COUNTY OF ADAMS
GETTYSBURG, PENNSYLVANIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

COUNTY OF ADAMS

YEAR ENDED DECEMBER 31, 2011

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Adams
Gettysburg, 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 the COUNTY OF ADAMS as of and for the year ended December 31, 2011, which collectively comprise the COUNTY OF ADAMS basic financial statements as listed in the table of contents. These financial statements are the responsibility of the COUNTY OF ADAMS management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements for the Adams County Transit Authority and Adams County Housing Authority, which represents 100% of the assets, net assets, and revenues of the aggregate discretely presented component units. 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 for the Adams County Transit Authority and the Adams County Housing Authority, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 previously 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 ADAMS as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2011 the COUNTY OF ADAMS adopted the provisions of the Governmental Accounting Standards Board Statement No. 54 *"Fund Balance Reporting and Governmental Fund Type Definitions"* and GASB Statement No. 59 *"Financial Instruments Omnibus"*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of the COUNTY OF ADAMS internal control over financial reporting and 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 the results of our audit.

Zelenkofske Axelrod LLC

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison information of pages 3 through 19 and pages 88; 89 and 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF ADAMS' financial statements as a whole. The Conservation District fund financial statements on pages 92 and 93 are presented for purposes of additional analysis and are not a required part of the financial statements. The Conservation District fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
December 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

The COUNTY OF ADAMS, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY'S financial performance during the years ended December 31, 2010 and December 31, 2011. Please read it in conjunction with the COUNTY'S financial statements that follow this section.

Financial Highlights:

- During 2011 The County sold the County Nursing Home which had a favorable impact on the general fund balance and credit rating.

- Total assessed taxable property evaluation before 2010 Reassessment was 2,056,661,362 and afterward the total assessed taxable property values were 9,133,470,000. Effective January 1, 2011 the County converted to a new scale in valuing the real property, where the conversion for real estate parcels reduced the millage rate from 15.45 in 2010 to 3.4371 in 2011. Prior to the 2010 reassessment property values were based on fifty percent of their value and now they are based on one-hundred percent of their value. The Library millage adjusted from .5 in 2010 to .1147 in 2011. Therefore, resulting in an overall new total County Millage of 3.5518 in 2011.

- County completed operations in 2011 with a net increase in fund balance of $1.3 million. The COUNTY'S general fund balance was $14.9 million with an unassigned portion of $14.1.

- The COUNTY'S total net assets increased by approximately $5 million, which was driven by an increase in revenues for both Governmental activities and Business – type activities. The COUNTY showed an increase in unrestricted total net assets at year-end of $9.9 million.

- The County's bond rating remains as A1 at December 31st, 2011.

- Pursuant to our 2008 SWAP agreement the Counterparty required the issue of General Obligation Note Series 2011 to refund 2002 General Obligation bonds in the principal amount of $30.6 million (known as the "2011 Refunding Project").

- The County had $45,690,165 of general obligation debt outstanding as of December 31, 2011. This represents a decrease of $2 million or 4% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY'S government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the COUNTY'S budget to actual figures for the general fund and other budgeted major governmental funds.

The basic financial statements present two different views of the COUNTY.

- *Government-wide financial statements*, the first two statements, provide information about the COUNTY'S overall financial status as well as the financial status of the County's component units.

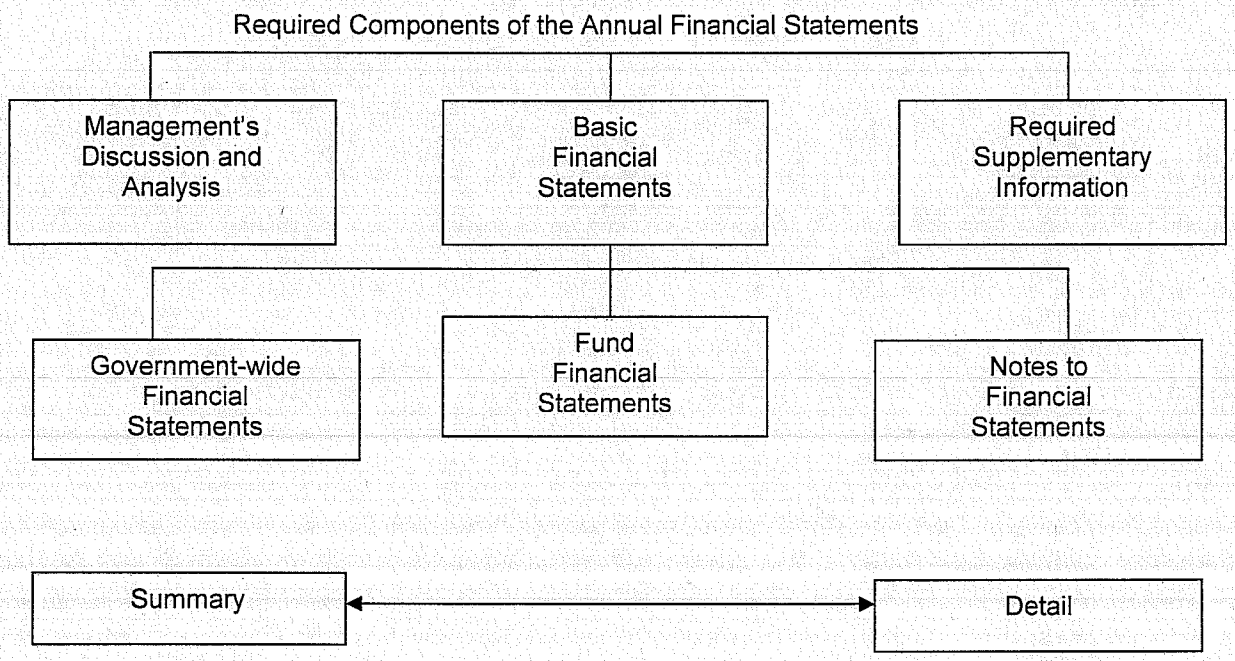
- *Fund financial statements,* the remaining statements, focus on individual parts of the COUNTY'S government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:

  - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.

  - *Proprietary fund statements* offer short-term and long-term financial information about the activities the COUNTY operates like a business, such as the COUNTY home, and the emergency 911 telephone fund.

  - *Fiduciary funds statements* reflect activities involving resources that are held by the COUNTY as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the COUNTY'S programs.

Table A-1: Organization of the COUNTY'S annual financial report



MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Table A-2 summarizes the major features of the COUNTY'S financial statements, including the area of the COUNTY'S activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the COUNTY, such as public safety and courts	The activities of the COUNTY, such as the COUNTY Home	Instances in which the COUNTY administers resources on behalf of others
Required Financial Statements	-Statement of net assets -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balance	-Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows	-Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

Government-wide financial statements report information about the COUNTY as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net assets includes all the COUNTY'S assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business.

- The statement of activities focuses on how the COUNTY'S net assets changed during the 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 shows to what extent each program has to rely on local taxes for funding.

All changes to net assets are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net assets are one way to measure the COUNTY'S financial position. Over time, increases or decreases in the COUNTY'S net assets are one indicator of whether the COUNTY'S financial position is improving or deteriorating. However, other non-financial factors such as changes in the COUNTY'S property tax base and general economic conditions must be considered to assess the overall position of the COUNTY.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the County can exercise influence and/or be obligated to provide financial support. The County has two discretely presented component units including the Adams County Transit Authority and the Adams County Housing Authority. (See Note 1, Notes to the Financial Statements.)

There are two categories of activities for the primary government:

- *Governmental activities* include the COUNTY'S basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.

- *Business-type activities* such as the COUNTY home and the 911 emergency telephone fund charge a fee to customers to help cover the costs of services.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net assets:

- Capitalize current outlays for capital assets

- Report long-term debt as a liability

- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net asset balances as follows:
    - Net assets invested in capital assets, net of related debt
    - Restricted net assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
    - Unrestricted net assets are net assets that do not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the COUNTY'S most significant funds, not the COUNTY as a whole. Funds are accounting devices, i.e., a group of related accounts, the COUNTY uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

The COUNTY has three kinds of funds:

- *Governmental funds* include most of the COUNTY'S basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view for the financial resources available in the near future to finance the COUNTY'S programs.

  The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

  The COUNTY adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the COUNTY'S general fund and other budgeted major governmental funds is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using full accrual accounting.

- *Fiduciary Funds* are for which the COUNTY is the trustee or fiduciary. These include certain agency funds, or 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 to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets. These funds are excluded from the COUNTY'S government-wide financial statements because the COUNTY cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Assets

The COUNTY'S total assets were $86,211,653 at December 31, 2011. Of this amount, $54,594,586 was capital assets.

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. In 2007, the COUNTY fully adopted the provisions of GASB No. 34.

Condensed Statement of Net Assets

	Governmental activities 2010	Governmental activities 2011	Changes from 2010 to 2011
Capital Assets	$49,079,202	$49,658,002	$578,800
Other Assets	25,330,337	32,067,420	$6,737,083
	$74,409,539	$81,725,422	$7,315,883
Current Liabilities	$ 5,009,064	$ 4,010,303	$ (998,761)
Long-Term Liabilities	49,139,868	53,102,169	3,962,301
Total Liabilities	$54,148,932	$57,112,472	$2,963,540
Net Assets:			
Invested in Capital Assets, net of related debt	$9,575,601	$11,291,237	$1,715,636
Restricted Net Assets	6,057,788	3,089,893	(2,967,895)
Unrestricted Net Assets	4,627,218	10,231,820	5,604,602
	$20,260,607	$24,612,950	$4,352,343

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Condensed Statement of Net Assets

	Business-Type activities 2010	Business-Type activities 2011	Changes from 2010 to 2011
Capital Assets	$9,278,074	$4,936,584	($4,341,490)
Other Assets	(3,557,943)	(450,353)	3,107,590
	$5,720,131	$4,486,231	($1,233,900)
Current Liabilities	$ 929,858	$ 62,083	($867,775)
Long-Term Liabilities	4,182,336	3,135,007	(1,047,329)
Liabilities	$5,112,194	$3,197,090	($1,915,104)
Net Assets:			
Invested in Capital Assets, net of related debt	$5,419,687	$1,857,719	($3,561,968)
Restricted Net Assets	-	-	-
Unrestricted Net Assets (Deficit)	(4,811,750)	(568,578)	4,243,172
	$607,937	$1,289,141	$681,204

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Change in Net Assets

The following condensed statement of activities represents changes in net assets for the year ended December 31, 2010, December 31, 2011 and the changes from 2010 to 2011. It shows revenues by source and expenses by function for governmental activities, business-type activities and the changes from the prior year.

Condensed Statement of Activities

	Governmental activities 2010	Governmental activities 2011	Changes From 2010 to 2011
Program Revenues:			
Charges for Services	$7,672,654	$7,840,809	168,155
Operating Grants and Contributions	24,605,595	24,467,012	(138,583)
Capital Grants and Contributions	-	-	-
General Revenues:			
Property Taxes	31,264,537	31,946,213	681,676
Property Taxes - Library	37,470	36,684	(786)
Per Capita Taxes	31,322	338,035	306,713
Hotel Taxes	1,236,768	1,299,446	62,678
Unrestricted Investment Earnings	75,218	938,080	862,862
Transfers	(2,075,593)	(1,354,300)	721,293
Swap Proceeds	69,584	-	(69,584)
General Government Assumes Enterprise Fund General Obligation Debt	-	(658,116)	(658,116)
Investment Loss	(293,674)	-	293,674
Net Gain on Asset Disposals	1,209	-	(1,209)
Miscellaneous	97,728	1,599,229	1,501,501
	62,722,818	66,453,092	3,730,274
Expenses:			
General Government - Administrative	7,308,120	7,063,395	(244,725)
General Government - Judicial	8,064,135	8,249,830	185,695
Public Safety	16,761,901	16,800,410	38,509
Public Works	525,464	587,089	61,625
Human Services	23,382,068	22,817,631	(564,437)
Culture and Recreation	1,338,712	1,635,834	297,122
Conservation and Development	6,307,659	3,275,883	(3,031,776)
Debt Service	1,791,350	1,670,677	(120,673)
	65,479,409	62,100,749	(3,378,660)
Change in Net Assets	(2,756,591)	4,352,343	7,108,934
Net Assets – Beginning of the Year	23,017,198	20,260,607	(2,756,591)
Net Assets – End of the Year	$20,260,607	24,612,950	$4,352,343

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Condensed Statement of Activities

	Business-Type activities 2010	Business-Type activities 2011	Changes From 2010 to 2011
Program Revenues:			
Charges for Services	$11,530,170	$7,155,692	($4,374,478)
Operating Grants and Contributions	-	78,624	78,624
General Revenues:			
Unrestricted Investment Earnings	1,549	2,009	460
Net Gain on Asset Disposal		2,148,776	2,148,776
General Gov. Enterprise Obligation		658,116	658,116
Transfers	2,075,593	1,354,300	(721,293)
Miscellaneous	1,032	3,100	2,068
	13,608,344	11,400,617	(2,207,727)
Expenses:			
COUNTY Home	11,103,877	7,985,345	(3,118,532)
Emergency 911 System	2,328,285	2,734,068	405,783
	13,432,162	10,719,413	(2,712,749)
Change in Net Assets	176,182	681,204	505,022
Net Assets – Beginning of the Year	431,755	607,937	176,182
Net Assets – End of the Year	$ 607,937	$1,289,141	$681,204

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2011 property, hotel, and per capita taxes brought in $33,620,378.

Net Cost of Governmental and Business-type Activities

	Total Cost of Services	Net Cost of Services
Program:		
General Government - Administrative	$7,063,395	$4,742,887
General Government – Judicial	8,249,830	4,093,567
Public Safety	16,800,410	13,554,696
Public Works	587,089	277,006
Human Services	22,817,631	1,782,528
Culture and Recreation	1,635,834	1,634,813
Conservation and Development	3,275,883	2,036,754
Debt Service	1,670,677	1,670,677
COUNTY Home	7,985,345	2,273,575
Emergency 911 System	2,734,068	1,211,522
Total	$72,820,162	$33,278,025

The COUNTY relied on property taxes and other general revenues to fund 46% of its governmental and business-type activities in 2011.

The property tax is based on one-hundred percent of the assessed value of real property. Changes in the assessed valuation affect tax revenues.

Sixty-seven percent of the Administrative system expenses and fifty percent of the judicial system expenses came from property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenues covered 81 percent of public safety costs with the remainder coming from grants and charges for services.

Public works expenses were funded 53 percent by The Commonwealth Liquid Fuels tax while property taxes and general revenues covered 100 percent for Debt Service payments.

Property tax and other general revenues funded 100 percent the cost of culture and recreation; 8 percent of Human services; and 62 percent of Conservation and development.

The COUNTY Home was funded 72 percent by Medicaid and other government assistance programs. The COUNTY'S Emergency 911 System was funded 56 percent by surcharges on phone bills passed through from telephone companies and 44 percent by the property tax and other general revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Capital Assets

The COUNTY'S investment in capital assets at December 31, 2011, net of accumulated depreciation, was $54,594,586. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2011:

	Governmental Activities	Business Type Activities	Total
Land	$896,241	$51,041	$947,282
Construction In Process	-	-	-
Infrastructure	5,854,299	-	5,854,299
Land Improvements	-	-	-
Building and Improvements	48,223,016	5,812,788	54,035,804
Equipment and Vehicles	6,873,249	1,368,023	8,241,272
Agricultural Easements	9,099,061	-	9,099,061
Accumulated Depreciation	(21,287,864)	(2,295,268)	(23,583,132)
Total Net Capital Assets	$49,658,002	$4,936,584	$54,594,586

Detailed information about the COUNTY'S capital assets can be found in Note 5, Notes to the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Debt Administration

At December 31, 2011, the COUNTY had $45,690,165 of debt outstanding, excluding compensated absences. Debt decreased 4% from the previous year. The following is a summary of general obligation bonds, notes, and other liabilities for the 2011 year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds and Note Payable:				
General obligation bonded debt	$42,253,507	$30,317,014	($31,308,812)	$41,261,709
Guaranteed revenue bonds	1,240,894	-	(146,158)	1,094,736
Loan payable	344,532	-	(89,677)	254,855
Less: Bond Discount	(10,678)	-	797	(9,881)
Total Bonds and Note Payable:	$43,828,255	$30,317,014	($31,543,850)	$42,601,419
Other Long Term Liabilities:				
Compensated absences	854,723	43,954	-	898,677
Total Other Liabilities	854,723	43,954	-	898,677
Governmental Activities:				
Long-Term Liabilities	$44,682,978	$30,360,968	($31,543,850)	$43,500,096
Business-Type Activities:				
Bonds Payable:				
General Obligation bonded debt	$ 3,902,067	$ 1,001,102	($1,824,304)	$ 3,078,865
Total Bonds Payable	3,902,067	1,001,102	(1,824,304)	3,078,865
Other Liabilities:				
Compensated absences	280,269	-	(224,127)	56,142
Total Other Liabilities	280,269	-	(224,127)	56,142
Business-Type Activities				
Long-Term Liabilities	$4,182,336	$1,001,102	($2,048,431)	$3,135,007

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

GOVERNMENTAL FUNDS

The COUNTY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of 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, unassigned fund balance may serve as a useful measure of the COUNTY'S net resources available for spending at the end of the year.

The COUNTY'S governmental funds include the general fund, special revenue funds, capital project funds, and the debt service funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. Capital project funds account for the proceeds of bond issues. Debt service funds account for the payment of principle and interest on debt. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2010, and December 31, 2011, were as follows:

	2010	2011	Changes from 2010 to 2011
Revenues:			
Taxes	$33,252,228	$33,239,071	($13,157)
Intergovernmental Revenues	24,537,650	24,431,545	(106,105)
Charges for Services	6,935,412	7,375,365	439,953
Interest and Rents	142,723	133,816	(8,907)
Licenses and Permits	94,400	91,466	(2,934)
Court Costs and Fines	505,229	262,252	(242,977)
Miscellaneous	235,781	1,297,551	1,061,770
Debt Proceeds	5,708,361	-	(5,708,361)
Issuance of Refunding Notes	-	29,658,898	29,658,898
Swap Proceeds	69,584	494,675	425,091
Sale of an Asset	1,209	-	(1,209)
Operating transfers in	9,323,037	13,549,224	4,226,187
	$80,805,614	$110,533,863	$ 29,728,249

There was no real property tax increase in 2011. However, as a result of the 2010 Reassessment the County went from a millage rate of 14.75 to 3.4371 approximately a break-even for 2011.

Charges for Services increased by approximately four hundred ninety-three thousand dollars primarily due to an increase in tax collections within our Tax Claim division.

Court Costs and Fines decreased by approximately 243,000 due to re classification of some Fines and Forfeiture's and Public Safety revenue under Charges for Services.

The Miscellaneous revenue increased by approximately 1 million due to a transfer out to close out a previous Capital Project Fund in which the project had been completed in previous years.

Debt proceeds and Issuance of Refunding Bonds increased by approximately $24 million (net) due to the County issued General Obligation Notes Series of 2011 to refund the General Obligation Bonds Series of 2002.

Operating transfers increased by 4.2 million primarily a result of the sale of the County Home combined with an increase in Debt service as well as an increase in the non-major governmental funds.

Governmental fund revenues totaled over $110.6 million for the year ended December 31, 2011. This is an increase of $29.7 million from 2010.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2010 and December 31, 2011 were as follows:

	2010	2011	Changes from 2010 to 2011
Expenditures			
General government – Administrative	$ 9,121,564	$ 9,275,919	$ 154,355
General government – Judicial	7,036,284	7,172,172	135,888
Public Safety	14,888,854	14,786,245	(102,609)
Public Works	362,113	539,938	177,825
Human Services	23,275,378	22,688,967	(586,411)
Culture and Recreation	1,338,712	1,635,834	297,122
Conservation and Development	8,125,042	3,033,490	(5,091,552)
Debt Service	3,156,172	3,734,615	578,443
Capital Outlay	197,436	2,118,770	1,921,334
Payments to Redeem Bonds	-	29,658,898	29,658,898
Operating transfers out	11,404,364	14,719,187	3,314,823
	$78,905,919	$109,364,035	$30,458,116

Governmental fund expenditures totaled $79.7 million for the year ended December 31, 2011. This is an increase of $799,218 or one percent overall. Although expenditures of the governmental funds increased overall, 2011 is the second year in which the Administration did not issue a Tax Revenue Anticipation note, as in prior years.

Human Services expenditures decreased by five hundred and eighty six thousand or 2 percent during 2011, due to a decrease in the County's Health Choice Program administered through York-Adams MHMR services. These monies are restricted for a joint agreement whereas 100 percent passes through the County to the Program for services to citizens of both Counties. In addition, Human Services expenditures decreased due to a fewer housing projects funded through Act 137 Affordable Housing than in 2010 and less funding for Block Grant and Emergency shelter than in 2010.

Culture and Recreation increased by approximately 22% due to increased grant and subsidy funding for Economic Development and York Adams Mental Health Mental Retardation Joinder Program.

Conservation and Development expenditures decreased by 5 million or 62% because the County utilized the majority of the funds identified from the issue of General Obligation Note Series A of 2009 in 2010 and therefore, did not have as much funding available in 2011.

Debt Service increased over half a million dollars or 18% as a result of the incurring additional principal payments as compared to the prior year.

Payment to Redeem Bonds increased $29.7 million due to the County issued General Obligation Notes Series of 2011 to refund the General Obligation Bonds Series of 2002.

Capital Outlay represents 1.9 million or 97.3% of the County's Governmental Fund expenditures due to the purchase of the High Street Properties and additional easement purchases through agricultural preservation program projects funded from the 2009 General Obligation Note Series B.

Operating transfers out represent the largest increase in the Governmental Fund Expenditures for a total 3.3 million or 29% primarily due to the sale of the County Home during 2011.

Governmental Fund and Proprietary Net Asset Balances
Ending balances for governmental funds and net assets for proprietary funds at December 31, 2011 were as follows:

Fund	Governmental Funds	Proprietary Funds
General Fund	$14,926,425	$ -
Children and Youth Fund	-	-
Managed Care Fund	-	-
Capital Reserves	-	-
Other Governmental Funds	3,089,534	-
COUNTY Home Fund	-	-
911 Fund	-	1,289,141
Total	$18,015,959	$1,289,141

The COUNTY of Adams reported a total governmental fund balance for all funds of $18.0 million at December 31, 2011, an increase of $1.2 million from December 31, 2010. Unreserved cash carry forward was recognized as a starting balance for the 2012 budget. These reserves are discretionary and will be kept relatively strong to offset any unforeseen or unexpected expenditures.

General Fund Budgetary Highlights

In general the budget modifications during the year are primarily reclassifications from one line item to another justified to the Board of Commissioners.

During 2011 a total variance of $3.7 million is primarily due to an increase in Intergovernmental Revenues and Charges for Services because we received more revenue than was budgeted. Intergovernmental Revenues increased by 1.7 million as a result of State Funding and Federal funding for special projects including bridge projects, Block Grant and Emergency Shelter funding that had not been anticipated and therefore, not budgeted.

In comparing actual expenditures to the final budget, an unfavorable variance of approximately $1.4 million exists predominantly because in 2011 the County implemented GASB 54 which resulted in $1 million of additional expenditures to be recorded in the General Fund that were not originally budgeted for.

Transfers In were $4 million over budget and Transfers Out were $6.6 million over budget primarily due to transfers from the sale of the Nursing Home.

Because the COUNTY operates several special funds along with the general operating fund, reimbursement transactions from special funds to the general fund are executed on a monthly basis. Reimbursements from the special funds to the general fund represent repayments to the general fund for categorical expenditures disbursed from the general fund.

Economic Conditions

Specific key economic factors affecting the County include the following:

- Human services remain available to the residents, but the County is experiencing a greater demand for services.

In General

Given the state of the economy during 2011 Tourism in Adams County remained steady with statistics showing 3 million for visitation, 381 million in spending; tourism employment at 5,835; and Annual Tourism Revenue of one-hundred four million. Plans are in the works for the 150th anniversary of the Battle of Gettysburg.

Although The County ended the year with a 7 percent unemployment rate, the Agricultural Industry has always been and still remains the County's strongest industry in terms of sales and employment. Overall, it was a relatively good year for agriculture of all varieties, especially a good year for the fruit industry.

Manufacturing has remained steady.

There has been no real growth or decline with the service industry. The Office of Planning and Development is coordinating a collaborative effort to promote the County's attributes and resources have remained steady in 2011.

The County's internal structure continues to experience increases in demand for services caused by the decade of growth. The census data confirmed the county population at 101,407 citizens. This growth will continue to demand management to evaluate staffing, space and equipment needs on an ongoing basis. The County utilizes the guidance of the 2008 GFOA study with recommendations to implement and update strategic long range planning.

In addition, the Courts continue to work in conjunction with and assistance from Department of Community and Economic Development grants focusing on developing and implementing more efficient and proactive service delivery.

Market Impact on Investment Income

As in previous years, Adams County continues to invest but investment income is slight. The interest rates have not improved much. Most of the COUNTY'S investment income is generated by the investment of the COUNTY'S reserve funds. During 2011 the County received $81,270 from their 2005 Basis Swap arrangement with Wachovia. This is an increase from 2010 of $11,686 and year to date the County has netted $191,322. See note 10 in the financial statements.

Government Funding

The County continues to manage the gradual decreases of intergovernmental funding and internal funds to meet our Human Services needs as mandated. Accordingly, the County is constantly re-evaluating their General Fund budget and the projects which are budgeted and planned for.

Personnel Costs

The County's Human Resources department diligently pursues evaluation of processes and compensation policies. The County has three bargaining units Court related operations and the County Corrections Facility. The Board of Commissioners strives to maintain personnel costs and take a critical analytical approach to vacancies. Adams County strives to be prudent while remaining competitive in the market.

Cost Containment

The County bid out a plan in 2008 which resulted in an agreement with GFOA (Government Finance Officers Association) and continues to be committed and dedicated to a new Adams County.

During 2011 they continued moving forward with long term financial planning strategies. For example, the County has reviewed various processes and tools for staff and management to carry out more efficient operations within the County, resulting in improved services to our citizens. In addition, they have revamped their budget process focusing on available revenues, increased fees, and department consolidations.

Finally, the County Manager oversees' day to day operations of the County. The County Manager provides guidance and direction for the senior managers. The Manager supports networking and educational and informational platforms as resources that are utilized by the Senior Managers and the Board of Commissioners.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the COUNTY'S finances and to demonstrate the COUNTY'S accountability. Questions concerning this financial information or requests for additional information should be directed to:

COUNTY of Adams
Melissa C. Devlin
Finance Director
111 Baltimore Street
Gettysburg, PA 17325

Phone: 717-337-9849
Fax: 717-334-2091

COUNTY OF ADAMS
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 13,618,933	$ 73,788	$ 13,692,721	$ 488,382
Tenant Security Deposits	-	-	-	6,013
Investments	1,648,857	-	1,648,857	-
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)				
Accounts	955,026	99,595	1,054,621	212,530
Taxes	1,617,078	-	1,617,078	-
Operating Assistance and Planning Grants Receivable	-	-	-	187,396
Capital Grants Receivable	-	-	-	302,506
Notes Receivable	304,189	-	304,189	409,268
Due From Other Governments	1,794,060	-	1,794,060	-
Internal Balances	625,965	(625,965)	-	-
Accrued Interest Receivable	-	-	-	110
Deferred Charges	285,277	-	285,277	-
Deferred Outflow of Resources	8,554,048	-	8,554,048	-
Other Assets	453,403	2,229	455,632	1,360,962
Restricted Assets				
Cash for Workers' Compensation	42,420	-	42,420	-
Cash for Program Purposes	238,747		238,747	
Cash Held in Escrow	1,292,988	-	1,292,988	-
Cash for Debt Service	78,464	-	78,464	-
Cash for Construction	871	-	871	-
Cash for Stream & Watershed Preservation	19,390	-	19,390	-
Cash for Housing Reserve for Replacement & Other	-	-	-	589,538
Investments for Debt Service	150,000		150,000	
Investments for Stream & Watershed Preservation	387,704	-	387,704	-
Assets Held for Sale	-	-	-	160,561
Capital Assets, Not Being Depreciated	9,995,302	51,041	10,046,343	808,125
Capital Assets Being Depreciated, Net	39,662,700	4,885,543	44,548,243	4,430,421
Total Assets	$ 81,725,422	$ 4,486,231	$ 86,211,653	$ 8,955,812
Liabilities				
Liabilities				
Accounts Payable	$ 1,729,457	$ 16,363	$ 1,745,820	$ 517,590
Accrued Liabilities	789,582	38,714	828,296	122,907
Due to Commonwealth of Pennsylvania	-	-	-	6,608
Due to Tenants- Security Deposits	-	-	-	6,013
Accrued Interest Payable	57,138	7,006	64,144	5,252
Unearned Revenues	374,252	-	374,252	75,714
Funds Held in Escrow	1,042,988	-	1,042,988	-
Estimated Workers' Compensation Claims	16,886	-	16,886	-
Long Term Liabilities:				
Due within one year				-
General Obligation Debt	1,623,251	171,750	1,795,001	-
Guaranteed Revenue Bonds	65,535	-	65,535	-
Loans Payable	93,262	-	93,262	-
Accrued Compensated Absences	-	-	-	2,201
Mortgages	-	-	-	1,502,764
Due in more than one year				-
General Obligation Debt	39,628,577	2,907,115	42,535,692	-
Guaranteed Revenue Bonds	1,029,201	-	1,029,201	-
Loans Payable	161,593	-	161,593	-
Accrued Compensated Absences	898,677	56,142	954,819	19,800
Swaption Liability	8,554,048	-	8,554,048	-
Upfront Payment (Borrowing)	958,538		958,538	
Mortgages	-	-	-	2,662,684
Other	-	-	-	47,980
Unfunded Other Postemployment Benefits	89,487	-	89,487	-
Total Liabilities	$ 57,112,472	$ 3,197,090	$ 60,309,562	$ 4,969,513
Net Assets				
Net Assets (Deficit)				
Invested in Capital Assets, net of related debt	11,291,237	1,857,719	13,148,956	2,548,491
Restricted	3,154,737	-	3,154,737	550,358
Unrestricted (deficit)	10,166,976	(568,578)	9,598,398	887,450
Total Net Assets	$ 24,612,950	$ 1,289,141	$ 25,902,091	$ 3,986,299

The accompanying notes are an itegral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
						Primary Government			
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:									
Governmental activities:									
General Government - Admin	$ 9,677,306	$ (2,613,911)	$ 1,475,295	$ 845,213	$ -	$ (4,742,887)		$ (4,742,887)	
General Government - Judicial	7,208,727	1,041,103	2,395,703	1,760,560	-	(4,093,567)		(4,093,567)	
Public Safety	15,906,330	894,080	2,575,753	669,961	-	(13,554,696)		(13,554,696)	
Public Works	556,736	30,353	-	310,083	-	(277,006)		(277,006)	
Human Services	22,632,339	185,292	865,667	20,169,436	-	(1,782,528)		(1,782,528)	
Culture and Recreation	1,635,834	-	-	1,021	-	(1,634,813)		(1,634,813)	
Conservation and Development	3,126,583	149,300	528,391	710,738	-	(2,036,754)		(2,036,754)	
Interest on Debt Service	1,670,677	-	-	-	-	(1,670,677)		(1,670,677)	
Total governmental activities	62,414,532	(313,783)	7,840,809	24,467,012	-	(29,792,928)		(29,792,928)	
Business-type activities:									
Patient Care	$ 7,861,024	$ 124,321	$ 5,711,770	$ -	$ -	$ -	$ (2,273,575)	$ (2,273,575)	
Public Safety	2,544,606	189,462	1,443,922	78,624	-	-	(1,211,522)	(1,211,522)	
Total business-type activities	10,405,630	313,783	7,155,692	78,624	-	-	(3,485,097)	(3,485,097)	
Total Primary government	$ 72,820,162	$ -	$ 14,996,501	$ 24,545,636	$ -	(29,792,928)	(3,485,097)	(33,278,025)	
Component Units									
Adams County Tranportation Authority	$ 1,923,953	$ -	$ 344,085	$ 1,345,660	$ 727,302				$ 493,094
Adams County Housing Authority	4,037,621	-	119,595	3,376,206	-				(541,820)
Total Component Units	$ 5,961,574	$ -	$ 463,680	$ 4,721,866	$ 727,302				$ (48,726)
General revenues:									
Taxes:									
Property taxes, levied for general purposes						31,946,213	-	31,946,213	-
Property taxes, levied for library						36,684	-	36,684	-
Per capita taxes						338,035	-	338,035	-
Hotel taxes						1,299,446	-	1,299,446	-
Unrestricted investment earnings						938,080	2,009	940,089	3,105
Miscellaneous						1,599,229	3,100	1,602,329	364,727
Net Gain on Asset Disposals						-	2,148,776	2,148,776	685
General Government Assumes Enterprise Fund General Obligation Debt						(658,116)	658,116	-	
Transfers						(1,354,300)	1,354,300	-	-
Total general revenues, special items, and transfers						34,145,271	4,166,301	38,311,572	368,517
Change in net assets						4,352,343	681,204	5,033,547	319,791
Net assets - beginning						20,260,607	607,937	20,868,544	3,666,508
Net assets - ending						$ 24,612,950	$ 1,289,141	$ 25,902,091	$ 3,986,299

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Assets	General	Children & Youth	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	$ 10,867,892	$ 4,124	$ 2,746,917	$ 13,618,933
Investments	1,439,334	-	168,133	1,607,467
Receivables				
Accounts, net	913,994	1,285	39,747	955,026
Taxes	1,617,078	-	-	1,617,078
Notes Receivable	-	-	304,189	304,189
Due From Other Funds	3,142,509	594,258	266,866	4,003,633
Due From Other Governments	466,747	1,016,486	310,827	1,794,060
Other Assets	453,403	-	-	453,403
Restricted Assets				
Cash for Workers' Compensation	42,420	-	-	42,420
Cash Held in Escrow	1,292,988	-	-	1,292,988
Cash for Debt Service	-	-	78,464	78,464
Cash for Program Purposes	238,747	-	-	238,747
Cash for Construction	-	-	871	871
Cash for Stream & Watershed Preservation	-	-	19,390	19,390
Investments for Debt Service	-	-	150,000	150,000
Investments for Stream & Watershed Preservation	-	-	387,704	387,704
Total Assets	$ 20,475,112	$ 1,616,153	$ 4,473,108	$ 26,564,373

COUNTY OF ADAMS
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Liabilities and Fund Balances	General	Children & Youth	Other Governmental Funds	Total Governmental Funds
Liabilities				
Accounts Payable	$ 1,512,222	$ 137,455	$ 79,780	$ 1,729,457
Accrued Liabilities	789,582	-	-	789,582
Deferred Revenues	1,325,845	60,851	205,137	1,591,833
Due to Other Funds	861,164	1,417,847	1,098,657	3,377,668
Funds Held in Escrow	1,042,988	-	-	1,042,988
Estimated Workers' Compensation Claims	16,886	-	-	16,886
Total Liabilities	5,548,687	1,616,153	1,383,574	8,548,414
Fund Balances (Deficit)				
Fund Balances				
Nonspendable	822,441	-	118,147	940,588
Restricted	-	-	3,154,737	3,154,737
Unassigned	14,103,984	-	(183,350)	13,920,634
Total Fund Balances (Deficit)	14,926,425	-	3,089,534	18,015,959
Total Liabilities and Fund Balances	$ 20,475,112	$ 1,616,153	$ 4,473,108	$ 26,564,373

COUNTY OF ADAMS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total fund balances for governmental funds		$ 18,015,959
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	896,241	
Agricultural Easements	9,099,061	
Infrastructure, net of $3,203,747 accumulated depreciation	2,650,552	
Buildings and improvements, net of $12,223,188 accumulated depreciation	35,999,828	
Equipment and vehicles, net of $5,860,929 accumulated depreciation	1,012,320	
Total Capital Assets		49,658,002
Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		1,217,581
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term - are reported in the statement of net assets. Balances at December 31, 2011 are:		
Accrued interest on bonds	(57,138)	
General obligation debt	(41,261,709)	
Guaranteed Revenue Bonds	(1,094,736)	
Loans Payable	(254,855)	
Compensated absences	(898,677)	
Deferred amount of bond issuance costs	285,277	
Deferred inflow of resources	8,554,048	
Swaption Liability	(8,554,048)	
Upfront Payment	(958,538)	
Investment Derivative	41,390	
Liability for Other Postemployment Benefits	(89,487)	
Unamortized discount	9,881	
		(44,278,592)
Total net assets of governmental activities		$ 24,612,950

COUNTY OF ADAMS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Children & Youth	Managed Care	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 31,939,625	$ -	$ -	$ 1,299,446	$ 33,239,071
Intergovernmental Revenues	3,380,897	6,013,608	13,141,101	1,895,939	24,431,545
Charges for Services	6,186,470	-	-	1,188,895	7,375,365
Interest and Rents	91,468	2,333	-	40,015	133,816
License and Permits	91,466	-	-	-	91,466
Court Costs and Fines	262,252	-	-	-	262,252
Miscellaneous	1,185,087	111,368	-	1,096	1,297,551
Total Revenues	43,137,265	6,127,309	13,141,101	4,425,391	66,831,066
Expenditures					
Current:					
General Government - Administrative	9,188,253	-	-	87,666	9,275,919
General Government - Judicial	5,756,229	-	-	1,415,943	7,172,172
Public Safety	14,476,618	-	-	309,627	14,786,245
Public Works	260,126	-	-	279,812	539,938
Human Services	1,920,111	7,534,688	13,141,101	93,067	22,688,967
Culture and Recreation	650,444	-	-	985,390	1,635,834
Conservation and Development	1,017,386	-	-	2,016,104	3,033,490
Debt Service					
Principal	-	-	-	1,885,749	1,885,749
Interest	-	-	-	1,848,866	1,848,866
Capital Outlay	1,506,368	-	-	612,402	2,118,770
Total Expenditures	34,775,535	7,534,688	13,141,101	9,534,626	64,985,950
Excess of Revenues Over (Under) Expenditures	8,361,730	(1,407,379)	-	(5,109,235)	1,845,116
Other Financing Sources (Uses)					
Operating Transfer In	6,306,469	1,407,379	-	5,835,376	13,549,224
Operating Transfer (Out)	(13,862,457)	-	-	(856,730)	(14,719,187)
Issuance of refunding of notes	29,658,898	-	-	-	29,658,898
Payments to redeem bonds	(29,658,898)	-	-	-	(29,658,898)
Swap Proceeds	494,675	-	-	-	494,675
Total Other Financing Sources(Uses)	(7,061,313)	1,407,379	-	4,978,646	(675,288)
Net change in fund balances	1,300,417	-	-	(130,589)	1,169,828
Fund Balances - Beginning of Year, as restated (Note 21)	13,626,008	-	-	3,220,123	16,846,131
Fund Balances - End of Year	$ 14,926,425	$ -	$ -	$ 3,089,534	$ 18,015,959

The accompanying notes are in integral part of the financial statements

COUNTY OF ADAMS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds		$ 1,169,828
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($2,118,770) exceeded depreciation ($1,539,970).		578,800
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principle is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
General Government Assumes Enterprise Fund General Obligation Debt	(658,116)	
Issuance of refunding notes	(29,658,898)	
Payments to redeem bonds	29,658,898	
Principal repayments:		
General obligation debt	1,885,749	
Net Adjustment:		1,227,633
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recoginzed under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of four balances.		
Compensated absences	(43,954)	
Liability for Other Postemployment Benefits	(31,796)	
Accrued interest on bonds	178,188	
Amortization of Option Value	208,000	
Investment Gain from Derivative Instrument	550,460	
Amortization of issuance costs	(797)	
Amortization of bond discounts	134,674	
Combined Adjustment:		994,775
Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/10 to 12/31/11.		381,307
Change in net assets of governmental activities		$ 4,352,343

COUNTY OF ADAMS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	County Home	911 Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 73,788	$ 73,788
Accounts Receivable	-	99,595	99,595
Other Assets	-	2,229	2,229
Total current assets	-	175,612	175,612
Capital Assets, Not Being Depreciated	-	51,041	51,041
Capital Assets, Being Depreciated, (Net)	-	4,885,543	4,885,543
Total noncurrent assets	-	4,936,584	4,936,584
Total assets	$ -	$ 5,112,196	$ 5,112,196
LIABILITIES			
Current liabilities:			
Accounts Payable	$ -	$ 16,363	$ 16,363
Accrued Liabilities	-	38,714	38,714
Accrued Interest Payable	-	7,006	7,006
Due to Other Funds	-	625,965	625,965
Current Portion of Long Term Debt		171,750	171,750
Total current liabilities	-	859,798	859,798
Noncurrent liabilities:			
Accrued Compensated Absences	-	56,142	56,142
Noncurrent Portion of Long Term Debt	-	2,907,115	2,907,115
Total noncurrent liabilities	-	2,963,257	2,963,257
Total liabilities	-	3,823,055	3,823,055
Net Assets (Deficit)			
Invested in Capital Assets Net of Related Debt	-	1,857,719	1,857,719
Unrestricted	-	(568,578)	(568,578)
Total Net Assets	$ -	$ 1,289,141	$ 1,289,141

COUNTY OF ADAMS
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	County Home	911 Fund	Total
Operating Revenues			
Charges for Services	$ 5,711,770	$ 1,443,922	$ 7,155,692
Total Operating Revenues	5,711,770	1,443,922	7,155,692
Operating Expenses			
Personnel Services	5,416,541	984,973	6,401,514
Contracted Services	668,198	256,507	924,705
Supplies and Materials	513,494	23,409	536,903
Utilities	174,920	35,506	210,426
Other Services and Charges	977,965	1,039,274	2,017,239
Depreciation	109,906	211,394	321,300
Total Operating Expenses	7,861,024	2,551,063	10,412,087
Operating Loss	(2,149,254)	(1,107,141)	(3,256,395)
Nonoperating Revenues (Expenses)			
Interest Income	1,277	732	2,009
Grant	-	78,624	78,624
Miscellaneous Income	-	3,100	3,100
Interest Expense	-	(122,989)	(122,989)
Total Nonoperating Revenues (Expenses)	1,277	(40,533)	(39,256)
Loss Before Transfers	(2,147,977)	(1,147,674)	(3,295,651)
Transfers In	6,383,157	537,789	6,920,946
Transfers (Out)	(5,750,983)	-	(5,750,983)
General Government Assumes Enterprise Fund General Obligation Debt	658,116	-	658,116
Gain on Asset Disposal	2,148,776	-	2,148,776
Change in Net Assets	1,291,089	(609,885)	681,204
Net Assets (Deficit) - Beginning of Year	(1,291,089)	1,899,026	607,937
Net Assets - End of Year	$ -	$ 1,289,141	$ 1,289,141

The accompanying notes are an intergral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	County Home Fund	911 Fund	Total
Cash Flows From Operating Activities			
Receipts from Patient Services	$ 6,831,027	$ -	$ 6,831,027
Receipts from Emergency Communications Services	-	1,805,616	1,805,616
Payments to Employees	(5,969,351)	(979,755)	(6,949,106)
Payments to Suppliers	(2,874,245)	(1,332,457)	(4,206,702)
Internal Activity - payments to other funds	(5,357,935)	199,183	(5,158,752)
Net Cash Used in Operating Activities	(7,370,504)	(307,413)	(7,677,917)
Cash Flows from Noncapital Financing Activities			
Operating Transfers In	6,383,157	537,789	6,920,946
Transfer Out	(5,750,983)	-	(5,750,983)
Proceeds from Sale of Nursing Home	5,755,156	-	5,755,156
Grant	-	78,624	78,624
Miscellaneous Income	-	3,100	3,100
Net Cash Provided by Noncapital Financing Activities	6,387,330	619,513	7,006,843
Cash Flows from Capital and Related Financing Activities			
Principle Payments on General Obligation Debt	-	(165,086)	(165,086)
Interest Payments	(2,460)	(132,875)	(135,335)
Gain on Asset Disposal	418,811	(5,000)	413,811
Net Cash Provided by (used in) Capital and Related Financing Activities	416,351	(302,961)	113,390
Cash Flows from Investing Activities			
Interest	1,277	732	2,009
Net Cash Provided by Investing Activities	1,277	732	2,009
Net Increase (Decrease) in Cash and Cash Equivalents	(565,546)	9,871	(555,675)
Cash and Cash Equivalents, Beginning of Year	565,546	63,917	629,463
Cash and Cash Equivalents, End of Year	$ -	$ 73,788	$ 73,788
Displayed as:			
Cash and cash equivalents	$ -	$ 73,788	$ 73,788
Restricted cash	-	-	-
	$ -	$ 73,788	$ 73,788
Reconciliation of operating loss to net cash used in operating activities			
Operating Loss	$ (2,149,254)	$ (1,107,141)	$ (3,256,395)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Depreciation	109,906	211,394	321,300
Change in assets and liabilities			
Account Receivable	1,119,257	361,694	1,480,951
Other Assets	16,764	(2,229)	14,535
Accounts Payable	(426,307)	16,363	(409,944)
Accrued Liablilities	(323,465)	8,105	(315,360)
Payable From Restricted Assets	(130,125)	-	(130,125)
Accrued Compensated Absences	(229,345)	5,218	(224,127)
Due to Other Funds	(5,357,935)	199,183	(5,158,752)
Net cash used in operating activities	$ (7,370,504)	$ (307,413)	$ (7,677,917)
Schedule of Noncash Noncapital Financing Activities			
Forgiveness of Due To General Fund	$ 6,383,157	$ -	$ 6,383,157

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

Assets	Agency Funds
Cash and Cash Equivalents	$ 2,313,689
Total Assets	$ 2,313,689
Liabilities	
Liabilities	
Due to Other Governments	2,313,689
Total Liabilities	$ 2,313,689

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

COUNTY OF ADAMS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2011

	Adams County Transit Authority	Adams County Housing Authority	Total
Assets			
Cash and Cash Equivalents	$ 129,718	$ 358,664	$ 488,382
Tenant Security Deposits	-	6,013	6,013
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)			
Accounts	147,853	64,677	212,530
Operating Assistance and Planning Grants Receivable	187,396	-	187,396
Capital Grants Receivable	302,506	-	302,506
Notes Receivable	-	409,268	409,268
Accrued Interest Receivable	-	110	110
Other Assets	19,786	1,341,176	1,360,962
Restricted Assets			
Cash for Housing Reserve for Replacement & Other	-	589,538	589,538
Assets Held for Sale	-	160,561	160,561
Capital Assets, Not Being Depreciated	607,273	200,852	808,125
Capital Assets Being Depreciated, Net	1,892,979	2,537,442	4,430,421
Total Assets	$ 3,287,511	$ 5,668,301	$ 8,955,812
Liabilities			
Liabilities			
Accounts Payable	$ 516,505	$ 1,085	$ 517,590
Accrued Liabilities	54,560	68,347	122,907
Due to Commonwealth of Pennsylvania	6,608	-	6,608
Due to Tenants- Security Deposits	-	6,013	6,013
Accrued Interest Payable	-	5,252	5,252
Unearned Revenues	42,989	32,725	75,714
Long-Term Liabilities			
Due within one year			
Accrued Compensated Absences	-	2,201	2,201
Mortgages	-	1,502,764	1,502,764
Due in more than one year			
Accrued Compensated Absences	-	19,800	19,800
Mortgages	-	2,662,684	2,662,684
Other	-	47,980	47,980
Total Liabilities	620,662	4,348,851	$ 4,969,513
Net Assets			
Net Assets			
Invested in Capital Assets, net of related debt	2,500,252	48,239	2,548,491
Restricted for:			
Disposition Proceeds	8,800	-	8,800
Housing Choice Voucher Program	-	541,558	541,558
Unrestricted	157,797	729,653	887,450
Total Net Assets	$ 2,666,849	$ 1,319,450	$ 3,986,299

COUNTY OF ADAMS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Adams County Transportation Authority	Adams County Housing Authority	Total
Adams County Transit Authority							
Human Services	$ 1,923,953	$ 344,085	$ 1,345,660	$ 727,302	$ 493,094		$ 493,094
Total governmental activities	1,923,953	344,085	1,345,660	727,302	493,094		493,094
Adams County Housing Authority							
Housing Authority Operations	4,037,621	119,595	3,376,206	-	-	(541,820)	(541,820)
Total business-type activities	4,037,621	119,595	3,376,206	-	-	(541,820)	(541,820)
Total Component Units	$ 5,961,574	$ 463,680	$ 4,721,866	$ 727,302	493,094	(541,820)	(48,726)
General revenues:							
Unrestricted investment earnings					11	3,094	3,105
Miscellaneous					1,570	363,157	364,727
Net Gain on Asset Disposals					685	-	685
Total general revenues, special items, and transfers					2,266	366,251	368,517
Change in net assets					495,360	(175,569)	319,791
Net assets - beginning					2,171,489	1,495,019	3,666,508
Net assets - ending					$ 2,666,849	$ 1,319,450	$ 3,986,299

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

The County of Adams (the "County") is a sixth Class County that was formed on March 26, 1804. The County operates under the direction of an elected Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, and human services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) 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 financial statements is as follows:

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Accounting Standards Board ("GASB") Statement No. 39 for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County of Adams (the Primary Government) and its Component Units. The Component Units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely Presented Component Units

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

Adams County Transit Authority ("ACTA"): ACTA was created April 24, 1996 by the County of Adams under the laws of the Commonwealth of Pennsylvania, in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation services within Adams County. ACTA is governed by a seven-member board appointed by the Adams County Board of Commissioners.

ACTA provides demand responsive transportation services in specially equipped vehicles to the general public and to qualifying elderly and handicapped persons. During the year ended June 30, 2011, ACTA began providing fixed route service to visitors of the Gettysburg National Park.

ACTA is funded by a combination of passenger fares, state shared ride grants, other operating revenues, and federal, state, and local capital grants.

ACTA operates on a fiscal year ending June 30.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Adams County Housing Authority ("the Authority"): The Authority is a governmental, public corporation created by resolution of the County of Adams, Pennsylvania. The governing board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development. An executive director is appointed by the Authority's Board of Directors to manage the day-to-day operations of the Authority.

The Authority administers various programs including the Community Development Block Grant (CDBG) program and the HOME Program.

The Authority operates on a fiscal year ending June 30.

B) Related Organizations

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

Adams County Office of Aging
Gettysburg Conservation and Visitors Bureau
Adams County Economic Development Corp.
Adams County Historical Society
Adams County Library System
Adams County Extension Association
Adams County Industrial Development Authority

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

C) Joint Ventures

The County is a participant with York County in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations and therefore these entities are not included in its financial reporting entity (condensed financial information relative to these entities is included in the notes herein):

Name of Organization	York/Adams Mental Health/Mental Retardation	York/Adams Drug and Alcohol Program
Services Provided	Mental Health/ Mental Retardation	Drug and Alcohol Program
Adams County Board Representation	3 of 6	3 of 6
Fiscal Year	12/31/11	12/31/11
Total Assets	$ 9,333,361	$ 593,631
Equity	-	-
Operating Revenue	$28,957,885	$3,488,113
Net Income (Loss)	-	-
Adams County Contribution to Operations	$ 417,444	$ 19,000

The above joint ventures are included in York County's Comprehensive Annual Financial Report and are available for inspection in the York County Controller's Office, Administrative Center, 28 East Market Street, York, Pennsylvania 17401.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

D) Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, not included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the cash is received by the County.

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

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

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

The County reports the following major governmental funds:

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

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

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

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

- The Managed Care Fund is used to account for specific revenue sources related to the provisions of the managed care program that are restricted to expenditures for those specified purposes.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the County has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

The County reports the following major proprietary funds:

- The County Home Fund is used to account for the operations of the County Nursing Home 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. The County Home Fund was sold in 2011 and disclosed in Note 25.

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

Additionally, the County reports the following fund type:

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

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

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

1. Cash and Cash Equivalents

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

2. Receivables and Payables

- Interfund Receivables and Payables

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

3. Investments

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

4. Restricted Assets

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

5. Deferred Charges

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

6. Capital Assets

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

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

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

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

Asset	Years
Land Improvements	20
Infrastructure	40
Buildings and Improvements	20-40
Equipment and Vehicles	5-10

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

7. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts. The County recorded an allowance for uncollectible taxes of $930,575 as of December 31, 2011.

8. Compensated Absences

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

9. 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 straight line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Unearned and Deferred Revenues

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

11. Interfund Transactions

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

12. Fund Balances

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

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

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

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

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

13. Net Assets

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in 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.

14. Accounting Estimates

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

G) Budgets and Budgetary Accounting

Legal Requirements

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

County Budget Process

1. During 3rd quarter each year the Finance Department prepares and distributes to all department directors budgetary worksheets. The worksheets are used as a tool for department directors to provide their projections for the current year and the next year. Also, worksheets allow for multi-year planning. The County utilizes Target Based budgeting for their new budget process.

2. The County Manager and Finance Director in conjunction with the Commissioners interview all department directors to discuss their budgets as submitted and allow them to substantiate projected revenues and expenditures.

3. The Finance Department assembles the preliminary projections of revenues and expenditures into a formal budget incorporating any revisions or adjustments resulting from the Commissioner's review.

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

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

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

Level of Control

The County maintains budgeting control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

G) Budgets and Budgetary Accounting (Continued)

Management Authority

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

H) Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*." The adoption of this statement resulted in a restatement of fund balances for governmental fund types (See Note 21) and the modification of Note 1 F(12).

The County adopted the requirements of GASB Statement No. 59 "*Financial Instruments Omnibus*". The adoption of this statement had no effect on previously reported amounts.

I) Pending Changes in Accounting Principles

In December 2009, GASB issued Statement No. 57 "*OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*". The County is required to adopt statement No. 57 for its calendar year 2012 financial statements.

In November, 2010, GASB issued Statement No. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*". The County is required to adopt statement No. 60 for its calendar year 2012 financial statements.

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

In December, 2010, GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*". The County is required to adopt statement No. 62 for its calendar year 2012 financial statements.

In June, 2011, GASB issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The County is required to adopt statement No. 63 for its calendar year 2012 financial statements.

In June, 2011, GASB issued Statement No. 64 "*Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*". The County is required to adopt statement No. 64 for its calendar year 2012 financial statements.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

I) Pending Changes in Accounting Principles (continued)

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

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

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

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

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

Component Units - Summary of Significant Accounting Policies

Adams County Transit Authority ("ACTA")

Basis of Accounting

ACTA's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed, to the extent these standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board.* ACTA has elected to follow subsequent private-sector guidance, subject to the same limitation.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Transit Authority ("ACTA") (Continued)

Basis of Accounting (Continued)

Operating revenues and expenses are distinguished from non-operating items in the statement of activities. Operating revenues and expenses generally result from providing services in connection with ACTA's principal ongoing operations. The principal operating revenues of ACTA are charges to customers for transportation services. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When restricted and unrestricted resources are available for its use, it is ACTA's policy to use unrestricted resources for current operating purposes first.

Deposits

For purposes of reporting cash flows, ACTA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments not subject to restriction with original maturities of three months or less from the date of acquisition.

Accounts receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Count Transit Authority (Continued)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets defined by ACTA as assets with a useful life in excess of one year and an initial individual cost in excess of $500, and are recorded at historical cost and depreciated utilizing the straight-line method over their estimated useful lives as follows:

Asset	Years
Building	30
Revenue vehicles and equipment	3-5
Shop and garage equipment	3-8
Furniture and office equipment	5-8
Computer Software	4

Maintenance and repairs of capital assets are expensed when incurred. Major improvements that extend the usable life of an asset are capitalized. Upon retirement, sale, or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts.

Upon the sale of capital assets, the process, net of disposal costs, may be required to be returned to the various funding sources which initially funded the acquisition of these items.

Compensated absences

ACTA records its obligation to compensate employees for vacation time as the liability is incurred. The liability has been determined according to personnel policies of ACTA.

Deferred revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but not available.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Count Transit Authority (Continued)

Net assets

Net assets are classified into the following three categories, as applicable:

Invested in capital assets consists of capital assets, net of accumulated depreciation and related debt, if any.

Restricted net assets are amounts which have externally imposed restrictions on how the funds can be spent.

Unrestricted net assets are amounts that do not meet the definitions of "invested in capital assets" or "restricted" and are available for ACTA's operations.

Capital Grant Funding

Capital grant funding represents amounts received from capital project grants which are restricted to capital acquisition or construction. ACTA recognizes capital grant funding when the grants are earned, which is generally when the related capital expenditure is made.

Adams County Housing Authority ("the Authority")

Basis of Accounting

The financial statements of the Authority are prepared using the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues are recognized in the accounting period in which they are earned and become measurable, and the expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net assets, revenue and expenses are accounted for using a single enterprise fund for the primary government.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Basis of Accounting (Continued)

The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Revenue

The major sources of revenue are various subsidies and grants received from the United states Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues. Operating subsidies received from HUD are recorded as income when earned.

Net Assets

The Authority adopted the standards of GASB No.34, which requires the classification of net assets into three components- Invested in Capital Assets, Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase.

Investments

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Accounts Receivable

Collection losses on accounts receivable are charged against an allowance for doubtful accounts. Tenant accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts as of June 30, 2011 was $4,412.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Buildings and Equipment

Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

Income taxes

The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

Compensated Absences

The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

Prepaid Expenses

Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

Capital Assets

Expenditures are capitalized when they meet the authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding $1,000 are expenses when incurred.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Capital Assets (Continued)

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

Asset	Years
Buildings	40
Improvements	20
Furniture	10
Equipment	5
Vehicles	5
Computer Equipment	3

NOTE 2: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2011 were as follows:

Governmental Funds	
General Fund	
CD's	$ 1,439,334
Conservation District	
CD's	338,133
Mutual Funds	113,330
Fixed Income Mutual Funds	213,859
Fixed Income- U.S. Government Agency	40,515
Total Governmental Funds	$ 2,145,171
Government-Wide Funds	
Investment Derivative	41,390
Total Investments (Government-Wide)	$ 2,186,561

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2: DEPOSIT AND INVESTMENT RISK (continued)

As of December 31, 2011, the County had the following debt investments and maturities within its excess operating fund accounts:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income - U.S. Government Agency	$ 40,515	$ -	$ -	$ -	$ 40,515
Fixed Income Mutual Funds	213,859	-	213,859	-	-
Investment Derivative	41,390	-	-	-	41,390
Total	$ 295,764	$ -	$ 213,859	$ -	$ 81,905

Interest Rate Risk: The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

See Note 10 for information on interest and credit risk for the County's derivative instruments.

Credit Risk: The County's investment policy limits investments to direct obligations of the United States Government or its agencies; local agency demand deposits, certificates of deposit; Ginnie Mae, Fannie Mae, Freddie Mac, and obligations secured by these agencies; corporate bonds rated A or higher by Standard & Poors or Moody's; commercial paper which is eligible for purchase by the discount window of the Federal Reserve Bank and has a rating of A-1 by Moody's or P-1 by Standard & Poors; bankers acceptances which are eligible for purchase by the discount window of the Federal Reserve Bank; repurchase agreements having a maturity of less than 30 days; and passbook savings account demand deposits and money market accounts. $45,794 (21%), $54,964 (26%), $88,195 (41%), and $24,906 (12%) of the County investments in fixed income mutual funds as of December 31, 2011 were rated AAA, AA, A, and B, respectively.

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 not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2011, $17,220,425 of the County's bank deposits of $18,609,577 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. None of the County's investments were exposed to custodial credit risk at December 31, 2011.

Concentration of Credit Risk: The County has no formal policy for investments pertaining to concentration of credit risk. At December 31, 2011, the County was not exposed to concentration of credit risk.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2: DEPOSIT AND INVESTMENT RISK (Continued)

Component Units – Deposit and Investment Risk

Adams County Transit Authority ("ACTA")

Cash Deposits

Custodial credit risk. ACTA has custodial credit risk on cash deposits. This is the risk that in the event of a bank failure, ACTA's deposits may not be returned. ACTA has a deposit policy for custodial risk that requires depository institutions to pledge securities as, or provide a letter of credit for, collateral for deposits that exceed depository insurance.

At June 30, 2011, the carrying amounts of ACTA's bank deposits were $128,738 and the bank balance was $147,932, which was fully insured by the Federal Deposit Insurance Corporation. ACTA has cash on hand and a petty cash balance of $980.

Component Units – Deposit and Investment Risk

Adams County Housing Authority ("the Authority")

Cash and Cash Equivalents and Investments

Cash and Cash equivalents (including tenant security deposits) of $954,215 at June 30, 2011, consisted of the following:

Checking Accounts (including security deposits)	$ 265,840
Money Market Accounts	479,195
Reserve for Replacement (Checking Account)	121,675
Tax & Escrow Accounts	44,538
FSS Deposit & Mortgage Assistant Escrow	42,617
Petty Cash Fund	350
Total Cash and Equivalents	$ 954,215

The carrying amount of the Authority's cash and cash equivalents as of June 30, 2011 was $954,215 and the bank balances were $963,591. Of the bank balances, $662,088 was covered by FDIC insurance and $340,753 was covered by a collateral pool maintained by the banks as required by Pennsylvania statue. Cash, and cash equivalents, except petty cash are held in the authority's name.

The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, $340,753 of the authority's deposits exceeded FDIC insurance and were covered under Pennsylvania statute Act 72 which collateralizes securities held by the pledging institutions trust department.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 3: RESTRICTED ASSETS

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

General Fund	
Amount established to provide a source of funds for noncash workers' compensation claims.	$ 42,420
Cash Restricted for Escrow Accounts	1,292,988
Cash Restricted for Program Purposes	238,747
Other Governmental Funds	
Conservation District	
Cash Restricted for Payment of Debt Service.	78,464
Cash Restricted for Stream & Watershed Preservation	19,390
Investments Restricted for Stream & Watershed Preservation	387,704
Investments Restricted for Debt Service	150,000
Capital Project GO Note 2009 Fund	
Cash Restricted for Construction	871
Total Governmental Funds	$ 2,210,584

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. Real estate taxes levied for 2011 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2011 and expected to be collected within the first sixty (60) days of 2012 are recognized as revenue in 2011. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2011 was 3.0518 mills for general purposes and .5 mills for library purposes.

The County recorded an allowance for uncollectible taxes of $930,575 as of December 31, 2011. This represents the County's estimate of taxes earned but ultimately expected not to be collected.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

GOVERNMENTAL ACTIVITIES:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 896,241	$ -	$ -	$ 896,241
Agricultural Easements	8,486,659	612,402	-	9,099,061
Total Capital Assets, Not Being Depreciated	9,382,900	612,402	-	9,995,302
Capital Assets, Being Depreciated:				
Infrastructure	5,854,299	-	-	5,854,299
Buildings and Improvements	46,878,685	1,344,331	-	48,223,016
Equipment and Vehicles	6,711,212	162,037	-	6,873,249
Total Capital Assets Being Depreciated	59,444,196	1,506,368	-	60,950,564
Less Accumulated Depreciation For:				
Infrastructure	(3,082,965)	-	(120,782)	(3,203,747)
Buildings and Improvements	(11,047,447)	-	(1,175,741)	(12,223,188)
Equipment and Vehicles	(5,617,482)	-	(243,447)	(5,860,929)
Total Accumulated Depreciation	(19,747,894)		(1,539,970)	(21,287,864)
Total Capital Assets, Being Depreciated, Net	39,696,302	1,506,368	(1,539,970)	39,662,700
Governmental Activities Capital Assets, Net	$49,079,202	$2,118,770	$(1,539,970)	$49,658,002

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Capital Assets, Not Being Depreciated:				
Land	$ 51,041	$ -	$ -	$ 51,041
Total Capital Assets, Not Being Depreciated	51,041	-	-	51,041
Capital Assets, Being Depreciated:				
Land Improvements	81,777	-	(81,777)	-
Buildings and Improvements	13,238,816	-	(7,426,028)	5,812,788
Equipment and Vehicles	2,801,243	14,926	(1,448,146)	1,368,023
Total Capital Assets Being Depreciated	16,121,836	14,926	(8,955,951)	7,180,811
Less Accumulated Depreciation For:				
Land Improvements	(76,101)	-	76,101	-
Buildings and Improvements	(4,433,546)	(241,118)	3,516,287	(1,158,377)
Equipment and Vehicles	(2,385,156)	(80,182)	1,328,447	(1,136,891)
Total Accumulated Depreciation	(6,894,803)	(321,300)	4,920,835	(2,295,268)
Total Capital Assets, Being Depreciated, Net	9,227,033	(306,374)	(4,035,116)	4,885,543
Business-Type Activities Capital Assets, Net	$9,278,074	$(321,300)	$ (4,035,116)	$4,936,584

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

GOVERNMENTAL ACTIVITIES:	
General Government-Admin.	$ 227,731
General Government-Judicial	75,063
Public Safety	1,120,085
Public Works	16,798
Human Services	7,200
Conservation and Development	93,093
Total Depreciation Expense – Governmental Activities	$1,539,970
BUSINESS-TYPE ACTIVITIES:	
County Home Fund	$ 109,906
Emergency 911 System	211,394
Total Depreciation Expense – Business-Type Activities	$ 321,300

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets

Adams County Transit Authority ("ACTA")

Capital assets activity was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated				
Land	$ 481,221	$ 128,707	$ 2,655	$ 607,273
Total capital assets, not being depreciated	481,221	128,707	2,655	607,273
Capital assets, being depreciated				
Building	197,460	9,800	-	207,260
Revenue vehicles and equipment	1,819,862	591,450	64,154	2,347,158
Shop and garage equipment	2,164	-	-	2,164
Furniture and office equipment	79,382	-	-	79,382
Computer Software	19,257	-	-	19,257
Total capital assets, being depreciated	2,118,125	601,250	64,154	2,655,221
Less accumulated depreciation for:				
Building	(33,446)	6,854	-	(40,300)
Revenue vehicles and equipment	(478,580)	219,037	64,154	(633,463)
Shop and garage equipment	(2,154)	-	-	(2,154)
Furniture and office equipment	(59,931)	7,137	-	(67,068)
Computer Software	(14,817)	4,440	-	(19,257)
Total accumulated depreciation	(588,928)	237,468	64,154	(762,242)
Capital assets, being depreciated, net	1,529,197	363,782	-	1,892,979
Capital assets, net	$2,010,418	$ 492,489	$ 2,655	$2,500,252

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: CAPITAL ASSETS (CONTINUED)

Component Units – Fixed Assets

Adams County Housing Authority ("the Authority")

Fixed Assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are state at cost, less accumulated depreciation. The following is a summary of the changes in general fixed assets for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
Land	$ 200,852	$ -	$ -	$ 200,852
Buildings	3,880,823	47,337	-	3,928,160
Building Improvements	145,549	-	-	145,549
Furniture and Equipment	377,434		-	377,434
Total Fixed Assets	4,604,658	47,337	-	4,651,995
Accumulated Depreciation	(1,792,785)	(120,916)	-	(1,913,701)
Net Fixed Assets	$2,811,873	$(73,579)	$ -	$2,738,294

Depreciation expense for the fiscal year ended June 30, 2011 amounted to $120,916.

NOTE 6: PENSION PLAN

Plan Description

The County and the County Home contribute to the Pennsylvania Municipal Retirement System defined benefit plan ("PMRS"), an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for certain municipalities in the Commonwealth of Pennsylvania. All full-time County employees are eligible to participate in the plan after a probationary period. Benefits vest after 5 years of full-time service. The pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. Under the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the "Act"), each individual municipality has authority to establish or amend its respective benefits and employee contribution rates subject to the Pennsylvania Municipal Retirement Board approval. PMRS issues a publicly available financial report that includes financial statements and required supplementary information for PMRS. That report may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165.

Funding Policy

The County employees are mandated to contribute at least 6% of their wages, while the County's contributions are determined by an actuarial valuation by PMRS. The contribution requirements of plan members and the County are established and may be amended by the PMRS Board of Trustees.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 6: PENSION PLAN (CONTINUED)

The following Schedules of Funding Progress present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for the Pennsylvania Municipal Retirement System for the County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/00	$15,541,090	$12,034,918	$(3,506,172)	129.13%	$ 7,081,156	(49.51)%
1/1/02	19,085,700	14,856,680	(4,229,020)	128.47%	9,037,077	(46.80)%
1/1/04	22,175,470	18,836,700	(3,338,770)	117.72%	12,245,540	(27.27)%
1/1/06	25,766,404	24,269,489	(1,496,915)	106.17%	14,160,080	(10.57)%
1/1/08	31,121,218	31,846,302	725,084	97.72%	16,232,700	4.47%
1/1/10	36,961,882	37,222,413	260,531	99.30%	17,112,340	1.52%

Annual Pension Cost

For 2011, the County's annual pension cost of $1,464,724 was equal to the County's required and actual contributions. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal cost method. The significant actuarial assumptions include (a) a 6.0% investment rate of return, (b) projected salary increases of 5.20% (c) PMRS assets were valued at fair value. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2011 is 4.41 years.

Trend Information for the County

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	$1,065,579	100%	-
12/31/10	$1,362,962	100%	-
12/31/11	$1,464,724	100%	-

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 6: PENSION PLAN (CONTINUED)

Component Unit- Pension Plan

Adams County Housing Authority ("the Authority")

The Authority provides a defined contribution pension plan for eligible full-time and part-time employees. The plan is administered by Mutual of America and was established by a resolution of the board of directors. Any changes to the plan can only be enacted by board resolution. Under the plan, the Authority contributes an amount equal to 7.5% of each employee's annual compensation to the plan. Additionally, the authority offers a Tax Deferred Annuity (TDA) to all employees that wish to contribute to their retirement via payroll deductions. The Authority's contribution to the plan for the fiscal year ended June 30, 2011 totaled $12,869.

NOTE 7: LEASES

The County leases office space and land for 911 towers under several operating lease agreements which have expiration dates ranging from 2011 to 2017. Some of the agreements contain renewal provisions at the County's option. The County also has a lease with a related party as described in Note 19. The following is a schedule of the future minimum rental payments to be made under the various leases as of December 31, 2011:

Years	Courts	Agencies	Land	Total
2012	$ 76,900	$ 316,830	$1,200	$ 394,930
2013	76,900	207,050	-	283,950
2014	34,000	207,050	-	241,050
2015	34,000	188,748	-	222,748
2016	34,000	188,748	-	222,748
2017-2021	102,000	-	-	102,000
	$357,800	$1,108,426	$1,200	$1,467,426

Rent expense for 2011 was $393,430.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 8: RISK MANAGEMENT

For periods prior to January 1, 1999, the County is exposed to the risk of loss related to self-insurance activities for workers' compensation and maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the General Fund for the open claims. Effective January 1, 1999, the County participates in the Pennsylvania Counties Workers Compensation Trust (the "Trust") insurance pool for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. For the year ended December 31, 2011, the County was required to pay an insurance premium of $738,691 to the Trust. The Trust has an audit performed each year and the County may be required to pay an additional premium or entitled to a refund as a result of the audit. For the 2011 Trust audit, the County received a refund of $7,993.

There have been no significant changes in insurance coverage in the past three years and settled claims have not exceeded the commercial coverage in those years

The following summary provides aggregate information on workers' compensation self-insurance liability; incurred claims and payments during the years ended December 31, 2010 and 2011, and the reported workers' compensation self-insurance liability at December 31, 2010 and 2011.

December 31, 2009 Liability	Current Year Claims and Changes in Estimates	Claim Payments	December 31, 2010 Liability
$88,811	($29,997)	($25,396)	$33,418

December 31, 2010 Liability	Current Year Claims and Changes in Estimates	Claim Payments	December 31, 2011 Liability
$33,418	($13,434)	($3,098)	$16,886

Component Units – Risk Management

Adams County Transit Authority ("ACTA")

ACTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which ACTA carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year for the year ended June 30, 2011, and settled claims have not exceed insurance coverage of each of the past three years ended June 30, 2011, 2010, and 2009.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 8: RISK MANAGEMENT (Continued)

Component Units – Risk Management (Continued)

Adams County Housing Authority ("the Authority")

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assts; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended June 30, 2011, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of it projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 9: LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Loans Payable:					
General obligation debt	$42,253,507	$30,317,014	$(31,308,812)	$41,261,709	$1,623,251
Guaranteed revenue bonds	1,240,894	-	(146,158)	1,094,736	65,535
Loan payable	344,532	-	(89,677)	254,855	93,262
Less: Bond Discount	(10,678)	-	797	(9,881)	-
Total Bonds and Loans Payable:	43,828,255	30,317,014	(31,543,850)	42,601,419	1,782,048
Other Long Term Liabilities:					
Compensated absences	854,723	43,954	-	898,677	-
Total Other Long Term Liabilities	854,723	43,954	-	898,677	-
Governmental Activities: Long-Term Liabilities	$44,682,978	$30,360,968	$(31,543,850)	$43,500,096	$1,782,048

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds Payable:					
General Obligation debt	$3,902,067	$ 1,001,102	$(1,824,304)	$3,078,865	$171,750
Total Bonds Payable	3,902,067	1,001,102	(1,824,304)	3,078,865	171,750
Other Liabilities:					
Compensated absences	280,269	-	(224,127)	56,142	-
Total Other Liabilities	280,269	-	(224,127)	56,142	-
Business-Type Activities Long-Term Liabilities	$4,182,336	$ 1,001,102	$(2,048,431)	$3,135,007	$171,750

Pertinent information regarding general obligation debt outstanding is presented below (payable from General Fund Tax Revenues):

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities:

Date of Issue	Amount of Issue	Purpose	Balance Outstanding at December 31, 2011
1999	$3,600,000	Revenue bonds for construction of the agricultural center (final maturity 2024). The bonds bear a fixed interest rate of 5%.	$ 1,094,736
2002	$ 291,872	Loan payable with Berks County Community Foundation for purchasing and installing a solar water heating system for the County correctional facility (final maturity 2012). The loan bears a fixed interest rate of 2%.	$32,457
2003	$6,250,000	Finalize construction of the County prison ($3,205,343-Governmental Activities) and the Emergency Training facility ($3,044,657-Business-Type Activities) (final maturity in 2018). The bonds bear interest ranging from 2%-4.40%.	$ 2,187,236
2006	$600,000	Loan payable with the Pennsylvania Infrastructure Bank for a bridge project (final maturity in 2016). The loan bears a fixed interest rate of 4.04%.	$ 222,399
2007	$2,390,000	General Obligation Note issued for the purchase and acquisition of capital assets (final maturity in 2027). The note bears interest ranging from 3.9%-10%.	$ 2,050,000

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities (Continued):

Date of Issue	Amount of Issue	Purpose	Balance Outstanding at December 31, 2011
2009	$6,330,000	General Obligation Note Series A issued for the purchase and acquisition of open space and agricultural land preservation (final maturity in 2029). The note bears interest rate of 2.99% until April 1, 2012. After April 1, 2012, the interest rate will be a variable rate equal to 66% of the Purchaser's Prime Rate, ranging from 2.75%- 6%.	$ 3,919,228
2009	$5,670,000	General Obligation Note Series B issued to fund an energy conservation program, a county-wide revision of the assessment of real property, acquisition of real estate for county government use, and for the purchase of accounting software (final maturity in 2029). The note bears an interest rate of 2.99% until April 1, 2012. After April 1, 2012, the interest rate will be a variable rate equal to 66% of the Purchaser's Prime Rate, ranging from 2.75%- 6%.	$ 3,446,347
2011	$30,660,000	General Obligation Notes, Series of 2011 issued for the purpose of refunding the 2002 Bonds. ($29,658,898 – Governmental activities, $1,001,102 – Business type). The notes bear a variable interest rate of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12% (final maturity occurs in 2031).	$29,658,898
			$ 42,611,300

In October 2011, the County issued General Obligation Notes, Series of 2011, in the amount of $30,660,000. The principal of these bonds is payable in installments from $1,010,000 in 2012 to $2,275,000 in 2031. The note bears a variable interest of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12%. The proceeds of the bonds were used to currently refund the General Obligation Bonds, Series of 2002 and pay issuance costs of $144,731. The Notes refunded $29,658,898 of Governmental Activities and $1,001,102 of Business-Type Activities General Obligation Debt, respectively. The bonds decreased debt service payments for the County by $13,701,626 and resulted in an economic gain of $12,785,007. The principal balance outstanding on the bonds at December 31, 2011 was $30,660,000.

In August of 2011, the Governmental Activities assumed $658,116 in General Obligation Debt from the sale of the County Nursing Home (See Note 25).

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities: (Continued)

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued compensated absences, *assuming current interest rate remain the same*:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	$ 1,782,048	$ 655,699	$ 2,437,747
2013	1,733,706	841,515	2,575,221
2014	1,808,028	797,823	2,605,851
2015	1,873,440	751,292	2,624,732
2016	1,931,163	703,010	2,634,173
2017-2021	11,330,735	2,686,299	14,017,034
2022-2026	11,927,644	1,049,859	12,977,503
2027-2031	10,224,536	216,045	10,440,581
	$42,611,300	$7,701,542	$50,312,842

General Obligation Bonds-Business-Type Activities:

Date of Issue	Amount of Issue	Purpose	Balance Outstanding at December 31, 2011
2003	$6,250,000	Finalize construction of the County prison ($3,205,345-Governmental Activities) and the Emergency Training Facility ($3,044,657-Business-Type Activities) (final maturity 2018) The bonds bear interest ranging from 2%-4.40%.	$ 2,077,763
2011	$30,660,000	General Obligation Notes, Series of 2011 issued for the purpose of refunding the 2002 Bonds. ($29,658,898 – Governmental activities, $1,001,102 – Business type). The notes bear a variable interest rate of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12% (final maturity occurs in 2031).	$1,001,102
			$ 3,078,865

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued compensated absences, *assuming current interest rate remain the same*:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	$ 171,750	$ 90,365	$ 262,115
2013	177,761	85,039	262,800
2014	183,773	79,385	263,158
2015	189,948	73,390	263,338
2016	198,722	66,995	265,717
2017-2021	1,128,310	223,103	1,351,413
2022-2026	688,139	39,141	727,280
2027-2031	340,462	7,056	347,518
	$ 3,078,865	$ 664,474	$ 3,743,339

In 2002, the County defeased the 2001 general obligation bonds by placing the proceeds of the 2002 general obligation bonds in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2011, the principal amount outstanding relative to the defeased debt was $28,800,000.

Hedging Derivative Instrument Payments and Hedged Debt. As of December 31, 2011, aggregate debt service requirements of the County's General Obligation Notes, Series of 2011 and net receipts/payments on 2008 Swaption are as follows.

(The amounts in the table below assume that the current interest rates on the 2011 General Obligation Notes, Series of 2011 and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.)

Years Ended December 31:	Principal Requirements	Interest Requirements	Hedging Derivatives Net	Total
2012	$ 1,010,000	$ 278,644	$ 1,276,821	$ 2,565,465
2013	1,045,000	268,676	1,234,654	2,548,330
2014	1,080,000	259,153	1,190,826	2,529,979
2015	1,120,000	249,308	1,145,584	2,514,892
2016	1,165,000	239,753	1,098,594	2,503,347
2017-2021	6,595,000	1,027,767	4,720,136	12,342,903
2022-2026	8,250,000	698,448	3,207,344	12,155,792
2027-2031	10,395,000	284,624	1,306,395	11,986,019
	$ 30,660,000	$ 3,306,373	$ 15,180,354	$ 49,146,727

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

Component Units - Long-term Debt

Adams County Housing Authority ("the Authority")

Rural Rental Assistance Repayments

Harold Court- Rural Development (RD) provided two mortgages totaling $1,694,454. The Authority's monthly payments are $3,764 beginning July 1, 1990. The balance for both mortgages at June 30, 2011 is $1,643,970. The interest rate for Loan 1 and Loan 2 is 9.5%.

Component Units - Long-term Debt (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Rural Rental Assistance Repayments (Continued)

Loan 1 Harold Court

Years Ended June 30:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	$10,987	$138,982	$149,969
2013	12,078	137,891	149,969
2014	13,276	136,693	149,969
2015	14,593	135,376	149,969
2016	14,763	133,926	148,689
2017-2021	108,779	507,140	615,919
2022-2026	172,539	577,306	749,845
2027-2031	276,925	472,920	749,845
2032-2036	444,467	305,378	749,845
2037-2040	399,506	366,711	766,217
	$1,467,913	$2,912,323	$4,380,236

Loan 2 Harold Court

Years Ended June 30:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	$1,317	$16,669	$17,986
2013	1,448	16,538	17,986
2014	1,592	16,394	17,986
2015	1,750	16,236	17,986
2016	1,923	16,063	17,986
2017-2021	12,889	60,980	73,869
2022-2026	20,677	69,255	89,932
2027-2031	33,114	56,818	89,932
2032-2036	54,558	35,374	89,932
2037-2040	46,789	18,454	65,243
	$176,057	$322,781	$498,838

Total Mortgages No 1 and No 2 $1,643,970. McIntosh Court- RD provided two mortgages totaling $93,749. The Authority's payments were $284 per month. The balances for both mortgages at June 30, 2011 are $35,755. The interest rate for Loan 1 and Loan 2 is 10%.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

Component Units - Long-term Debt (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Rural Rental Assistance Repayments (Continued)

Loan 1 McIntosh Court

Years Ended June 30:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	$1,164	$ 130	$ 1,294
2013	1,176	119	1,295
2014	1,187	107	1,294
2015	1,199	95	1,294
2016	1,211	71	1,282
2017-2021	6,255	168	6,423
2022	1,379	8	1,387
	$13,571	$ 698	$14,269

Loan 2 Harold Court

Years Ended June 30:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	$ 1,902	$ 213	$ 2,115
2013	1,921	194	2,115
2014	1,941	174	2,115
2015	1,960	155	2,115
2016	1,980	136	2,116
2017-2021	10,201	240	10,441
2022-2023	2,279	15	2,294
	$22,184	$1,127	$23,311

Total Loans No 1 and No 2 $35,755

On October 14, 2004 the Authority refinanced its mortgage on 40 East High Street with Rural Development. The amount financed was $1,055,150 at a fixed rate of 4.5% for forty years. Monthly payments amount to $4,749 and are calculated on the total loan amount. The loan balance at June 30, 2011 was $970,30. For June 30, 2011, interest expense was $44,578 and principal payments were $13,002. Details regarding payments on the debt service to maturity are as follows:

Year	Principal	Year	Principal
2012	12,980	2017-2021	$ 103,116
2013	13,578	2022-2026	111,607
2014	14,203	2027-2031	139,770
2015	14,857	2032-2036	175,042
2016	15,541	2037-2041	223,633
		Thereafter	146,003
Subtotal	$71,159		$899,171
	Grand Total		$970,330

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: LONG-TERM DEBT (Continued)

Component Units - Long-term Debt (Continued)

Adams County Housing Authority ("the Authority") (Continued)

The Authority's Business Activities Program had a line of credit from Fulton Bank in the amount of $1,750,000. The interest rate for the line of credit is 4.50% and the outstanding balance was $1,475,393 as of June 30, 2011. Interest for the loan is due monthly, and principal will be payable upon demand. Subsequent to the Authority's year end, the line of credit became secured by two tracts of land each owned by the Pennsylvania Interfaith Community Programs Inc. (PICPI).

The following table summarizes the long term debt activity at June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Loan 1 Harold CT	$1,477,908	$ -	$ (9,995)	$1,467,913	$10,987
Loan 2 Harold CT	177,255	-	(1,198)	176,057	1,317
Loan 1 McIntosh CT	14,723	-	(1,152)	13,571	1,902
Loan 2 McIntosh CT	24,068	-	(1,884)	22,184	1,164
Rural Development Loan	983,332	-	(13,002)	970,330	12,001
SHP Loan	40,000	-	-	40,000	-
Fulton Bank LOC	1,371,887	123,848	(20,342)	1,475,393	1,475,393
Total Loan Obligations	4,089,173	123,848	(47,573)	4,165,448	1,502,764
Compensated Absences	22,703	-	(702)	22,001	2,201
Total Obligations	$4,111,876	$ 123,848	$(48,275)	$4,187,449	$1,504,965

Supportive Housing Program

Financing for this program consisted of a loan of $40,000 from the Authority's CDBG Program.

Adams County Transit Authority ("ACTA")

ACTA has a $60,000 unsecured line of credit with a bank with interest at 0.75% below the bank's prime lending rate, of which $0 was outstanding at June 30, 2011.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: INTEREST RATE SWAPS

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2011, classified by type, and the changes in fair values of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows:

		Fair Value at December 31, 2011		Changes in Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Governmental Activities					
Cash Flow Hedges:					
2008 Fixed Pay Swap	$30,660,000	Debt	$ (8,554,048)	Deferred Inflow	$(5,358,165)
Investment Derivative:					
2005 Basis Swap	$30,660,000	Investment	$ 41,390	Unrestricted Investment Income	$ 550,460

Fair Values

The fair values of the swap and swaption are estimated using the zero-coupon method and market standard option pricing methods. This method calculates the future net settlement payments required by the swap assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

Objective and terms of derivative instruments

2005 Basis Swap- In March 2005, the County entered into a Basis Swap agreement with Wachovia Bank as the Counterparty in relation to the County's General Obligation Bonds, Series of 2002 in the then outstanding notional amount of $34,825,000. The 2005 Basis Swap consists of an interest rate swap agreement whereby the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 basis points (.30%) and is obligated to pay the Counterparty an interest rate equal to the short term tax exempt rate Bond Market Association index (BMA). In consideration for this monthly exchange formula, the County received an up-front payment in the amount of $1,190,000. This amount is considered as borrowing and it is reported at the historical cost of $1,190,000. As payments are made on the swap, principal and interest payments on the borrowing are imputed. Interest income is accrued at the at the market rate used to arrive at the initial balance of the borrowing (2.47783%). The swap is now associated with the General Obligation Notes, Series of 2011. At December 31, 2011, the swap consisted of an investment derivative with a value of $41,390 and a borrowing of ($958,538) for a net fair value of ($917,148).

2008 Swaption- In June 2008, the County entered into a Forward Starting Interest Rate Swap with Wachovia Bank as the Counterparty with respect to the County's then's outstanding Series of 2002 Bonds or any bond or notes issued to refund the bonds in the principle amount of $31,615,000. The objective was to hedge the changes in cash flows on the 2002 General Obligation Bonds or any bonds or notes issued to refund the bonds. By entering into this contract the County received an upfront payment of $1,014,000 net of transaction fees. In exchange, the Counterparty will have the option to direct the County to enter into a variable to fixed rate swap whereby the County will pay 4.6525% to the Counterparty and will receive from the Counterparty 78% of one-month LIBOR plus 28 basis points. This option was exercised by Wells Fargo in August of 2011, and the swaption is now associated with General Obligation Notes, Series of 2011. The upfront cash of $1,014,000 represents the value of the option and was amortized over the life of the swaption. At December 31, 2011, the unamortized balance is $0.

Derivative Instrument Risks

Credit Risk. As of December 31, 2011, the County was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair value of the swaps become positive, the County would be exposed to credit risk in the amount of the derivatives fair value. As of December 31, 2011, the Counterparty was rated Aa3 by Moody's, AA- by Standard and Poors and AA- by Investors Services.

The County's Master Swap Agreement contains netting provisions applicable to circumstances where the county enters into more than one derivative transaction with a single counterparty. Under these netting provisions, should one party become insolvent or otherwise default on its obligations, the close-out netting provisions permit the nondefaulting party to terminate all affected transactions and net any settlement amounts payable so that a single sum will be owed by, or owed to, the nondefaulting party.

Basis Risk. This is the risk that there is a mismatch between the percentage of LIBOR receipt to the County and the BMA obligation of the Counterparty. In the 2005 Basis Swap, the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 Base Points (0.30%) spread and is obligated to pay the Counterparty an interest rate equal to SIFMA. The swap matures in November, 2031.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

Derivative Instrument Risks (continued)

Basis Risk (continued). For the 2008 swaption, this is the risk that short-term tax-exempt bonds do not trade on par with 78% (subject to change) of LIBOR, which would result in a slightly higher effective interest rate. The swaption is structured so that the County receives 78% of one-month LIBOR to cover the underlying tax exempt weekly rate, thereby reducing basis risk. Assuming the historical average rates for on-month LIBOR and SIFMA and a variable rate receipt of 78% of one-month LIBOR, the County expects to accrue monthly cash flow savings in addition to the up-front Premium.

Termination Risk. The swaption was issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County may terminate the swaption. If the swaption is terminated, the County will be responsible for the underlying fixed rate bond obligations. Also, if at the time of termination the swaption has a negative fair value, the County would be liable to the counterparty for a payment equal to the swaption's fair values.

Rollover Risk. The County is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, the county will be re-exposed to the risks being hedged by the hedging derivative instrument. The worst case is that County would default on its obligation, thereby creating a situation where all or a part of the County's debt might be accelerated.

To date, tax-backed bonds, issued by counties in Pennsylvania have been able to access the market at anytime and the cost of a standby liquidity facility to support the remarketing of the underlying variable rate bonds has been reasonable, and within the budget established for the Swaption.

NOTE 11: GUARANTEED DEBT

The County has guaranteed the repayment of the Adams County Conservation District Guaranteed Revenue Bond, Series of 1999 in the amount of $3,600,000 with payments due monthly beginning on July 1, 2000 through July 1, 2024 at an interest rate of 5.05% per annum. The balance of the bonds at December 31, 2010 was $1,094,736. The County has not been required to make payments on these bonds.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 12: INTERFUND OPERATING TRANSFERS

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

	Transfers In	Transfers Out
General Fund	$ 6,306,469	$13,862,457
Children and Youth	1,407,379	-
Other Governmental Funds	5,835,376	856,730
Total Governmental Fund Types	13,549,224	14,719,187
Enterprise Fund:		
911 Emergency Telephone	537,789	-
County Home	6,383,157	5,750,983
Total Enterprise Fund	6,920,946	5,750,983
	$20,470,170	$20,470,170

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances of each individual fund as of December 31, 2011, are as follows:

Governmental Fund Types	Due From Other Funds	Due to Other Funds
General Fund	$3,142,509	$861,164
Children and Youth	594,258	1,417,847
Other Governmental Funds	266,866	1,098,657
Total Government Fund Types	4,003,633	3,377,668
Proprietary Fund Type		
Enterprise Funds		
911 Emergency Telephone	-	625,965
Total Proprietary Fund Type	-	625,965
Total	$4,003,633	$4,003,633

The General Fund has paid expenses on behalf of other funds, therefore, a corresponding interfund receivable and payable has been recorded.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 14: COMMITMENTS AND CONTINGENCIES

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

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

Component Unit-Commitments and Contingencies

Adams County Transit Authority ("ACTA")

Commitments:

Leases:

ACTA leases a communication tower under the terms of a month-to-month lease.

Total rental expense included in the statements of revenues, expense, and changes in net assets is $2,835 for the year ended June 30, 2011.

Contingencies:

Grants:

A significant portion of ACTA's support is received from the federal and state governments. A significant reduction in the level of this support would have a material effect on the Authority's operations.

Capital Assets:

Although title to the equipment rests with ACTA, upon disposition, the proceeds may have to be returned to the federal, state, and local governments, which initially funded their acquisition under the terms of the capital grants.

Audit:

The grants received by ACTA are subject to audit by the federal and state governments. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Component Unit-Commitments and Contingencies (Continued)

Adams County Transit Authority ("ACTA") (Continued)

Contingencies (Continued):

Unemployment compensation:

ACTA has elected to fund unemployment compensation insurance with the Commonwealth of Pennsylvania Unemployment Compensation Fund on a reimbursable status, whereby ACTA reimburses the Commonwealth for actual benefits paid to qualified claimants.

Restricted Disposition Proceeds:

Restricted disposition proceeds represent the proceeds from the disposal of vehicles. These funds and interest earnings on them are held in a restricted account to be expended in future years for the purchase of vehicles under restrictions set forth in the related grant.

Adams County Housing Authority

Construction Commitments

At June 30, 2011, the Authority's outstanding construction commitments were not material to the financial statements.

Contingencies

Amounts received or receivable from HUD are subject to review and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability to the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects that such amounts, if any, are immaterial.

NOTE 15: COMPENSATED ABSENCES

Employees of the County are entitled to certain compensated absences, consisting of paid time off ("PTO") and sick leave. All full-time employees are eligible to accrue PTO, beginning the first day of employment. PTO hours are accrued based on the number of nonovertime hours paid. At year-end, employees may carry over a maximum of 200 hours of unused PTO. At year-end, any unused PTO in excess of 200 hours is placed in the sick leave reserves for employees. Sick leave reserves are not eligible for reimbursement upon termination or retirement from employment.

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 15: COMPENSATED ABSENCES (Continued)

Component Unit- Compensated Absences

Adams County Housing Authority ("the Authority")

Accrued compensated absences of $22,001 at June 30, 2011 represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation time in the event of retirement or termination of service. Employees are not compensated for sick leave.

NOTE 16: RESTRICTED FUND BALANCES/NET ASSETS

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

Governmental Funds

General Fund

Nonspendable	$ 1,005,432

This line item represents amounts for prepaid expenses and notes receivable.

Nonmajor Funds

Nonspendable

Act 137 Fund	$ 115,014

This line item represents amounts for notes receivable.

Home Fund	$ 3,133

This line item represents amounts for notes receivable.

Restricted

Liquid Fuels Tax	$ 193,639

This line item represents amounts that are restricted by grantors for the future payments of expenditures for the building and improvement of roads and bridges.

Agricultural Land Preservation	$ 196,551

This line item represents amounts that are restricted for the preservation of land.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

Juvenile Court	$ 4,604

This line item represents amounts that are are restricted by legislation to track fees representing Home Studies and Adoption Investigation fees.

Prison Commissary	$ 149,472

This line item represents amounts that are restricted from the sale of commisary items to the inmates as well as other commissions earned.

Records Improvement	$ 405,355

This line item represents amounts that are restricted for improvements in the Recorder of Deeds' Office

Home Fund	$ 9,781

This line item represents amounts that are restrcited by grantors for future expenditures community rehab projects.

Act 137	$ 589,066

This line item represents amounts collected from the recording of fees for mortgages and deeds to enhance local affordable housing efforts.

Hotel Tax	$ 329,980

This line item represents amounts that are restricted for the levying and setting of Hotel room rental tax required for the specific purpose of the County government.

DUI	$ 421

This line item represents amounts that are restricted by grantors for the purpose of purchasing DUI equipment.

Court Reserved Fund	$ 61,124

This line item represents amounts that are restricted to track court related revenues such as Offender Supervision fees, treatment fees, and Youth offender education fees.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

Conservation District	$ 1,197,838

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

Coroner's VISA	$ 8,651

This line item represents amounts that are restricted by grantors for purchases of equipment, training, and office and laboratory facility improvement.

Law Enforcement	$ 8,255

This line item represents amounts that are restricted by grantors for purchase of law enforcement equipment.

Component Units – Restricted Net Assets

Adams County Housing Authority ("the Authority")

Restricted Net Assets- Housing Choice Voucher Program

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005, excess funds disbursed by HUD to the Authority for the payment of Housing Assistance Payments that are not so utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by PHA and not expended should be reported as restricted cash and restricted net assets.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the unrestricted fund balance and are considered to be "administrative fee reserves." Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 – i.e. "other housing purposes permitted by state and local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 17: DEFICIT NET ASSETS/FUND BALANCES

For the year ended December 31, 2011, the Capital Projects GO Note 09 fund had a deficit unreserved fund balance of $74,913 which resulted primarily from additional capital expenditures.

For the year ended December 31, 2011, the Hazardous Materials fund had a deficit unreserved fund balance of $108,437 which resulted primarily from revenues being insufficient to cover expenditures.

NOTE 18: NOTES RECEIVABLE

Notes receivable represent amounts loaned to qualified County residents for Affordable Housing that are to be repaid to the County. The notes receivable balances consist of the following at December 31, 2011:

Program	Balance Outstanding December 31, 2011
Original note amount of $25,000 issued August 15, 2000 for home repairs with an interest rate of 1% per annum due in monthly installments of principle and interest of $94 commencing on October 1, 2000 through and including September 1, 2025.	$ 22,331
Original note amount of $80,000 issued in 2003 for the purchase and rehabilitation of property with $70,000 distributed in 2003 and the remaining $10,000 to be granted in 2004. The loan is for a two year period and is repayable as a balloon payment, with one year of interest at 1%.	$ 30,000
Original note amount of $90,000 issued in 2005 for home repairs with an interest rate of 1% per annum due in monthly installments of principal and interest of $414 commencing in February, 2005 through and including January, 2025.	$ 62,683
Original note amounts ranging from $5,655 to $37,240 issued from February 1997 through November 2003 for home repairs and improvements. The loans are forgiven at the rate of 10% each year for ten years. If the property is sold, transferred or vacated before the end 10 years, the unforgiven portion of the loan must be repaid.	$ 9,317
Original mortgage note amount of $260,000 issued in 2006 at an interest rate of 3% per annum due in monthly installments of principal and interest of $1,232.96 commencing in July, 2006 through and including June, 2031.	$179,858
Total Notes Receivable	$304,189

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 18: NOTES RECEIVABLE (CONTINUED)

Component Unit- Notes Receivable

Adams County Housing Authority ("the Authority")

The CDBG program had notes and mortgages receivable of $300,542 as follows:

	Balance 6/30/10	Advances	Receipts	Balance 6/30/11
CDBG Loans:				
Scattered Sites (PICPI)	$ 34,750	$ -	$ 1,513	$33,237
Supportive Housing Loan	40,000	-	-	40,000
Act-137 (PICPI)	40,010	-	-	40,010
Small Cities Loan	98,449	-	7,327	91,122
Biglerville Road – Scattered Sites (PICPI)	51,657	-	-	51,657
New Oxford Expansion (PICPI)	47,882	-	3,384	44,498
	$ 312,748	$ -	$12,224	$300,524

The Home Program has receivables of $108,744 from second mortgages held by the Authority. These loans have been recorded on the Authority's financial statements as long term receivables. They will be collected when either the homeowner sells or otherwise transfers or convey the property.

	Balance 6/30/10	Advances	Receipts	Balance 6/30/11
HOME Loans:				
Second Mortgages	$108,745	$ -	$ -	$108,745

NOTE 19: RELATED PARTY TRANSACTIONS

On June 28, 2000, the County entered into a lease agreement with the Conservation District, where the District leases to the County 20,248 square feet in the Adams County Agricultural and Natural Resource Center for 25 years commencing on July 1, 2000. The rent is payable on or before the 25th of the previous month with the initial rent being fixed for the first year. After the first year and each successive year, the rent may be increased or decreased based on the changes in costs associated with the operation and maintenance of the Center or changes in debt service requirements. Rent expense for 2011 was $279,866.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 19: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Unit- Related Party Transactions

Adams County Housing Authority ("the Authority")

The Authority is co-located with the Adams county Interfaith Housing Corporation and McSherrystown Interfaith Corporation, non-profit organizations, in its attempt to provide quality housing to lower income families in Adams County. The Authority shares employees, including the Executive Director and the respective organizations are charged for the hours worked for each organization. Activities pertaining to these programs are included in separate reports.

NOTE 20: POST-EMPLOYMENT BENEFIT PLAN

Plan Description. The County sponsors a post-employment benefits plan that covers health insurance benefits for eligible retirees. Effective January 1, 1998, the Adams County Commissioners established a Retiree Health Care Benefit policy providing the authority under which benefit provisions for the Plan were established and may be amended. The Plan does not issue a publicly available financial report.

Upon meeting the eligibility requirements, retired members will continue coverage under the active employees' medical program in which they were enrolled during their last year of employment, at their own expense. A County employee who retires at age 55 or older from the County's pension program and has completed 20 or more years of service is eligible for continued health insurance until age 65. Elected officials who do not participate in the County's pension program are eligible for this postretirement medical benefit if they are still employed at age 55 or later and have completed 20 or more years of service.

Funding Policy. Retired members must pay the premiums for coverage elected under the plan. Failure to pay the required premium will result in cancellation of the insurance. The County may charge an administrative fee in addition to the retired member's monthly premium. The County funds the Plan on a pay-as-you-go basis. For 2011, the County's contribution to the plan for current premiums was $71,730, using the implicit rate subsidy.

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 20: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

	Governmental Activities
Annual required contribution	$ 104,484
Interest on Net OPEB obligation	2,308
ARC Adjustment	(3,266)
Contributions made	(71,730)
Increase in net OPEB obligation	31,796
Net OPEB obligation – beginning of year	57,691
Net OPEB obligation – end of year	$ 89,487

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 129,423	55.42%	$ 57,691
12/31/2011	$ 103,526	69.29%	$ 89,487

The County adopted GASB 45 on a prospective basis in 2010, therefore only two years are presented in the above schedule.

Funded Status and Funding Progress. As of January 1, 2011 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $1,031,919 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,031,919. The covered payroll (annual payroll of active employees covered by the plan) was $20,415,285, and the ratio of the UAAL to the covered payroll was 5.1%.

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 20: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 6% after 5 years. Active plan members' salaries are assumed to increase by 4.0% per year. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

NOTE 21: RESTATEMENT OF NET ASSETS/CHANGE IN ACCOUNTING PRINCIPLE

The following restatement was necessary to properly reflect the adoption of the provisions of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". Under this pronouncement certain funds no longer met the definition of a special revenue fund and accordingly the funds activity is currently recorded in the General Fund.

	General Fund	Capital Reserve	Capital Projects	Other Governmental Funds
Fund Balance, beginning of year	$ 9,238,044	$4,133,191	$(1,481,932)	$ 4,956,828
Reclassification due to implementation of GASB	4,387,964	(4,133,191)	1,481,932	(1,736,705)
Fund Balance, beginning of year, restated	$13,626,008	$ -	$ -	$ 3,220,123

NOTE 22: MANAGEMENT AGREEMENT

Component Unit-Management Agreement

Adams County Transit Authority ("ACTA")

ACTA has entered into an agreement, whereby the York County Transportation Authority serves as contract manager, provides management assistance, accounting services, and oversees the daily operation and administration of ACTA.

Total management fee expense incurred by ACTA amount to $117,635 for June 30, 2011. The agreement was terminated September 1, 2011.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 23: ECONOMIC DEPENDENCY

Component Unit- Economic Dependency

Adams County Housing Authority ("the Authority")

For the year ended June 30, 2011, a substantial portion of the Authority's revenues were received as subsidies and grants from the United States Department of Housing and Urban Development and Rural Development. This funding is subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

NOTE 24: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUNDS

The following major funds had an excess of actual expenditures over budget for the year ended December 31, 2011.

	Appropriations	Expenditures	Percent of Excess over Appropriations
General Fund	$ 33,294,498	$ 34,775,535	4.45%
Children and Youth Fund	$ 6,928,666	$ 7,534,688	8.75%

The excess expenditures over appropriations in the General Fund and the Children and Youth Fund were funded by greater than anticipated revenues and contributions from the General Fund, respectively.

NOTE 25: SALE OF NURSING HOME

On August 9, 2011 the County sold certain operating assets and associated operations relating to the Adams County Nursing Home, defined as an enterprise fund of the County as described in Note 1 to the basic financial statements, for $6,100,000 which after the payment of expenses associated with the sale, resulted in proceeds from the sale equaling $5,750,983. The proceeds were transferred to the General Fund as a result of the sale and conclusion of the operations of the Adams County Nursing Home. As a result of the sale the County assumed the accounts receivable of the Adams County Nursing Home and also the debt as reflected in Note 9.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 26: SUBSEQUENT EVENTS

In April 2012 the County issued General Obligation Bonds, Series of 2012, in the amount of $37,135,000. Interest is paid semi-annually and bears a rate varying between .30% and 5.0%. The bonds mature in 2037 with principal amount varying between $240,000 and $6,615,000. The proceeds of the bonds were used to refund the outstanding portion of the, General Obligation Bonds, Series of 2003, General Obligation Notes, Series of 2007, General Obligation Notes Series of 2009 A & B, and to fund an emergency management communications project.

Component Unit – Subsequent Event

Adams County Transit Authority ("ACTA")

On September 1, 2011, ACTA transferred all assets, liabilities, net assets and operating activities to York County Transportation Authority. No exchanges of consideration were given and the transaction was treated as a combination. All assets and liabilities transferred were recorded at historical cost basis. At the time of transfer, amounts due by ACTA to York County Transportation Authority totaling $264,309 were offset against York County Transportation Authority's corresponding receivable.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF ADAMS
SCHEDULE OF FUNDING PROGRESS
FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ -	$ 1,304,559	$ 1,304,559	0%	$ 17,112,340	7.6%
1/1/2011	$ -	$ 1,031,919	$ 1,031,919	0%	$ 20,415,285	5.1%

The County adopted GASB 45 on a prospective basis in 2011; therefore only two years are presented in the above schedule.

COUNTY OF ADAMS
SCHEDULE OF FUNDING PROGRESS
FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ -	$ 1,304,559	$ 1,304,559	0%	$ 17,112,340	7.6%
1/1/2011	$ -	$ 1,031,919	$ 1,031,919	0%	$ 20,415,285	5.1%

The County adopted GASB 45 on a prospective basis in 2011; therefore only two years are presented in the above schedule.

COUNTY OF ADAMS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 32,666,950	$ 32,666,950	$ 31,939,625	$ (727,325)
Intergovernmental Revenues	1,633,861	1,633,861	3,380,897	1,747,036
Charges for Services	3,564,355	3,564,355	6,186,470	2,622,115
Interest and Rents	59,730	59,730	91,468	31,738
License and Permits	96,500	96,500	91,466	(5,034)
Court Costs and Fines	1,238,750	1,238,750	262,252	(976,498)
Other	144,410	144,410	1,185,087	1,040,677
Total Revenues	39,404,556	39,404,556	43,137,265	3,732,709
Expenditures				
Current:				
General Government - Administrative	8,538,834	8,538,834	9,188,253	(649,419)
General Government - Judicial	5,809,305	5,809,305	5,756,229	53,076
Public Safety	15,200,027	15,200,027	14,476,618	723,409
Public Works	166,619	166,619	260,126	(93,507)
Human Services	983,000	983,000	1,920,111	(937,111)
Culture and Recreation	504,318	504,318	650,444	(146,126)
Conservation and Development	2,009,958	2,009,958	1,017,386	992,572
Capital Outlay	82,437	82,437	1,506,368	(1,423,931)
Total Expenditures	33,294,498	33,294,498	34,775,535	(1,481,037)
Excess of Revenues Over Expenditures	6,110,058	6,110,058	8,361,730	2,251,672
Other Financing Sources (Uses)				
Operating Transfer In	1,643,059	1,643,059	6,306,469	4,663,410
Operating Transfer (Out)	(7,272,989)	(7,272,989)	(13,862,457)	(6,589,468)
Issuance of refunding notes	-	-	29,658,898	29,658,898
Payments to redeem bonds	-	-	(29,658,898)	(29,658,898)
Swap Proceeds	-	-	494,675	494,675
Total Other Financing Uses	(5,629,930)	(5,629,930)	(7,061,313)	(1,431,383)
Net change in fund balances	480,128	480,128	1,300,417	820,289
Fund Balances - Beginning of Year	-	-	13,626,008	13,626,008
Fund Balances - End of Year	$ 480,128	$ 480,128	$ 14,926,425	$ 14,446,297

COUNTY OF ADAMS
SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CHILDREN AND YOUTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental Revenues	$ 6,039,928	$ 6,039,928	$ 6,013,608	$ (26,320)
Interest and Rents	6,000	6,000	2,333	(3,667)
Other	135,000	135,000	111,368	(23,632)
Total Revenues	6,180,928	6,180,928	6,127,309	(53,619)
Expenditures				
Current:				
Human Services	6,928,666	6,928,666	7,534,688	(606,022)
Total Expenditures	6,928,666	6,928,666	7,534,688	(606,022)
Excess of Revenues Under Expenditures	(747,738)	(747,738)	(1,407,379)	(659,641)
Other Financing Sources				
Operating Transfer In	747,738	747,738	1,407,379	659,641
Total Other Financing Sources	747,738	747,738	1,407,379	659,641
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	$ -	$ -	$ -	$ -

OTHER SUPPLEMENTAL INFORMATION

COUNTY OF ADAMS
CONSERVATION DISTRICT
BALANCE SHEET
DECEMBER 31, 2011

Assets

Cash and Cash Equivalents	$	328,426
Investments		168,133
Due From Other Governments		65,721
Restricted Assets		
Cash for Debt Service		78,464
Investments for Debt Service		150,000
Cash for Stream & Watershed Preservation		19,390
Investments for Stream & Watershed Preservation		387,704
Total Assets	$	1,197,838

Fund Balances

Fund Balances		
Restricted for:		
Debt Service	$	228,464
Stream & Watershed Preservation		407,094
Program Purposes		562,280
Total Fund Balances	$	1,197,838

COUNTY OF ADAMS
CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

Revenues	
Intergovernmental Revenues	$ 322,386
Charges for Services	524,568
Interest	28,318
Other	738
Total Revenues	876,010
Expenditures	
Current:	
Conservation and Development	1,109,648
Debt Service	
Principal	146,158
Interest	46,848
Total Expenditutres	1,302,654
Excess of revenues Under Expenditures	(426,644)
Other Financing Sources	
Operating Transfers In	314,110
Total Other Financing Sources	314,110
Excess of Revenues and Other Financing Sources Under Expenditures	(112,534)
Fund Balances - Beginning of Year	1,310,372
Fund Balances - End of Year	$ 1,197,838