

County of Lancaster

PENNSYLVANIA



ANNUAL REPORT SUMMARY

December 31, 2017

Prepared by the Office of the Controller

Brian K. Hurter, Controller



Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Brian K. Hurter, CPA

To the residents of Lancaster County:

I am pleased and excited to provide you with our Annual Report Summary for the Fiscal Year Ended 2017. The information contained in this Report is a condensed and simplified overview of the County of Lancaster's audited Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017.

This Report presents selected basic information about Lancaster County's revenues, spending, and demographics in an informal, easy to understand format. This Report is not intended to replace the larger more detailed CAFR.

The Annual Report Summary is unaudited and does not conform to Generally Accepted Accounting Principles (GAAP) and governmental reporting standards and does not include component units of the County. This Report is presented as a means of increasing transparency and public confidence in County Government through easier, more user-friendly financial reporting. Above all else this Report is designed to help taxpayers better understand how their tax dollars are being utilized.

Readers desiring more detailed financial information can obtain the full, 154 page, CAFR on the Controller's website at www.co.lancaster.pa.us/132/Controllers-Office or call 717-299-8262.

I hope that you find this report interesting and informative.

Sincerely,

Brian K. Hurter, CPA
Lancaster County Controller

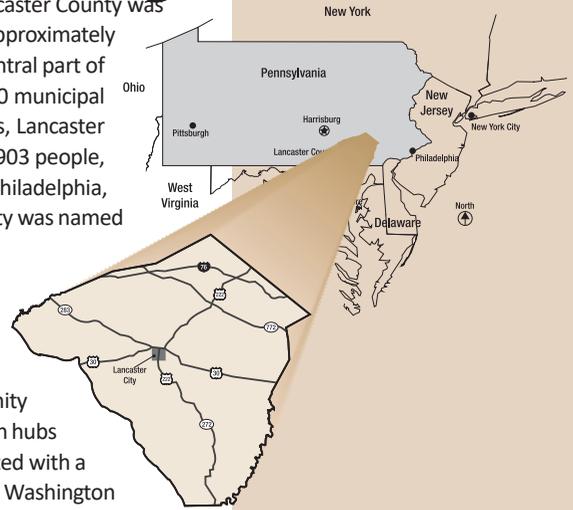


About Lancaster County

Making it the fourth county in the Commonwealth of Pennsylvania, Lancaster County was formed from neighboring Chester County on May 10, 1729. It is located approximately 60 miles west of Philadelphia and 240 east of Pittsburgh in the south-central part of the state and occupies a land area of 946 square miles. Consisting of 60 municipal divisions including the City of Lancaster, 18 boroughs, and 41 townships, Lancaster has been a third-class county since 1962. Home to approximately 542,903 people, Lancaster County is the sixth most populous in the state behind only Philadelphia, Allegheny, Montgomery, Bucks, and Delaware counties. Lancaster County was named for Lancashire in England.

In contrast to its well-known reputation for rural landscapes, strong agricultural heritage, and Amish population, Lancaster County has an economy driven by diverse industries, impressive innovation, and global impact. The County's remarkably dynamic and growing business community benefits from the proximity of the major marketplaces and transportation hubs of the East Coast while taking advantage of the costs and values associated with a mid-sized community. The County is centrally located in the New York - Washington D.C. corridor and within a 500-mile radius of more than half the buying power of the nation. Lancaster County has significant business sectors in food processing, pharmaceutical production and packaging, light manufacturing, agribusiness, professional services, and a live events cluster. No one sector or company dominates the economy and it is that diversity which leads to our prosperity. The County's unemployment rate of 3.3% remains consistently lower than both the state and national averages of 4.8% and 4.1% respectively. In the last decade or so, Lancaster County's economy has flourished due to major expanses in downtown Lancaster, as well as growth in the suburban sprawl.

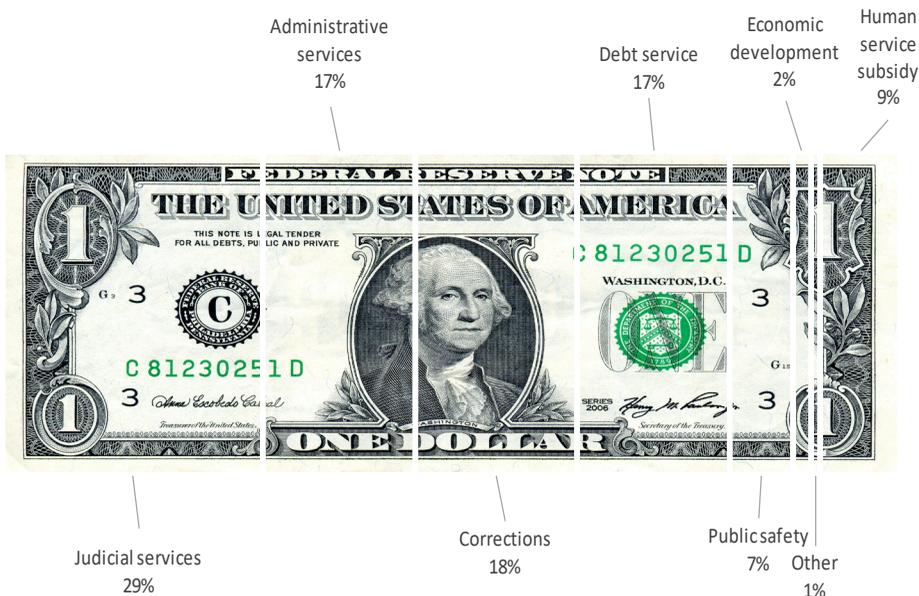
Lancaster County's agriculture industry is essential to the County's quality of life as well as its economic well-being. The County's farmlands boast some of the richest, most productive, non-irrigated agricultural soils in the United States. Dairy farming is the area's leading agricultural business, but the local agriculture industry is an excellent example of a well-diversified farm economy that is not dependent on any one area for its success. Poultry, swine, beef, crop, and vegetable production all contribute to the area's economic strength. The County's nearly 5,700 farms and the industries they support provide more than 51,000 jobs and contribute approximately \$6 billion to the local economy. They also provide fresh, local food to residents and people across the state and United States, as well as protect watersheds, recharge groundwater, help control flooding, improve air quality, and provide food and cover for wildlife. As the County struggles with the increasing pressure of development at its borders, communities are recognizing that new growth does not have to come at the expense of farmland. The Lancaster County Agricultural Preservation Board and the Lancaster County Farmland Trust provide a solution to farmers who want to preserve their land and way of living for future generations. Together they have preserved approximately 110,000 acres of farmland on over 1,400 farms. Agriculture as a way of life is part of our cultural heritage and an irreplaceable natural resource that defines Lancaster County as a unique and special place.



Your County Real Estate Taxes

Lancaster County's 2017 millage rate of 3.735 mills means residents paid County real estate taxes of \$373.50 on \$100,000 of assessed value. The County's millage rate has remained the same for the past five years.

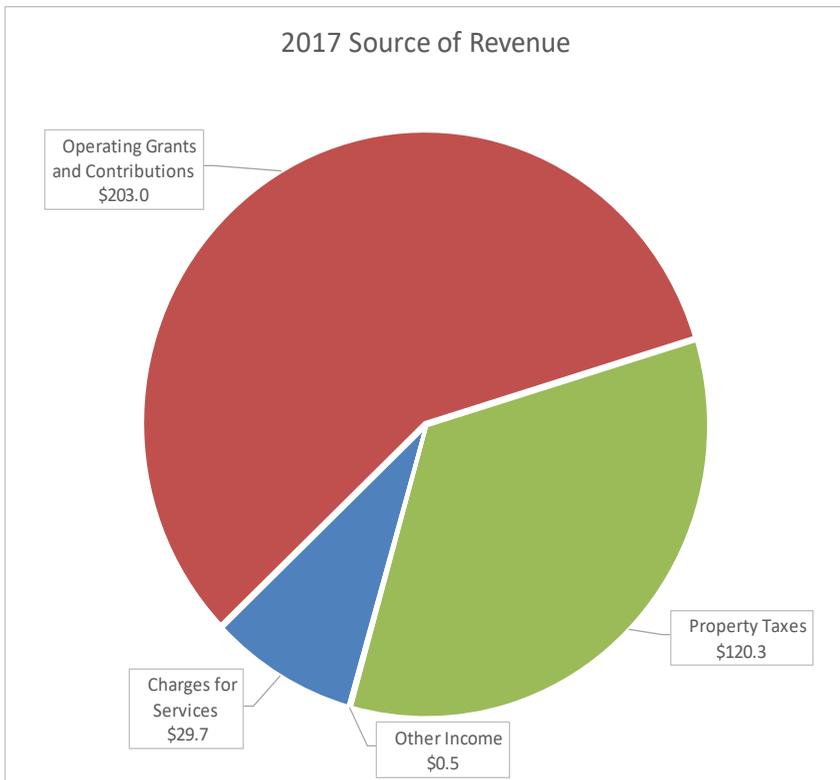
A large portion of the County's spending is funded by state and federal grants and charges for services. The remaining spending must be paid for primarily with your County real estate taxes. The illustration below shows how each dollar of your County real estate tax bill is spent.



Dollars In...

The following table shows a comparison of all monies received by the County for the past three years.

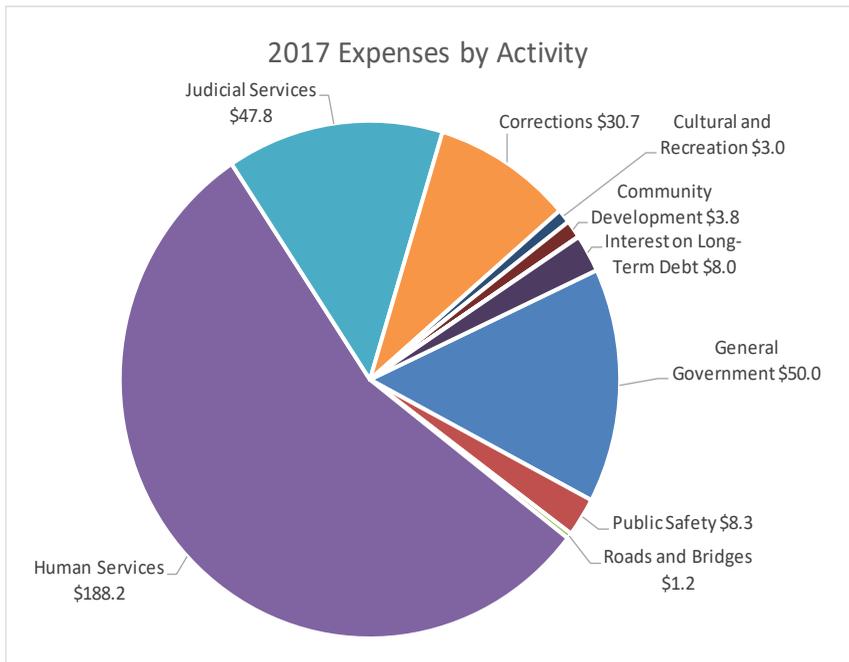
Revenues Taken In (expressed in millions)	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Revenues:			
Property Taxes	\$ 120.3	\$119.3	\$118.0
Unrestricted Investment Earnings	0.6	0.2	0.2
Gain on Sale of Capital Assets (loss)	(0.1)	-	-
Program Revenues:			
Charges for Services	29.7	36.1	27.6
Operating Grants and Contributions	203.0	191.2	175.1
Total Revenues	<u>\$ 353.5</u>	<u>\$346.8</u>	<u>\$ 320.9</u>



Dollars Out...

The following table shows a comparison of all monies spent by the County for each of the major services it provides for the past three years. Explanations of specific services are shown in the following pages.

Services Provided (expressed in millions)	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Government	\$50.0	\$49.2	\$49.3
Public Safety	8.3	9.6	15.8
Roads and Bridges	1.2	0.7	1.3
Human Services	188.2	177.3	156.7
Judicial Services	47.8	44.9	41.7
Corrections	30.7	28.2	26.7
Cultural and Recreation	3.0	2.2	1.6
Community Development	3.8	4.2	6.9
Bond Issuance Costs	0.1	-	-
Interest on Long-Term Debt	8.0	8.6	9.5
Total Service Expense	\$341.1	\$324.9	\$309.5



Services Provided

General Government – Services provided by the County for the benefit of the public and the governmental body as a whole. It includes the Office of the Controller, Commissioners, Treasurer, and the Recorder of Deeds.

Public Safety – Services provided by the County for the safety and security of the public including emergency management, hazardous materials response, and the operation and maintenance of the County’s 9-1-1 emergency response communications system.

Roads and Bridges – Services for the inspection and maintenance of the 64 bridges owned by the County. Financing for this program is provided by the County’s portion of the Pennsylvania state gasoline taxes.

Human Services – Services responsible for promoting the general health and well-being of the community as a whole. Their expenses relate to the cost to provide Federal and State mandated social service programs to County residents in need. This includes services such as Drug and Alcohol, Behavioral Health/Developmental Services, Office of Aging, and Children and Youth.

Judicial Services – Services performed in the County’s Court System which includes the Court of Common Pleas, Clerk of Courts, Prothonotary, Register of Wills, Adult/Juvenile Probation and Parole, Magisterial District Judges, Sheriff, and District Attorney.

Corrections – Services that are used to support the County Prison and the Youth Intervention Center.

Cultural and Recreation – Services that provide County residents opportunities and facilities for cultural and recreational programs. This includes the Park system which consists of six regional parks and three recreational trails for a total of 2,055 acres.

Community Development – Services for the development of decent housing, a suitable living environment and expanded economic opportunities within the County.

Financial Position Summary

County Assets:

Cash and investments are the amount of funds held by the County in checking, savings, and cash on demand certificates with maturity terms of less than 90 days or funds not needed within 90 days and invested to earn interest in accordance with State Laws.

Accounts Receivable represent the amounts which are owed to the County and are expected to be collected within the next twelve months.

Capital Assets includes land, land improvements, buildings, building improvements, machinery and equipment, infrastructure, agricultural easements, and construction in progress.

County Liabilities:

Amount Owed to Vendors and Employees represents amounts owed to vendors and employees where the expected payment is to be made within twelve months.

Unearned Revenue is monies received by the County for a service yet to be rendered. As the service is rendered, this balance will be reduced and recognized as revenue.

Long-term Liabilities represent County borrowing and other long-term obligations.

The Financial Position Statement, known in accounting terms as the "Statement of Net Position," is designed to provide a picture of the County's financial position as of the end of the year. The net assets figure represents the amount that the County owns versus the amount owed. The County's net position increased \$12.4 million in 2017, or 34.3%.

(expressed in millions)

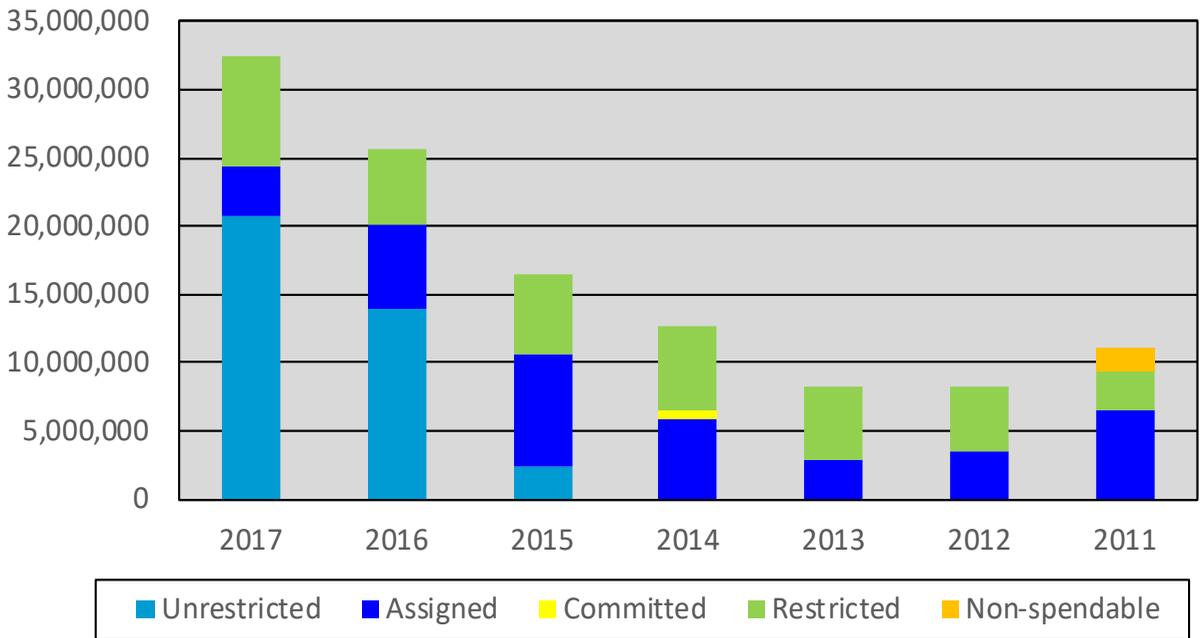
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Cash and Investments	\$ 65.1	\$ 51.8	\$ 22.5
Accounts Receivable	24.5	23.0	44.1
Capital Assets	288.2	297.1	300.4
Total Assets	<u>377.8</u>	<u>371.9</u>	<u>367.0</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources	11.9	18.3	27.1
Total Deferred Outflows of Resources	<u>11.9</u>	<u>18.3</u>	<u>27.1</u>
Liabilities			
Amount Owed to Vendors & Employees	17.4	18.5	24.0
Unearned Revenue	4.5	4.3	0.4
Long-term Liabilities	308.7	331.3	355.5
Total Liabilities	<u>330.6</u>	<u>354.1</u>	<u>379.9</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources	10.6	-	-
Total Deferred Inflows of Resources	<u>10.6</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 48.5</u>	<u>\$ 36.1</u>	<u>\$ 14.2</u>

How Strong is the County's Financial Position?

It is important that the County maintain adequate net financial resources to protect against revenue shortfalls, unanticipated expenditures, and to ensure a stable tax rate and help maintain the County's positive bond rating. This starts with a responsible budget. The 2017 budget was the 5th consecutive structurally balanced budget passed by the County Commissioners. A structurally balanced budget means budgeted expenses did not exceed budgeted revenues.

During 2017 the County of Lancaster's bond rating was upgraded from A1 to Aa3. It is recommended that governments with a Aa bond rating maintain an unrestricted fund balance in the general fund of 15-30% of general fund revenues and a general fund cash balance of 10-25% of general fund revenues. The County's unrestricted fund balance of \$24.4 million (includes unrestricted and assigned) at December 31, 2017 represents approximately 16% of general fund revenues. The County's general fund cash balance of \$30.4 million at December 31, 2017 represents approximately 20% of general fund revenues.

General Fund Balance

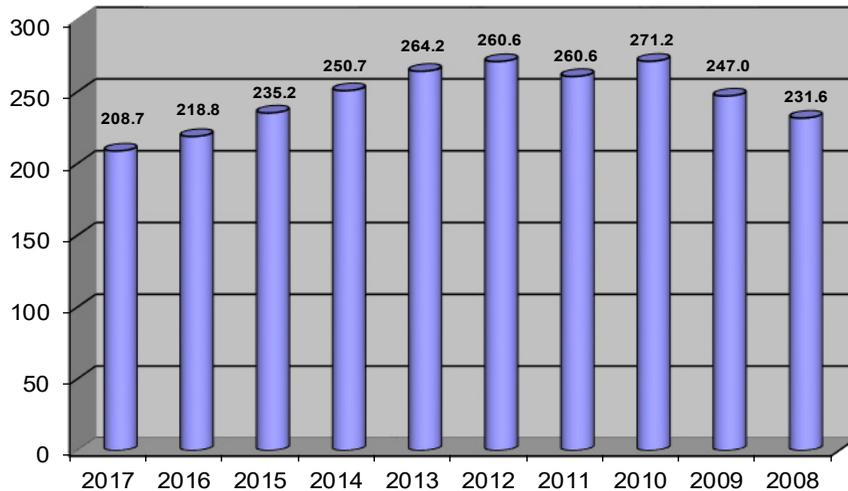


General Obligation Debt

General Obligation Bonds and Notes are long-term debt instruments which are repaid from the County's general revenue sources.

Lancaster County's outstanding general obligation bonds and notes at December 31, 2017 and the proceeding nine years.

General Obligation Bonds and Notes



A summary of the County's total debt service commitments for general obligation bonds and notes is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 17,009,700	\$ 6,927,749	\$ 23,937,449
2019	17,004,400	6,458,081	23,462,481
2020	17,106,400	6,008,430	23,114,830
2021	14,641,600	5,504,697	20,146,297
2022	15,420,000	5,024,132	20,444,132
2023-2027	74,608,000	16,894,248	91,502,248
2028-2032	49,433,000	4,883,681	54,316,681
2033-2037	3,465,000	303,862	3,768,862
	<u>\$ 208,688,100</u>	<u>\$ 52,004,880</u>	<u>\$ 260,692,980</u>

Clerk of Courts

Jacquelyn E. Pfursich 717-299-8275

Commissioners

Dennis P. Stuckey, Chairman 717-299-8300

Joshua G. Parsons, Vice Chairman 717-299-8300

Craig E. Lehman 717-299-8300

Controller

Brian K. Hurter, CPA 717-299-8262

Coroner

Stephen G. Diamantoni, MD 717-735-2123

District Attorney

Craig W. Stedman 717-299-8100

Prothonotary

Katherine E. Wood-Jacobs 717-299-8282

Recorder of Deeds

Bonnie L. Bowman 717-299-8238

Register of Wills

Ann L. Cooper 717-299-8243

Sheriff

Charles A. Hamilton, acting 717-299-8200

Treasurer

Amber L. Martin 717-299-8222

Fraud, Waste, and Abuse Hotline

- Report Suspected Fraud and Theft
- Information Is Confidential
- Remain Anonymous

The Lancaster County Controller has established a Fraud, Waste, and Abuse Hotline. The purpose of this hotline is to allow anyone to report in confidence, information regarding any fraud, waste, or abuse having to do with *County of Lancaster* assets. This includes: suspected theft or misuse of County property or cash, false reporting of hours worked, submission of illegitimate vendor invoices, misrepresentation of expense reimbursements, mismanagement of tax dollars, spending in excess of what is reasonable and necessary, violations of the County's purchasing policy, or any other suspected fraud or abuse.

Report suspected fraud one of three ways:

- Via the hotline at (717) 824-8570
- Electronically at <https://co.lancaster.pa.us/1077/Fraud-Waste-Abuse-Hotline>
- Through the mail at the address noted below



County of Lancaster Controller's Office
150 North Queen Street • Suite #710 • Lancaster, PA 17603
717-299-8262 • www.co.lancaster.pa.us