Capital Assets, Net of Accumulated Depreciation	\$ 26,270,392	\$ 23,765,306	\$ 4,602,013	\$ 5,026,348	\$ 30,872,405	\$ 28,791,654

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, 2007, Schuylkill County had \$18,405,516 in general obligation debt outstanding. This was a decrease of \$1,819,484 or 8.99% from the previous year. The following is a summary of general obligation debt activity during 2007:

### Summary of General Obligation Debt Activity

	<u>Governmental Activities</u>	<u>Business – Type Activities</u>	<u>Total</u>
Beginning Balance at January 1, 2007	\$ 18,305,000	\$ 1,920,000	\$ 20,225,000
Principal Payments	<u>(1,650,000)</u>	<u>(169,484)</u>	<u>(1,819,484)</u>
Ending Balance at December 31, 2007	\$ 16,655,000	\$ 1,750,516	\$ 18,405,516

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 key economic factors affecting the County included the following:

- The County's total real estate assessed valuation increased from \$2,266,441,935 in 2006 to \$2,338,841,895 in 2007. The real estate tax levy increased from \$27,151,992 in 2006 to \$28,019,343 in 2007.
- The unemployment rate in Schuylkill County was 5.4% as of December 31, 2007. This was higher than the State unemployment rate of 4.4% and the National unemployment rate of 5.0%.

### NEXT YEAR'S BUDGET AND RATES

For Fiscal Year 2008, the County's total real estate millage will remain the same at 11.98 mills. The General Fund millage will remain the same at 11.42 mills and the Funded Debt millage will remain the same at .56 mills. The 2008 General Fund appropriation was approved at \$44,302,805 on December 26, 2007. This was an increase of \$1,631,780 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, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 21,739,043	\$ 2,997,917	\$ 24,736,960	\$ 689,832
Restricted Cash	3,721,641	117,417	3,839,058	-
Investments	1,050,092	-	1,050,092	-
Accounts Receivable	-	1,602,959	1,602,959	26,085
Due From Third Party	374,890	-	374,890	-
Interest Receivable	105,404	-	105,404	-
Taxes Receivable	4,253,789	-	4,253,789	-
Due From Other Governmental Units	1,254,750	-	1,254,750	1,622,991
Internal Balances	432,962	(432,962)	-	-
Notes Receivable	6,335,000	-	6,335,000	-
Debt Issuance Costs	306,236	19,524	325,760	38,426
Capital Assets, Non Depreciable	2,325,117	215,500	2,540,617	-
Capital Assets, Depreciable, Net	23,945,275	4,386,514	28,331,789	133,112
<b>Total Assets</b>	<b>65,844,199</b>	<b>8,906,869</b>	<b>74,751,068</b>	<b>2,510,446</b>
<b>Liabilities</b>				
Accounts Payable	3,923,503	570,200	4,493,703	550,869
Accrued Expenses and Withholdings	665,791	159,323	825,114	15,028
Due to Other Governments	-	-	-	24,114
Unearned Revenues	2,781,884	-	2,781,884	-
Taxes Held in Escrow (Road and School)	373,104	-	373,104	-
Escrow Funds- Other	1,014,776	-	1,014,776	-
Excess of Taxes - Tax Claim Bureau	582,769	-	582,769	-
Escrow Land Sales	150,615	-	150,615	-
Funds Held in Fiduciary Capacity	1,321,817	117,417	1,439,234	-
Interest Payable	129,803	-	129,803	-
<b>Current Portions of Long Term Liabilities:</b>				
Loans and Notes Payable	-	23,606	23,606	222,895
General Obligation Bonds Payable	1,705,000	155,000	1,860,000	-
Capital Lease Payable	224,756	792	225,548	-
<b>Non-Current Potions of Long Term Liabilities:</b>				
Loans and Notes Payable	-	701,910	701,910	928,489
General Obligation Bonds Payable	14,688,012	870,000	15,558,012	-
Capital Lease Payable	508,290	2,137	510,427	-
Accrued Compensated Absences	3,892,697	820,580	4,713,277	-
Self Insurance Claims Payable	769,737	-	769,737	-
<b>Total Liabilities</b>	<b>32,732,554</b>	<b>3,420,965</b>	<b>36,153,519</b>	<b>1,741,395</b>
<b>Net Assets</b>				
Invested In Capital Assets, Net of Related Debt	24,377,346	2,848,569	27,225,915	113,712
<b>Restricted:</b>				
Capital Projects	809,046	-	809,046	-
Library	235	-	235	-
Program Purposes	7,099,091	-	7,099,091	-
Unrestricted	825,927	2,637,335	3,463,262	655,339
<b>Total Net Assets</b>	<b>\$ 33,111,645</b>	<b>\$ 5,485,904</b>	<b>\$ 38,597,549</b>	<b>\$ 769,051</b>

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

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Indirect Cost Allocation	Operating		Governmental Activities	Business-Type Activities	Total
			Charges for Services	Grants and Contributions			
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 11,615,839	\$ (3,654,185)	\$ 3,390,658	\$ 753,657	\$ 145,707	\$ (3,671,632)	\$ (3,671,632)
Judicial Government	18,143,115	2,455,306	2,680,064	5,803,125	-	(12,115,232)	(12,115,232)
Public Safety	7,071,530	438,945	478,102	597,688	-	(6,434,685)	(6,434,685)
Public Works	4,176,386	70,778	1,467,884	5,054,829	-	2,275,549	2,275,549
Human Services	60,228,280	501,244	1,226,041	57,036,146	-	(2,467,337)	(2,467,337)
Culture/Recreation	587,508	-	-	6,592	-	(580,916)	(580,916)
Conservation/Development	6,244,504	187,912	1,083,795	5,119,208	-	(229,413)	(229,413)
Interest on Long-Term Debt	602,741	-	-	-	-	(602,741)	(602,741)
<b>Total Governmental Activities</b>	<b>108,669,903</b>	<b>-</b>	<b>10,326,544</b>	<b>74,371,245</b>	<b>145,707</b>	<b>(23,826,407)</b>	<b>(23,826,407)</b>
<b>Business-Type Activities:</b>							
911 Operations	2,906,250	-	2,779,723	-	-	(126,527)	(126,527)
Nursing Home	9,503,075	-	9,433,264	-	-	(69,811)	(69,811)
<b>Total Business-Type Activities</b>	<b>12,409,325</b>	<b>-</b>	<b>12,212,987</b>	<b>-</b>	<b>-</b>	<b>(196,338)</b>	<b>(196,338)</b>
<b>Total Primary Government</b>	<b>\$ 121,079,228</b>	<b>\$ -</b>	<b>\$ 22,539,531</b>	<b>\$ 74,371,245</b>	<b>\$ 145,707</b>	<b>(23,826,407)</b>	<b>(24,022,745)</b>
<b>Component Units:</b>							
Human Services	\$ 8,285,899	\$ -	\$ 562,273	\$ 7,696,891	\$ -	\$ (26,735)	\$ (26,735)
Public Safety	5,614,425	-	-	5,605,329	-	(9,096)	(9,096)
<b>Total Component Units</b>	<b>\$ 13,900,324</b>	<b>\$ -</b>	<b>\$ 562,273</b>	<b>\$ 13,302,220</b>	<b>\$ -</b>	<b>(35,831)</b>	<b>(35,831)</b>
<b>General Revenues:</b>							
Property Taxes - General Levy					27,144,306		27,144,306
Interest, Investment Earnings and Royalties					1,862,018		1,862,018
Hotel Tax					224,234		224,234
Per Capita Tax					411,643		411,643
Miscellaneous					826,539		826,539
Transfers (Internal Activities)					(859,523)		(859,523)
<b>Total General Revenues and Transfers</b>					<b>29,609,217</b>		<b>29,609,217</b>
<b>Change in Net Assets</b>					<b>5,782,810</b>		<b>5,782,810</b>
<b>Net Assets - Beginning</b>					<b>27,328,835</b>		<b>27,328,835</b>
<b>Net Assets - Ending</b>					<b>\$ 33,111,645</b>		<b>\$ 33,111,645</b>

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

COUNTY OF SCHUYLKILL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	General	Mental Health/ Mental Retardation	Children and Youth	Liquid Fuels	Other Agency	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Cash on Hand	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Cash and Cash Equivalents	4,693,444	1,475,666	2,673,950	4,544,220	1,495,431	2,699,372	3,989,334	21,571,417
Restricted Cash	3,443,081	-	-	-	-	-	-	3,443,081
Investments	-	-	-	500,000	-	-	31,650	531,650
Taxes Receivable	4,054,862	-	-	-	-	198,927	-	4,253,789
Notes Receivable	-	-	-	-	-	6,335,000	-	6,335,000
Due from Third Party	374,890	-	-	-	-	-	-	374,890
Due from Other Governments	131,674	-	724,444	-	-	-	398,632	1,254,750
Due from Other Funds	1,948,028	33,652	-	-	-	5,340	500,000	2,487,020
<b>Total Assets</b>	<b>\$ 14,660,979</b>	<b>\$ 1,509,318</b>	<b>\$ 3,398,394</b>	<b>\$ 5,044,220</b>	<b>\$ 1,495,431</b>	<b>\$ 9,238,639</b>	<b>\$ 4,919,616</b>	<b>\$ 40,266,597</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Vouchers and Warrants Payable	\$ 648,037	\$ 482,902	\$ 1,201,867	\$ 52	\$ 288,493	\$ -	\$ 1,162,197	\$ 3,783,548
Accrued Expenses and Withholdings	414,722	7,055	71,141	-	-	-	172,873	665,791
Unearned Revenues	3,147,661	1,013,479	-	-	1,144,997	154,242	623,408	6,083,787
Due From Third Party	374,890	-	-	-	-	-	-	374,890
Taxes Held in Escrow (Road and School)	373,104	-	-	-	-	-	-	373,104
Excess of Taxes - Tax Claim Bureau	582,769	-	-	-	-	-	-	582,769
Escrow Funds - Other	1,014,776	-	-	-	-	-	-	1,014,776
Escrow Land Sales	150,615	-	-	-	-	-	-	150,615
Funds Held in Fiduciary Capacity	1,321,817	-	-	-	-	-	-	1,321,817
Due to Other Funds	533,652	5,882	2,125,386	-	61,941	-	96,934	2,823,795
<b>Total Liabilities</b>	<b>8,562,043</b>	<b>1,509,318</b>	<b>3,398,394</b>	<b>52</b>	<b>1,495,431</b>	<b>154,242</b>	<b>2,055,412</b>	<b>17,174,892</b>
<b>Fund Balances</b>								
Fund Balances (Reserved)								
Debt Service	-	-	-	-	-	9,084,397	-	9,084,397
Capital Projects	-	-	-	-	-	-	809,046	809,046
Library	-	-	-	-	-	-	235	235
Construction	-	-	-	-	-	-	-	-
Program Purposes	-	-	-	5,044,168	-	-	2,054,923	7,099,091
Unreserved	6,098,936	-	-	-	-	-	-	6,098,936
<b>Total Fund Balances</b>	<b>6,098,936</b>	<b>-</b>	<b>-</b>	<b>5,044,168</b>	<b>-</b>	<b>9,084,397</b>	<b>2,864,204</b>	<b>23,091,705</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,660,979</b>	<b>\$ 1,509,318</b>	<b>\$ 3,398,394</b>	<b>\$ 5,044,220</b>	<b>\$ 1,495,431</b>	<b>\$ 9,238,639</b>	<b>\$ 4,919,616</b>	<b>\$ 40,266,597</b>

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, 2007

Total Fund Balances of Governmental Funds:	\$ 23,091,705
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.	26,270,392
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.	809,673
Interest Receivable on long term receivables is not accrued in the current period and accordingly not reported as a fund asset.	105,404
The funds record only the tax revenue received through a period of 60 days subsequent to year-end. The statement of net assets includes a receivable for the County's anticipated collections on the levy.	3,301,903
The funds record a unearned revenue for a due from thrid party receivable that will not be satisfied within 180 days subsequent to year-end. The statement of net assets includes a receivable and the revenue is regonized.	374,890
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.	306,236
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	(16,655,000)
Capital Lease Payable	(733,046)
Deferred Refunding Loss	261,988
Accrued Interest Payable	(129,803)
Accrued Compensated Absences	<u>(3,892,697)</u>
Total Net Assets of Governmental Activities	<u>\$ 33,111,645</u>

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, 2007

	General	Mental Health/ Mental Retardation	Children and Youth	Liquid Fuels	Other Agency	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Real Estate Taxes	\$ 25,641,585	-	-	-	-	\$ 1,263,719	7	\$ 26,905,311
Per Capita Taxes	411,643	-	-	-	-	-	-	411,643
Hotel Tax	224,234	-	-	-	-	-	-	224,234
Interest and Royalties	805,514	43,690	41,739	291,244	44,801	451,851	117,625	1,796,464
Grants and Gifts	5,207,116	21,832,128	11,714,432	655,454	4,796,572	-	30,311,250	74,516,952
Charges for Services	7,678,739	42,012	872,638	-	674	-	1,432,316	10,026,379
Other Revenue	240,672	-	-	1,229	17,892	389,134	127,446	776,373
<b>Total Revenues</b>	<b>40,209,503</b>	<b>21,917,830</b>	<b>12,628,809</b>	<b>947,927</b>	<b>4,859,939</b>	<b>2,104,704</b>	<b>31,988,644</b>	<b>114,657,356</b>
<b>Expenditures</b>								
General Government	9,500,929	-	-	-	-	32,947	229,673	9,763,549
Judicial Government	14,236,535	-	-	-	2,113,297	-	1,521,004	17,870,836
Public Safety	5,788,978	-	-	-	-	-	1,123,526	6,912,504
Public Works	309,069	-	-	26,774	-	-	2,606,841	2,942,684
Human Services	619,851	22,020,868	14,837,797	-	2,290,045	-	20,048,493	59,817,054
Culture/Recreation	503,005	-	-	-	-	-	3,852,474	503,005
Conservation/Development	2,190,831	-	-	-	-	-	6,043,305	8,234,136
Debt Service - Principal	-	-	-	-	-	1,650,000	-	1,650,000
Debt Service - Interest	-	-	-	-	-	823,147	-	823,147
Capital Projects	2,167,411	209,729	32,979	327,771	8,205	-	2,883,912	5,630,007
<b>Total Expenditures</b>	<b>35,316,609</b>	<b>22,230,597</b>	<b>14,870,776</b>	<b>354,545</b>	<b>4,411,547</b>	<b>2,506,094</b>	<b>32,265,923</b>	<b>111,956,091</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,892,894</b>	<b>(312,767)</b>	<b>(2,241,967)</b>	<b>593,382</b>	<b>448,392</b>	<b>(401,390)</b>	<b>(277,279)</b>	<b>2,701,265</b>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers In	2,577,587	352,857	3,273,541	-	80,499	67,757	1,893,976	8,246,217
Operating Transfers (Out)	(6,610,246)	(40,090)	(1,031,574)	(175,357)	(528,891)	(3,959)	(1,831,497)	(10,221,614)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,032,659)</b>	<b>312,767</b>	<b>2,241,967</b>	<b>(175,357)</b>	<b>(448,392)</b>	<b>63,798</b>	<b>62,479</b>	<b>(1,975,397)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>860,235</b>	<b>-</b>	<b>-</b>	<b>418,025</b>	<b>-</b>	<b>(337,592)</b>	<b>(214,800)</b>	<b>725,868</b>
<b>Fund Balances - Beginning of Year</b>	<b>5,238,701</b>	<b>-</b>	<b>-</b>	<b>4,626,143</b>	<b>-</b>	<b>9,421,989</b>	<b>3,079,004</b>	<b>22,365,837</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,096,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,044,168</b>	<b>\$ -</b>	<b>\$ 9,084,397</b>	<b>\$ 2,864,204</b>	<b>\$ 23,091,705</b>

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, 2007

Net Change in fund balances - total governmental funds \$ 725,868

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 \$5,686,913  
 and depreciation expense (\$3,231,993) is a reconciling item. 2,454,920

Governmental funds do not report capital assets that are donated or acquired  
 through drug forfeitures, these assets are recorded as revenue and capital  
 expenditures on the full accrual basis. 50,166

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. 238,995

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. 65,554

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. 286,888

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	1,650,000
Capital Lease Payments	220,406

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:

Capital Lease additions	(56,906)
Compensated absence expense	196,307
Accrual of interest on long-term debt	16,215
Amortization of issuance costs	(29,512)
Amortization of Deferred Refunding Loss	(36,091)
	(59,991)

Change in Net Assets of governmental activities \$ 5,782,810

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

COUNTY OF SCHUYLKILL  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities
	Rest Haven Nursing Home	911 Fund	Totals	Internal Service Fund
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,001,706	\$ 1,996,211	\$ 2,997,917	\$ 152,626
Investments	-	-	-	518,442
Due From Other Funds	1,632	-	1,632	769,737
Accounts Receivable, net of Allowance	1,494,280	108,679	1,602,959	-
<b>Total Current Assets</b>	<b>2,497,618</b>	<b>2,104,890</b>	<b>4,602,508</b>	<b>1,440,805</b>
Non-Current Assets:				
Restricted Cash	117,417	-	117,417	278,560
Unamortized Note Issuance Costs	-	19,524	19,524	-
Capital Assets, not being Depreciated	56,663	158,837	215,500	-
Capital Assets, being Depreciated				
Eligible Capital Assets	8,423,279	4,278,094	12,701,373	-
Non-Eligible Capital Assets	-	835,990	835,990	-
Eligible Accumulated Depreciation	(6,469,702)	(2,585,766)	(9,055,468)	-
Non-Eligible Accumulated Depreciation	-	(95,381)	(95,381)	-
<b>Capital Assets, net</b>	<b>2,010,240</b>	<b>2,591,774</b>	<b>4,602,014</b>	<b>-</b>
<b>Total Non-Current Assets</b>	<b>2,127,657</b>	<b>2,611,298</b>	<b>4,738,955</b>	<b>278,560</b>
<b>Total Assets</b>	<b>4,625,275</b>	<b>4,716,188</b>	<b>9,341,463</b>	<b>1,719,365</b>
<b>LIABILITIES</b>				
Current Liabilities				
Vouchers and Warrants Payable	502,933	67,267	570,200	97,955
Accrued Expenses and Withholdings	124,818	34,505	159,323	42,000
Self Insurance Liabilities	-	-	-	769,737
Bonds Payable - Current Portion	-	155,000	155,000	-
Note Payable - Current Portion	-	23,606	23,606	-
Capital Lease Payable - Current Portion	-	792	792	-
Patient Funds Held in Safekeeping	117,417	-	117,417	-
Due to Other Funds	417,977	16,617	434,594	-
<b>Total Current Liabilities</b>	<b>1,163,145</b>	<b>297,787</b>	<b>1,460,932</b>	<b>909,692</b>
Long-Term Liabilities				
Compensated Absences	593,500	227,080	820,580	-
Bonds Payable	-	870,000	870,000	-
Note Payable	-	701,910	701,910	-
Capital Lease Payable	-	2,137	2,137	-
<b>Total Long-Term Liabilities</b>	<b>593,500</b>	<b>1,801,127</b>	<b>2,394,627</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,756,645</b>	<b>2,098,914</b>	<b>3,855,559</b>	<b>909,692</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	2,010,240	838,329	2,848,569	-
Unrestricted	858,390	1,778,945	2,637,335	809,673
<b>Total Net Assets</b>	<b>\$ 2,868,630</b>	<b>\$ 2,617,274</b>	<b>\$ 5,485,904</b>	<b>\$ 809,673</b>

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

COUNTY OF SCHUYLKILL  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities
	Rest Haven Nursing Home	911 Fund	Total	Internal Service Fund
Operating Revenues				
Net Patient Service	\$ 9,433,264	\$ -	\$ 9,433,264	\$ -
Miscellaneous Revenue	590,049	219,620	809,669	-
Tariff Revenue	-	2,779,723	2,779,723	-
Total Operating Revenues	<u>10,023,313</u>	<u>2,999,343</u>	<u>13,022,656</u>	<u>-</u>
Operating Expenditures				
Administration Services	367,511	-	367,511	2,500
Dietary and Food	999,748	-	999,748	-
Laundry	232,417	-	232,417	-
Housekeeping	381,661	-	381,661	-
Plant Operations	308,440	-	308,440	-
Maintenance	182,976	-	182,976	-
Boiler House	53,724	-	53,724	-
Nursing	3,637,015	-	3,637,015	-
Practitioners	36,315	-	36,315	-
Social Services	112,501	-	112,501	-
Patient Services	196,197	-	196,197	-
Pharmacy and Medical Supplies	191,614	-	191,614	-
Physical, Speech, and Occupational Therapy	838,710	-	838,710	-
Medical Records	9,500	-	9,500	-
Depreciation	293,974	414,695	708,669	-
Amortization	-	659	659	-
Other	1,660,772	-	1,660,772	-
Emergency Communications	-	2,408,391	2,408,391	-
Workers' Compensation	-	-	-	813,209
Total Operating Expenditures	<u>9,503,075</u>	<u>2,823,745</u>	<u>12,326,820</u>	<u>815,709</u>
Operating Income (Loss)	<u>520,238</u>	<u>175,598</u>	<u>695,836</u>	<u>(815,709)</u>
Nonoperating Revenues and Expenses				
Interest Income	3,321	16,454	19,775	-
Interest Expense	-	(82,505)	(82,505)	65,554
Gain on Transfer of Capital Assets	2,217	-	2,217	-
Total Nonoperating Revenues and Expenses	<u>5,538</u>	<u>(66,051)</u>	<u>(60,513)</u>	<u>65,554</u>
Income (Loss) Before Other Financing Sources (Uses)	<u>525,776</u>	<u>109,547</u>	<u>635,323</u>	<u>(750,155)</u>
Other Financing Sources (Uses)				
Operating Transfers In	26,847	1,194,774	1,221,621	1,115,874
Operating Transfers Out	(357,905)	(4,193)	(362,098)	-
Total Other Financing Sources (Uses)	<u>(331,058)</u>	<u>1,190,581</u>	<u>859,523</u>	<u>1,115,874</u>
Net Income	<u>194,718</u>	<u>1,300,128</u>	<u>1,494,846</u>	<u>365,719</u>
Net Assets - Beginning of Year	<u>2,673,912</u>	<u>1,317,146</u>	<u>3,991,058</u>	<u>443,954</u>
Net Assets - End of Year	<u>\$ 2,868,630</u>	<u>\$ 2,617,274</u>	<u>\$ 5,485,904</u>	<u>\$ 809,673</u>

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

COUNTY OF SCHUYLKILL  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Types			
	Rest Haven Nursing Home	911 Fund	Total Enterprise	Internal Service Fund
<b>Cash Flow From Operating Activities</b>				
Patient Service Revenue Receipts	\$ 9,477,028	\$ -	\$ 9,477,028	\$ -
911 Tariff Revenue Receipts	-	2,779,724	2,779,724	-
Payments to Suppliers	(4,584,745)	(1,325,309)	(5,910,054)	(801,710)
Payments to Employees	(4,641,197)	(1,019,104)	(5,660,301)	-
Internal - Payments To Other Funds	-	-	-	234,311
Other Receipts	612,359	219,620	831,979	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>863,445</b>	<b>654,931</b>	<b>1,518,376</b>	<b>(567,399)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	-	-	-	(518,442)
Interest Receipts	3,321	16,454	19,775	65,554
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>3,321</b>	<b>16,454</b>	<b>19,775</b>	<b>(452,888)</b>
<b>Cash Flows from Capital Activities</b>				
Purchase of Capital Assets	(103,317)	(178,800)	(282,117)	-
<b>Net Cash Used in Capital Activities</b>	<b>(103,317)</b>	<b>(178,800)</b>	<b>(282,117)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>				
Payments on Long-Term Debt	-	(169,484)	(169,484)	-
Payments on Capital Leases	-	(729)	(729)	-
Net Operating Transfers	(331,058)	1,190,581	859,523	1,115,874
Interest Paid	-	(82,505)	(82,505)	-
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(331,058)</b>	<b>937,863</b>	<b>606,805</b>	<b>1,115,874</b>
<b>Net Increase in Cash</b>	<b>432,391</b>	<b>1,430,448</b>	<b>1,862,839</b>	<b>95,587</b>
<b>Cash - Beginning of Year</b>	<b>686,732</b>	<b>565,763</b>	<b>1,252,495</b>	<b>335,599</b>
<b>Cash - End of Year</b>	<b>\$ 1,119,123</b>	<b>\$ 1,996,211</b>	<b>\$ 3,115,334</b>	<b>\$ 431,186</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating Income (Loss)	\$ 520,238	\$ 175,598	\$ 695,836	\$ (815,709)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Depreciation	293,974	414,695	708,669	-
Amortization	-	659	659	-
Decrease in Assets:				
Accounts Receivable	43,764	-	43,764	-
Due from Other Funds	-	-	-	190,488
Increase (Decrease) in Liabilities:				
Accounts Payable	176,163	44,008	220,171	13,999
Accrued Liabilities	17,287	6,648	23,935	43,823
Compensated Absenses	33,826	15,516	49,342	-
Patient Funds Held in Escrow	22,310	-	22,310	-
Due to Other Funds	(244,117)	(2,193)	(246,310)	-
<b>Total Adjustments</b>	<b>343,207</b>	<b>479,333</b>	<b>822,540</b>	<b>248,310</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 863,445</b>	<b>\$ 654,931</b>	<b>\$ 1,518,376</b>	<b>\$ (567,399)</b>

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

County of Schuylkill  
Statement of Fiduciary Net Assets  
December 31, 2007

	<u>Employee Retirement</u>	<u>Agency</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 34,427,212	\$ 3,696,038	\$ 38,123,250
Investments	<u>59,385,272</u>	<u>-</u>	<u>59,385,272</u>
Total Assets	<u>93,812,484</u>	<u>3,696,038</u>	<u>97,508,522</u>
Liabilities			
Funds Held in Fiduciary Capacity	<u>-</u>	<u>3,696,038</u>	<u>3,696,038</u>
Total Liabilities	<u>-</u>	<u>3,696,038</u>	<u>3,696,038</u>
Net Assets held for Employees' Pension Benefits	<u>\$ 93,812,484</u>	<u>\$ -</u>	<u>\$ 93,812,484</u>

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

COUNTY OF SCHUYLKILL  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED DECEMBER 31, 2007

	Employee Pension
Additions:	
Contributions:	
Employee	\$ 2,102,354
Employer	1,217,811
	3,320,165
Investment Income:	
Net Appreciation in Fair Value of Investments	6,612,530
Interest	1,184,228
Dividends	1,733,543
Less: Investment Expense	(2,516,818)
Net Investment Income	7,013,483
Total Additions	10,333,648
Deductions:	
Administrative Costs	6,288
Retirement Benefits	3,947,935
Death Benefits	248,905
Member Contribution Refunds	369,963
	4,573,091
Total Deductions	4,573,091
Net Increase	5,760,557
Net Assets Held in Trust for Employees' Pension Benefits:	
Beginning of Year	88,051,927
End of Year	\$ 93,812,484

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

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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, 2007.

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, 2007

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, 2007.

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, 2007.

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, 2007

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. <u>June 30, 2007</u>	North Central Highway Safety Network December 31, <u>2007</u>
<b>Assets</b>		
Other Assets	\$ 805,366	\$ 1,571,968
Capital Assets, Net	126,522	6,590
Total Assets	931,888	1,578,558
<b>Liabilities</b>		
	475,643	1,265,752
<b>Net Assets</b>		
Unrestricted	349,123	306,216
Invested in Capital Assets, Net of Related Debt	107,122	6,590
Total Net Assets	\$ 456,245	\$ 312,806

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

	Child Development, Inc. Year Ended June 30, <u>2007</u>	North Central Highway Safety Network Year Ended December 31, <u>2007</u>
Revenues	\$8,295,728	\$5,611,184
Expenditures	8,285,899	5,614,425
Excess of Revenues Over Expenditures	9,829	(3,241)
Net Assets - Beginning of Year	446,416	316,047
Net Assets - End of Year	\$ 456,245	\$ 312,806

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

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, 2007

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 balance/net assets, 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, 2007

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, 2007

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, 2007

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. 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.

e. Other Agency Fund

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.

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, 2007

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, 2007

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.

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.

COUNTY OF SCHUYLKILL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2007

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

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 of \$307,426.

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
Leasehold Assets	10 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, 2007, appropriate interfund receivables or payables have been established.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

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) Unearned Revenues

Unearned Revenues are reported in government-wide financial statements. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned 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, 2007

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.

O) Adoption of Governmental Accounting Standards Board Statement

The County adopted the provisions of GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". The adoption of this statement had no effect on the financial reporting information of the County.

P) Pending Changes in Accounting Principles

In June 2004, the GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*". The County is required to adopt Statement No. 45 for its calendar year 2008 financial statements.

In November 2007, the GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation*". The County is required to adopt Statement No. 49 for its calendar year 2008 financial statements.

In May 2007, the GASB issued Statement No. 50, "*Pension Disclosures*". The County is required to adopt Statement No. 50 for its calendar year 2008 financial statements.

In July 2007, the GASB issued Statement No. 51, "*Accounting and Financial Report for Intangible Assets*". The County is required to adopt Statement No. 51 for its calendar year 2010 financial statements.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

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

P) Pending Changes in Accounting Principles (Continued)

In November 2007, the GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The County is required to adopt Statement No. 52 for its calendar year 2009 financial statements.

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

NOTE 2: DEPOSIT AND INVESTMENT RISK

As of December 31, 2007, the County had the following debt investments and maturities within its operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Cash Equivalent	\$ 531,650	\$ 531,650	\$ -	\$ -	\$ -
Total	\$ 531,650	\$ 531,650	\$ -	\$ -	\$ -

As of December 31, 2007, the County had the following debt investments and maturities within its Internal Service Fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Treasuries	\$ 205,360	\$ -	\$ 153,536	\$ 51,824	\$ -
U.S. Government Agencies	163,516	39,825	123,691	-	-
Corporate Bonds	149,566	-	50,066	99,500	-
Total	\$ 518,442	\$ 39,825	\$ 327,293	\$ 151,324	\$ -

As of December 31, 2007, the County had the following debt investments and maturities within its Retirement Fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Treasuries	\$ 2,642,086	\$ 1,610,509	\$ 510,602	\$ 520,975	\$ -
U.S. Government Agencies	9,298,969	1,652,872	5,329,433	1,843,720	472,944
Corporate Bonds	5,871,747	3,886,944	1,543,523	441,280	-
Total	\$ 17,812,802	\$ 7,150,325	\$ 7,383,558	\$ 2,805,975	\$ 472,944

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

The County's Retirement Plan Investment Policy (Retirement Investment Policy) states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 35% (with an allowable range of +/- 5%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

*Credit Risk* – The County's investment policy limits operating and self-insurance investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The County's governmental activities investments of \$531,650 were comprised of various certificates of deposit, which mature within one year, U.S. Government Treasuries, U.S. Government Agencies, and Corporate Bonds, which have various maturity dates as noted above.

The County's Retirement Investment Policy limits fixed income securities to a minimum of "BBB" or better at the time of purchase. At no time should securities rated less than "A" exceed 20% of the portfolio. No issuer, other than the U.S. Government or other federal agencies, may represent more than 15% of the total market value of the fixed income portfolio. As of December 31, 2007, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
U.S. Government Treasuries	AAA	100%
U.S. Government Agencies	AAA	100%
Corporate Bonds	AAA	3%
Corporate Bonds	AA1	8%
Corporate Bonds	AA2	13%
Corporate Bonds	AA3	16%
Corporate Bonds	A1	20%
Corporate Bonds	A2	18%
Corporate Bonds	A3	4%
Corporate Bonds	BAA1	7%
Corporate Bonds	BAA2	11%

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

As of December 31, 2007, the County's cash and restricted cash balances for its governmental activities, business-type activities and agency fund were \$32,272,056 and its bank balances were \$35,962,388. Of those bank balances, \$34,505,542 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name. The entire cash and cash equivalent balance in the Retirement Fund was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name.

*Concentration of Credit Risk* – The County's investment policy for pooled and self-insurance funds is to invest in U.S. Government of Federal agency securities for which there is no limit to the investment amount.

The County's Retirement Investment Policy limits investments, other than those in U.S. Government or other federal agencies, to no more than 5% of the total market value of the fixed income portfolio. More than 5% of the County's Retirement Fund investments are in the Federal Home Loans Banks. These investments are 8% of the total Retirement Fund Portfolio.

The County entered into a Guaranteed Investment Contract (GIC) on October 27, 2006, with Nationwide Life Insurance Company of America. The GIC is a fixed-income Fund in which substantially all the assets of the Fund are invested in high quality investment grade issues focusing on public bonds, private placements and commercial mortgages. The Fund targets investments with five to seven year maturities for yield and one to five year maturities for liquidity purposes. The Fund runs on a seven year cycle, however, the county may terminate their contact with Nationwide Life Insurance Company of America at any time. The market value of the County's portion of the Fund was \$4,885,111 as of December 31, 2007.

COUNTY OF SCHUYLKILL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2007

## NOTE 3: RESTRICTED CASH

Restricted cash of \$117,417 at December 31, 2007 in the balance sheet - Enterprise Fund is composed of patient account funds held by Rest Haven in escrow for residents and offset by a corresponding liability captioned "patients' funds held in safekeeping."

Restricted cash of \$278,560 at December 31, 2007 in the Internal Service Fund is composed of cash held in an irrevocable trust account for self-insurance purposes.

Restricted cash of \$3,443,081 at December 31, 2007 in the General Fund is comprised of the following:

Cash for road and school district taxes	\$ 373,104
Cash in Excess of Taxes held by Tax Claim Bureau	582,769
Cash held in Escrow Funds	1,014,776
Cash held in Escrow from Land Sales	150,615
Cash for Clerk of Courts	<u>1,321,817</u>
	<u>\$3,443,081</u>

## NOTE 4: NOTES RECEIVABLE

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

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

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, 2007

## NOTE 4: NOTES RECEIVABLE (CONTINUED)

Repayment terms on all notes as of December 31, 2007, require the following principal and interest payments:

Notes Receivable - Principal Payments

<u>Year</u>	<u>1992A Note</u>	<u>1998A Note</u>	<u>1998B Note</u>	<u>1998C Note</u>	<u>Total</u>
2008	\$ 380,000	\$ 95,000	\$ 230,000	\$ 95,000	\$ 800,000
2009	405,000	100,000	245,000	100,000	850,000
2010	185,000	105,000	255,000	100,000	645,000
2011	-	110,000	265,000	105,000	480,000
2012	-	115,000	280,000	110,000	505,000
2013 - 2017	-	675,000	1,420,000	655,000	2,750,000
2018	-	155,000	-	150,000	305,000
	<u>\$ 970,000</u>	<u>\$ 1,355,000</u>	<u>\$ 2,695,000</u>	<u>\$ 1,315,000</u>	<u>\$ 6,335,000</u>

Notes Receivable - Interest Payments

<u>Year</u>	<u>1992A Note</u>	<u>1998A Note</u>	<u>1998B Note</u>	<u>1998C Note</u>	<u>Total</u>
2008	\$ 61,595	\$ 62,508	\$ 122,071	\$ 60,588	\$ 306,762
2009	37,465	58,120	111,383	56,200	263,168
2010	11,747	53,508	100,133	51,700	217,088
2011	-	48,616	88,301	47,035	183,952
2012	-	43,412	75,696	42,063	161,171
2013 - 2017	-	125,580	164,273	121,365	411,218
2018	-	3,875	-	3,750	7,625
	<u>\$ 110,807</u>	<u>\$ 395,619</u>	<u>\$ 661,857</u>	<u>\$ 382,701</u>	<u>\$ 1,550,984</u>

The principal amount of \$6,335,000 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 2007 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 2007 real estate taxes assessed equaled \$28,019,343 based on a total County valuation of \$2,338,841,895. Based on the 2007 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, 2007

## NOTE 6: CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2007 was as follows:

## Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 694,817	\$ 6,900	\$ -	\$ 701,717
Construction-In-Progress	369,087	1,175,457	(95,144)	1,449,400
Works of Art Collections	174,000	-	-	174,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,237,904</b>	<b>1,182,357</b>	<b>(95,144)</b>	<b>2,325,117</b>
Capital Assets, Being Depreciated:				
Land Improvements	1,805,791	445,332	-	2,251,123
Buildings and Improvements	23,528,873	497,335	(11,012)	24,015,196
Machinery and Equipment	6,308,412	177,203	(69,279)	6,416,336
Motor Vehicles	7,494,218	2,495,244	(1,571,658)	8,417,804
Computer Equipment	2,286,591	263,767	(100,208)	2,450,150
Agricultural Easements	848,321	516,763	-	1,365,084
Infrastructure	6,758,489	224,032	-	6,982,521
Leasehold Assets	1,056,273	56,906	-	1,113,179
<b>Total Capital Assets, Being Depreciated</b>	<b>50,086,968</b>	<b>4,676,582</b>	<b>(1,752,157)</b>	<b>53,011,393</b>
<b>Total Capital Assets, Historical Cost</b>	<b>51,324,872</b>	<b>5,858,939</b>	<b>(1,847,301)</b>	<b>55,336,510</b>
Less Accumulated Depreciation for:				
Land Improvements	(511,854)	(68,772)	-	(580,626)
Buildings and Improvements	(14,329,689)	(581,089)	7,383	(14,903,395)
Machinery and Equipment	(3,579,745)	(553,819)	66,666	(4,066,898)
Motor Vehicles	(5,590,267)	(1,260,662)	1,557,780	(5,293,149)
Computer Equipment	(1,599,544)	(271,156)	93,612	(1,777,088)
Agricultural Easements	(45,206)	(27,668)	-	(72,874)
Infrastructure	(1,797,634)	(250,022)	-	(2,047,656)
Leasehold Assets	(105,627)	(218,805)	-	(324,432)
<b>Total Accumulated Depreciation</b>	<b>(27,559,566)</b>	<b>(3,231,993)</b>	<b>1,725,441</b>	<b>(29,066,118)</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 23,765,306</b>	<b>\$ 2,626,946</b>	<b>\$ (121,860)</b>	<b>\$26,270,392</b>

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

## NOTE 6: CAPITAL ASSETS (CONTINUED)

## Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Construction-In-Progress	\$ -	\$ 215,500	\$ -	\$ 215,500
Total Capital Assets, Not Being Depreciated	-	215,500	-	215,500
Capital Assets, Being Depreciated:				
Land Improvements	158,645	-	-	158,645
Buildings and Improvements	7,599,910	-	-	7,599,910
Machinery and Equipment	4,348,729	63,511	(16,817)	4,395,423
Motor Vehicles	104,374	-	-	104,374
Computer Equipment	1,273,596	6,200	(4,896)	1,274,900
Leasehold Assets	4,111	-	-	4,111
Total Capital Assets, Being Depreciated	13,489,365	69,711	(21,713)	13,537,363
Total Capital Assets	13,489,365	285,211	(21,713)	13,752,863
Less Accumulated Depreciation for:				
Land Improvements	(144,897)	(3,843)	-	(148,740)
Buildings and Improvements	(4,843,942)	(265,604)	-	(5,109,546)
Machinery and Equipment	(2,491,648)	(289,630)	16,818	(2,764,460)
Motor Vehicles	(92,044)	(8,221)	-	(100,265)
Computer Equipment	(890,075)	(140,549)	4,019	(1,026,605)
Leasehold Assets	(411)	(822)	-	(1,233)
Total Accumulated Depreciation	(8,463,017)	(708,669)	20,837	(9,150,849)
Total Capital Assets, Net of Accumulated Depreciation	\$ 5,026,348	\$ (423,458)	\$ (876)	\$ 4,602,014

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

## Governmental Activities:

General Government	\$ 870,058
Judicial Government	272,279
Public Safety	159,026
Public Works	1,233,702
Human Services	411,226
Culture/Recreation	84,503
Conservation/Development	201,199
	<u>\$3,231,993</u>

## Business-Type Activities:

Rest Haven Nursing Home	\$ 293,974
911 Operations	414,695
	<u>\$ 708,669</u>

COUNTY OF SCHUYLKILL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2007

## 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 with the expectation of 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, 2007, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	457
Terminated Plan Members Entitled to but not yet Receiving Benefits	31
Active Plan Members	<u>718</u>
 Total	 <u>1,206</u>

Contributions

Plan members are required to contribute 8% of their salary and may contribute up to 18%. The County contributions are determined as part of an annual actuarial valuation. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs of the plan are financed through investment earnings.

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

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

## 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	4.25%-4.5%; graduated .25% increments over 1 year (including 3% inflation)

No Postretirement Benefit Increases

Annual Pension Cost and Net Pension Obligation

The County's Annual Required Contribution for 2007, was determined as part of the January 1, 2007, actuarial valuation. The County's annual pension cost and net pension obligation to the Schuylkill County Employee's Retirement System for 2007, was as follows:

Annual Required Contribution	\$(1,217,811)
Interest on Net Pension Obligation	2,227
Adjustment to Annual Required Contribution	<u>(3,559)</u>
Annual Pension Cost	(1,219,143)
Contribution	<u>1,217,811</u>
Change in Net Pension Obligation	(1,332)
Net Pension Asset (Obligation) - January 1, 2007	<u>29,699</u>
Net Pension Asset (Obligation) - December 31, 2007	<u>\$ 28,367</u>

Annual Pension Cost - Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Asset (Obligation)</u>
December 31, 2003	\$ (633,578)	99.72%	\$34,071
December 31, 2004	(1,014,268)	99.85%	32,504
December 31, 2005	(944,790)	99.85%	31,077
December 31, 2006	(1,228,964)	99.89%	29,699
December 31, 2007	(1,219,143)	99.89%	28,367

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

NOTE 8: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 7, the County provides post-employment health care benefits to employees who were hired prior by the County prior to a predetermined date and who retire from the County and who qualify for either normal retirement or early retirement.

If an employee retires prior to age 65, they are offered coverage under the Traditional Plan through Capital Blue Cross. Once a retiree reaches the age of 65 or an employee retires at or after age 65, their coverage remains with Capital Blue Cross but it is changed to a Senior Plan.

The County also reimburses the retiree for the cost incurred in connection with the Medicare Premium - Part B. Once a retiree becomes eligible for Medicare, the County's postemployment health care benefit becomes secondary to Medicare and the County reimburses the retiree for the cost of the Medicare supplemental insurance premium.

In total, there are approximately 365 retirees who are currently receiving both a postemployment health care benefit and who are also being reimbursed for the cost incurred in connection with the Medicare Premium - Part B.

The County also pays a fixed amount of \$300 per quarter to a retiree who elects out of the postemployment health care benefit. There are approximately 30 retirees who are currently receiving this benefit.

Expenditures for postemployment health care benefits are financed on a pay-as-you-go basis. As of December 31, 2007, 395 retirees satisfied the appropriate eligibility requirements and expenditures of \$2,510,638 were recognized accordingly for fiscal year 2007.

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 account for workers' compensation with a cash and investment balance of \$949,628 at December 31, 2007. The County was not required to fund the account in 2007, 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.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

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

The following summary reflects the changes in the actuarially determined liability for workers' compensation for the year ended December 31, 2006 and 2007:

	<u>2006</u>	<u>2007</u>
January 1, Liability	\$ 730,649	\$ 725,914
Incurred Claims and Changes in Estimate	474,907	161,118
Payments	<u>(479,642)</u>	<u>(117,295)</u>
December 31, Liability	<u>\$ 725,914</u>	<u>\$ 769,737</u>

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 2007, the County did not issue any General Obligation Bonds or Notes.

Long-term obligations outstanding at December 31, 2007, consisted of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Long-term Obligations</u>
General Obligation Bonds	\$16,655,000	\$ 1,025,000	\$17,680,000
General Obligation Note	-	725,516	725,516
Capital Leases	733,046	2,929	735,975
Compensated Absences	3,892,697	820,580	4,713,277
Workers' Compensation Liability	<u>769,737</u>	<u>-</u>	<u>769,737</u>
	<u>\$22,050,480</u>	<u>\$ 2,574,025</u>	<u>\$24,624,505</u>

COUNTY OF SCHUYLKILL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2007

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

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

	Governmental Activities				911 Fund		Rest Haven Nursing Home	Internal Service Fund	Total Long-term Debt
	General Obligation Bonds Payable	Capital Lease Obligations	Compensated Absences	General Obligation Bonds Payable	General Obligation Note Payable	Capital Lease Obligations			
Outstanding at January 1, 2007	\$18,305,000	\$ 896,546	\$4,089,004	\$ 1,170,000	\$ 750,000	\$ 3,658	\$ 559,674	\$ 725,914	\$26,711,360
New Additions:	-	56,906	-	-	-	-	-	-	56,906
General Obligation Debt Principal Retirements	(1,650,000)	-	-	(145,000)	(24,484)	-	-	-	(1,819,484)
Capital Lease Payments	-	(220,406)	-	-	-	(729)	-	-	(221,135)
Increase (Decrease) in Compensated Absences	-	-	(196,307)	-	-	-	33,826	-	(146,965)
Increase in Workers' Comp. Liability	-	-	-	-	-	-	-	43,823	43,823
Outstanding at December 31, 2007	\$16,655,000	\$ 733,046	\$3,892,697	\$ 1,025,000	\$ 725,516	\$ 2,929	\$ 593,500	\$ 769,737	\$24,624,505

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued vacation pay, accrued sick time, workers' compensation liability, and capital lease obligations. For analysis of capital lease obligations see Note # 11.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

## NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

The following table summarizes long-term bonds and notes principal and interest payments for debt outstanding as of December 31, 2007:

<u>Years Ending December 31,</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Requirements</u>
2008	\$ 1,883,606	\$ 679,163	\$ 2,562,769
2009	1,959,894	610,897	2,570,791
2010	2,031,147	537,343	2,568,490
2011	2,127,462	460,395	2,587,857
2012	2,223,756	380,849	2,604,605
2013-2017	7,447,394	756,022	8,203,416
2018-2022	517,336	91,057	608,393
2023-2026	214,921	30,178	245,099
	<u>\$18,405,516</u>	<u>\$ 3,545,904</u>	<u>\$21,951,420</u>
To be Retired by:			
Business-type Activities	\$ 1,750,516	\$ 549,342	\$ 2,299,858
Governmental Activities	16,655,000	2,996,562	19,651,562
	<u>\$18,405,516</u>	<u>\$ 3,545,904</u>	<u>\$21,951,420</u>

The following is a summary of the bonds and notes outstanding as of December 31, 2007:

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2007</u>	<u>Amounts due within one Year</u>
2000	\$10,000,000	Variable interest rate General Obligation Bonds issued to finance various economic development and certain capital projects of the County.	\$ 7,805,000	\$ 430,000
2001	\$4,975,000	3.50%-4.65% General Obligation Bonds issued to currently refund the 1993 General Obligation Bond Series A and Series B.	2,870,000	425,000
2002	\$6,400,000	2%-4% General Obligation Bonds issued to currently refund the 1992 A and 1993 C Series General Obligation Bonds.	1,160,000	480,000
2002A	\$8,045,000	1.35% to 4.4% General Obligation Bonds issued to currently refund the 1998 Series General Obligation Bonds.	5,845,000	525,000
2006	\$750,000	4.85% fixed for the first 15 years and up to 6.5% for the final 5 years, General Obligation Note issued to purchase 911/Communications Building	<u>725,516</u>	<u>23,606</u>
Total General Long-term Debt Obligations at December 31, 2007			<u>\$18,405,516</u>	<u>\$1,883,606</u>

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Interest rates on the General Obligation Bonds, Series of 2000 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 3.47% at December 31, 2007.

Interest rates in the General Obligation Note, Series of 2007 are fixed at 4.85% for the first 15 years of the Note, it then converts to a floating rate with a maximum rate of 6.5% for the final 5 years. The final 5 years interest payments are calculated at the 6.5% maximum for reporting purposes.

NOTE 11: CAPITAL LEASES

During 2007, the County entered into a Capital Lease with the Pennsylvania State University in order to finance the purchase of various computers. The amount of the Capital Lease is \$19,330 with 4 year term. The Capital Lease payments are calculated as annual payments of \$4,700. Payments will continue for 4 years through May 2010.

In April 2007, the County entered into a Capital Lease with Ford Motor Credit Company in order to finance the purchase of a vehicle. The amount of the Capital Lease is \$25,826 with a lease rate of 6.90% over the 3 year term of the lease. The Capital Lease payments are calculated as annual payments of \$8,990. Payments began on April 2, 2007, and will continue for 3 years through April 2, 2009.

In March 2006, the County entered into a Capital Lease with Sun Trust Leasing Corporation in order to finance the purchase and implementation of a new computer software system. The amount of the Capital Lease is \$952,100 with a lease rate of 3.69% over the 5 year term of the lease. The Capital Lease payments are calculated as 60 monthly payments of \$17,400. Payments began on March 31, 2006, and will continue for 5 years through February 28, 2011.

In April 2006, the County also entered into a Capital Lease with Key Equipment Finance, Inc. in order to finance copiers for various offices within the County. The amount of the Capital Lease is \$90,284 with the aggregate principal amounts of \$86,173 and \$4,111 to be retired by Governmental Activities and the 911 Proprietary Fund, respectively. The term of the lease is 5 years. The Capital Lease payments are calculated as 60 monthly payments of \$1,854.46. Payments began on May 17, 2006, and will continue for 5 years through April 17, 2011. In August 2007, the County entered into three add-on lease agreements for additional copiers for various offices within the County. These additional agreements increased the aggregate principal amount for Governmental Activities to \$97,923 and no change to the 911 Fund amounts. The monthly lease payments increased to \$2,118.

In January 2006, the County also entered into a Capital Lease with Pitney Bowes in order to finance the purchase of a Digital Mailing System. The amount of the Capital Lease is \$18,000. The term of the lease is 5 years. The Capital Lease payments are calculated as 60 monthly payments of \$313. Payments began on January 31, 2006, and will continue for 5 years through December 31, 2010.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

The assets acquired through the capital leases are as follows:

ASSETS:	
Leasehold Assets	\$ 1,117,290
Less: Accumulated Depreciation	<u>(325,665)</u>
Total	<u>\$ 791,625</u>

Future minimum lease payments under the agreements together with present value of the net minimum lease payments are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Years ending December 31</u>			
2007	\$ 250,659	\$ 1,013	\$ 251,672
2008	250,659	1,013	251,672
2009	239,044	1,013	240,057
2010	<u>42,924</u>	<u>338</u>	<u>43,262</u>
Total payments	\$ 783,286	\$ 3,377	\$ 786,663
		Less: Amounts representing interest	<u>(50,688)</u>
		Total present value of minimum	
		Lease Payments	<u>\$ 735,975</u>

NOTE 12: INTERFUND BALANCES

Interfund receivable and payable balances of each individual fund as of December 31, 2007, are as follows:

<u>Governmental Fund Types</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,948,028	\$ 533,652
Debt Service Fund	5,340	-
Capital Projects Fund	500,000	-
Special Revenue Funds		
Domestic Relations Office	-	55,394
Drug and Alcohol	-	2,741
Mental Health/Mental Retardation	33,652	5,882
Children and Youth Services	-	2,125,386
Office of Senior Services	-	38,799
Other Agency	-	61,941
Total Special Revenue Funds	<u>33,652</u>	<u>2,290,143</u>
Total Governmental Fund Types	<u>2,487,020</u>	<u>2,823,795</u>
 <u>Proprietary Fund Types</u>		
Rest Haven Nursing Home	1,632	417,977
911 Operations	-	16,617
Internal Service	769,737	-
Total Proprietary Funds	<u>771,369</u>	<u>434,594</u>
	<u>\$ 3,258,389</u>	<u>\$ 3,258,389</u>

These balances exist because the General Fund, Debt Service Fund, Capital Projects Fund, Mental Health and Mental Retardation 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, 2007.

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, 2007, are as follows:

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

## NOTE 12: INTERFUND BALANCES (CONTINUED)

<u>Governmental Fund Types</u>	<u>Transferred from Other Funds</u>	<u>Transferred to Other Funds</u>
General Fund	\$ 2,577,587	\$ 6,610,246
Debt Service Fund	67,757	3,959
Capital Projects Fund	500,000	26,847
Special Revenue Funds		
Human Service Complex	271,380	164,956
Liquid Fuels Tax	-	175,357
Domestic Relations Office	346,664	434,808
Drug and Alcohol	47,835	158,072
Mental Health/Mental Retardation	352,857	40,090
Children and Youth	3,273,541	1,031,574
Office of Senior Services	100,843	781,365
Other Agency	80,499	528,891
Farmland Preservation	200,000	-
Transportation	199,156	-
Demolition	228,098	-
Conduit	-	37,351
SCBG	-	228,098
	<hr/>	<hr/>
Total Special Revenue Fund	5,100,873	3,580,562
	<hr/>	<hr/>
Total Governmental Fund Types	\$ 8,246,217	\$10,221,614
	<hr/>	<hr/>
<u>Proprietary Fund Types</u>		
Rest Haven Nursing Home	\$ 26,847	\$ 357,905
911 Operations	1,194,774	4,193
Internal Service	1,115,874	-
	<hr/>	<hr/>
Total Proprietary Fund Types	2,337,495	362,098
	<hr/>	<hr/>
	\$10,583,712	\$10,583,712

## NOTE 13: OPERATING LEASES

The County leases office space under several operating lease agreements which have expiration dates ranging from 2008 to 2013. 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, 2007:

<u>Years</u>	<u>Courts</u>	<u>Agencies</u>	<u>Certain Other Departments</u>	<u>Total</u>
2008	\$ 170,038	\$ 141,275	\$ 139,420	\$ 450,733
2009	170,038	141,275	139,420	450,733
2010	170,038	141,275	139,420	450,733
2011	170,038	141,275	139,420	450,733
2012	170,038	141,275	139,420	450,733
2013	170,038	141,275	139,420	450,733
	<hr/>	<hr/>	<hr/>	<hr/>
	\$1,020,228	\$ 847,650	\$ 836,520	\$2,704,398

Expenses incurred by the County under these leases in 2007 totaled \$430,742.

COUNTY OF SCHUYLKILL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007

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, 2007.

NOTE 15: DUE FROM THIRD PARTY

The County is owed \$374,890 from a third party based on an Independent Consulting Services report. This receivable is based on excess payments to a provider in prior years. This amount is recorded as a receivable and unearned revenue in the general fund of the fund level financial statements and is recorded as a receivable in the entity-wide financial statements.

NOTE 16: SUBSEQUENT EVENTS

Tax and Revenue Anticipation Note

In January 2008, the County issued a Tax and Revenue Anticipation Note with a financial institution in the aggregate principal amount of \$4,000,000 at a fixed interest rate of 3.13%.

General Obligation Bonds, Series of 2008

On March 19, 2008, the County issued General Obligations Bonds, Series of 2008 in the aggregate principal amount of \$17,255,000. The bonds were issued the purpose of providing funds to be used for: (1) currently refund all of the County's outstanding General Obligation Variable Rate Bonds, Series of 2000; (2) currently refunding all of the County's outstanding General Obligation Bonds, Series of 2001; (3) currently refunding all of the County's outstanding General Obligation Bonds, Series of 2002; (4) currently refunding all of the County's outstanding General Obligation Bonds, Series A of 2002; (5) currently refunding all of the County's outstanding General Obligation Note, Series of 2006; (6) and pay the costs and expenses related to issuing and insuring the Bonds.

Impairment of Capital Asset

On February 14, 2008, the County issued a notice of termination of the contract to New World Systems Corporation, with whom the county had an agreement for installation and implementation of an accounting software program. The computer software was financed by the County through a capital lease and the assets have been recorded by the County since that time. The termination of the contract with New World Systems Corporation will result in an impairment of the capital asset recorded for the computer software, and the need for it to be written off and a corresponding loss on impairment of assets for the County's December 31, 2008 financial statements.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

COUNTY OF SCHUYLKILL  
REQUIRED SUPPLEMENTAL INFORMATION  
EMPLOYEE RETIREMENT PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2007

Schedule of Employer Contributions – Trend Information

<u>Years Ended</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Percentage of ARC Contributed</u>
December 31, 2002	\$ -	N/A
December 31, 2003	\$ 631,779	100%
December 31, 2004	\$1,012,701	100%
December 31, 2005	\$ 943,363	100%
December 31, 2006	\$1,227,586	100%
December 31, 2007	\$1,217,811	100%

COUNTY OF SCHUYLKILL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
<b>Revenues</b>				
Real Estate Taxes	\$ 25,696,809	\$ 25,696,809	\$ 25,641,585	\$ (55,224)
Per Capita Taxes	438,138	438,138	411,643	(26,495)
Hotel Tax	200,000	200,000	224,234	24,234
Grants and Gifts	5,191,546	6,368,368	5,207,116	(1,161,252)
Interest and Royalties	338,500	338,500	805,514	467,014
Charges for Services	7,579,830	7,582,840	7,678,739	95,899
Other Revenue	130,486	172,204	240,672	68,468
<b>Total Revenues</b>	<u>39,575,309</u>	<u>40,796,859</u>	<u>40,209,503</u>	<u>(587,356)</u>
<b>Expenditures</b>				
<b>General Government - Administrative</b>				
Commissioners	269,647	269,647	264,927	4,720
Solicitor	180,102	180,102	165,159	14,943
County Administrator	183,186	139,941	132,878	7,063
Maintenance	729,984	745,205	743,381	1,824
Voter Registration and Elections	582,656	642,656	624,209	18,447
Central Services	472,366	474,466	447,577	26,889
Tax Assessment	702,216	702,299	672,510	29,789
Treasurer	687,399	687,399	685,832	1,567
Tax Claim	396,588	438,966	405,945	33,021
Controller	426,394	427,209	406,835	20,374
Engineering and Real Estate	75,281	71,781	63,020	8,761
Planning and Zoning	293,059	293,059	180,676	112,383
Recorder of Deeds	423,569	423,569	391,634	31,935
Data Processing	543,637	543,637	536,663	6,974
Records Management	172,687	172,733	124,004	48,729
Personnel	197,780	198,580	191,526	7,054
Public Defender	800	1,300	1,274	26
Veteran Affairs	164,041	164,041	142,762	21,279
Grant Writer	30,442	30,442	29,739	703
Tax Refunds	30,000	241,000	230,051	10,949
Fringe Benefits	2,524,653	2,712,997	2,459,284	253,713
Insurances	733,500	1,217,829	554,348	663,481
Contributions to Various Agencies	365,100	219,568	(583,439)	803,007
Contingency	892,015	790,556	630,134	160,422
<b>Total - General Government Administrative</b>	<u>11,077,102</u>	<u>11,788,982</u>	<u>9,500,929</u>	<u>2,288,053</u>

COUNTY OF SCHUYLKILL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>Public Safety</b>				
Adults in Non-County Institutions	11,000	11,000	9,650	1,350
County Prison	3,621,153	4,273,830	4,023,039	250,791
Emergency Management	293,446	293,446	257,562	35,884
Fringe Benefits	1,497,244	1,608,942	1,458,477	150,465
Contributions to Various Agencies	40,250	40,250	40,250	-
Total - Public Safety	<u>5,463,093</u>	<u>6,227,468</u>	<u>5,788,978</u>	<u>438,490</u>
<b>Public Works</b>				
Engineering	1,507,921	1,518,921	202,596	1,316,325
Fringe Benefits	100,188	107,662	97,594	10,068
Contributions to Various Agencies	8,700	8,879	8,879	-
Total - Public Works	<u>1,616,809</u>	<u>1,635,462</u>	<u>309,069</u>	<u>1,326,393</u>
<b>General Government - Judicial</b>				
Registrar of Wills	251,702	251,770	260,712	(8,942)
Sheriff	872,950	872,950	896,668	(23,718)
Coroner	209,269	209,269	188,106	21,163
Prothonotary	332,322	332,322	333,097	(775)
Clerk of Courts	461,238	461,238	476,984	(15,746)
Public Defender	622,305	622,845	764,708	(141,863)
District Attorney	1,262,365	1,265,375	1,274,889	(9,514)
Law Library	268,057	268,057	271,951	(3,894)
Courts	1,545,590	1,545,555	1,516,817	28,738
District Justices	1,101,709	1,103,401	1,108,115	(4,714)
Constables	8,800	12,300	11,179	1,121
Jury Commissioners	25,985	25,985	25,929	56
Adult Probation	1,523,802	1,609,897	1,622,628	(12,731)
Juvenile Probation	949,078	952,785	1,023,946	(71,161)
Fringe Benefits	4,579,376	4,921,006	4,460,806	460,200
Total - General Government - Judicial	<u>14,014,548</u>	<u>14,454,755</u>	<u>14,236,535</u>	<u>218,220</u>
<b>Conservation and Development</b>				
Coal Lands	76,021	76,021	64,836	11,185
Economic Development	139,968	174,968	149,025	25,943
Solid Waste Management	518,324	526,423	33,854	492,569
Parks and Recreation	1,497,870	1,845,370	400,192	1,445,178
Agricultural Extension	342,960	348,294	325,603	22,691
Soil Conservation	428,564	428,564	425,643	2,921
Fringe Benefits	501,697	539,125	488,707	50,418
Contributions to Various Agencies	274,752	352,252	302,971	49,281
Total - Conservation and Development	<u>3,780,156</u>	<u>4,291,017</u>	<u>2,190,831</u>	<u>2,100,186</u>
<b>Culture and Recreation</b>				
Contributions to Various Agencies	424,780	503,080	503,005	75
<b>Human Services</b>				
Human Services Administration	393,756	393,854	394,526	(672)
Fringe Benefits	92,856	99,783	90,452	9,331
Contributions to Various Agencies	134,873	134,873	134,873	-
Total - Human Services	<u>621,485</u>	<u>628,510</u>	<u>619,851</u>	<u>8,659</u>
<b>Capital Projects</b>				
	392,114	379,165	2,167,411	(1,788,246)
Total Expenditures	<u>37,390,087</u>	<u>39,908,439</u>	<u>35,316,609</u>	<u>4,591,830</u>
Excess of Revenues Over Expenditures	<u>2,185,222</u>	<u>888,420</u>	<u>4,892,894</u>	<u>(4,004,474)</u>

COUNTY OF SCHUYLKILL  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Other Financing Sources (Uses)				
Operating Transfers In				
Drug and Alcohol	69,145	69,145	56,296	(12,849)
Mental Health/Mental Retardation	100,486	100,486	32,792	(67,694)
Children and Youth Services	672,460	672,460	707,259	34,799
Domestic Relations Office	424,699	424,699	476,621	51,922
Juvenile Training	223,178	223,178	45,985	(177,193)
Offender Supervision	86,702	86,702	67,139	(19,563)
Liquid Fuels Tax	22,000	22,000	-	(22,000)
Office of Senior Services	528,884	528,884	591,193	62,309
Conduit Fund	105,978	105,978	37,352	(68,626)
Human Services Complex Fund	81,110	81,110	101,756	40,646
Hazmat	35,000	35,000	63,751	28,751
Transportation Fund	48,702	48,702	46,360	(2,342)
Community Development Block Grant	65,000	65,000	65,621	621
Driving Under the Influence	200,000	200,000	136,094	(63,906)
Conservation District	48,500	48,500	47,843	(657)
Other Funds	403,872	403,872	101,525	(302,347)
	<u>3,095,716</u>	<u>3,095,716</u>	<u>2,577,587</u>	<u>(518,129)</u>
Operating Transfers (Out)				
Farmland Preservation	200,000	200,000	200,000	-
Mental Health/Mental Retardation	202,680	202,680	202,680	-
Children and Youth Services	3,110,704	3,110,704	3,110,704	-
Domestic Relations Office	343,364	343,364	346,664	(3,300)
Office of Senior Services	-	10,000	10,000	-
Drug and Alcohol	30,260	30,260	30,260	-
Transportation Fund	199,156	199,156	199,156	-
Human Services Complex	-	57,573	57,573	-
Capital Projects	-	500,000	500,000	-
Other Funds	-	-	758,435	(758,435)
911 Tariff Fund	1,194,774	1,194,774	1,194,774	-
	<u>5,280,938</u>	<u>5,848,511</u>	<u>6,610,246</u>	<u>(761,735)</u>
Total Other Financing Uses	<u>(2,185,222)</u>	<u>(2,752,795)</u>	<u>(4,032,659)</u>	<u>243,606</u>
Excess of Revenue Over Expenditures and Other Financing Uses	-	(1,864,375)	860,235	2,724,610
Fund Balances - Beginning of Year	-	1,864,375	5,238,701	3,374,326
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,098,936</u>	<u>\$ 6,098,936</u>

COUNTY OF SCHUYLKILL  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - MENTAL HEALTH/MENTAL RETARDATION - SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Grants and Gifts	\$ 20,209,381	\$ 22,365,094	\$ 21,832,128	\$ (532,966)
Interest and Royalties	15,000	36,000	43,690	7,690
Charges for Services	83,100	199,993	42,012	(157,981)
<b>Total Revenues</b>	<u>20,307,481</u>	<u>22,601,087</u>	<u>21,917,830</u>	<u>(683,257)</u>
<b>Expenditures</b>				
Human Services	20,498,618	22,792,840	22,020,868	771,972
Capital Projects	11,543	11,000	209,729	(198,729)
<b>Total Expenditures</b>	<u>20,510,161</u>	<u>22,803,840</u>	<u>22,230,597</u>	<u>573,243</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(202,680)</u>	<u>(202,753)</u>	<u>(312,767)</u>	<u>(110,014)</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	202,680	202,680	352,857	150,177
Operating Transfers (Out)	-	-	(40,090)	(40,090)
<b>Total Other Financing Sources (Uses)</b>	<u>202,680</u>	<u>202,680</u>	<u>312,767</u>	<u>110,087</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>-</u>	<u>(73)</u>	<u>-</u>	<u>73</u>
<b>Fund Balances - Beginning of Year</b>	<u>-</u>	<u>73</u>	<u>-</u>	<u>(73)</u>
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF SCHUYLKILL  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - CHILDREN AND YOUTH - SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenues				
Grants and Gifts	\$ 11,867,153	\$ 11,867,153	\$ 11,714,432	\$ (152,721)
Interest and Royalties	19,150	19,150	41,739	22,589
Charges for Services	1,095,893	1,095,893	872,638	(223,255)
Total Revenues	<u>12,982,196</u>	<u>12,982,196</u>	<u>12,628,809</u>	<u>(353,387)</u>
Expenditures				
Human Services	16,050,700	16,067,202	14,837,797	1,229,405
Capital Projects	42,200	25,868	32,979	(7,111)
Total Expenditures	<u>16,092,900</u>	<u>16,093,070</u>	<u>14,870,776</u>	<u>1,222,294</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,110,704)</u>	<u>(3,110,874)</u>	<u>(2,241,967)</u>	<u>868,907</u>
Other Financing Sources (Uses)				
Operating Transfers In	3,110,704	3,110,704	3,273,541	162,837
Operating Transfers (Out)	-	-	(1,031,574)	(1,031,574)
Total Other Financing Sources (Uses)	<u>3,110,704</u>	<u>3,110,704</u>	<u>2,241,967</u>	<u>(868,737)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(170)	-	170
Fund Balances - Beginning of Year	-	170	-	(170)
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF SCHUYLKILL  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - LIQUID FUELS - SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>Revenues</b>				
Grants and Gifts	\$ 590,000	\$ 590,000	\$ 655,454	\$ 65,454
Interest and Royalties	65,000	65,000	291,244	226,244
Other General Revenue	-	-	1,229	1,229
<b>Total Revenues</b>	<u>655,000</u>	<u>655,000</u>	<u>947,927</u>	<u>292,927</u>
<b>Expenditures</b>				
Public Works	383,767	383,767	26,774	356,993
Capital Projects	832,500	832,500	327,771	504,729
<b>Total Expenditures</b>	<u>1,216,267</u>	<u>1,216,267</u>	<u>354,545</u>	<u>861,722</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(561,267)</u>	<u>(561,267)</u>	<u>593,382</u>	<u>1,154,649</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers (Out)	-	-	(175,357)	(175,357)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(175,357)</u>	<u>(175,357)</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(561,267)</u>	<u>(561,267)</u>	<u>418,025</u>	<u>979,292</u>
<b>Fund Balances - Beginning of Year</b>	<u>561,267</u>	<u>561,267</u>	<u>4,626,143</u>	<u>4,064,876</u>
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,044,168</u>	<u>\$ 5,044,168</u>

COUNTY OF SCHUYLKILL  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - OTHER AGENCY - SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>Revenues</b>				
Grants and Gifts	\$ 4,042,870	\$ 4,588,192	\$ 4,796,572	\$ 208,380
Charges for Services	-	-	674	674
Interest and Royalties	13,773	13,773	44,801	31,028
Other Revenue	80,564	80,564	17,892	(62,672)
Total Revenues	<u>4,137,207</u>	<u>4,682,529</u>	<u>4,859,939</u>	<u>177,410</u>
<b>Expenditures</b>				
Judicial Government	1,500,000	2,150,000	2,113,297	36,703
Human Services	2,428,098	2,885,608	2,290,045	595,563
Capital Projects	100,178	101,394	8,205	93,189
Total Expenditures	<u>4,028,276</u>	<u>5,137,002</u>	<u>4,411,547</u>	<u>725,455</u>
Excess of Revenues Over (Under) Expenditures	<u>108,931</u>	<u>(454,473)</u>	<u>448,392</u>	<u>902,865</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	-	-	80,499	80,499
Operating Transfers (Out)	(54,960)	(54,960)	(528,891)	(473,931)
Total Other Financing Sources (Uses)	<u>(54,960)</u>	<u>(54,960)</u>	<u>(448,392)</u>	<u>(393,432)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	53,971	(509,433)	-	509,433
Fund Balances - Beginning of Year	<u>(53,971)</u>	<u>509,433</u>	<u>-</u>	<u>(509,433)</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>