

*County of Lehigh,
Pennsylvania*

December 31, 2014

*Financial Statements
and Independent Auditor's Report*

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County of Lehigh

Year Ended December 31, 2014

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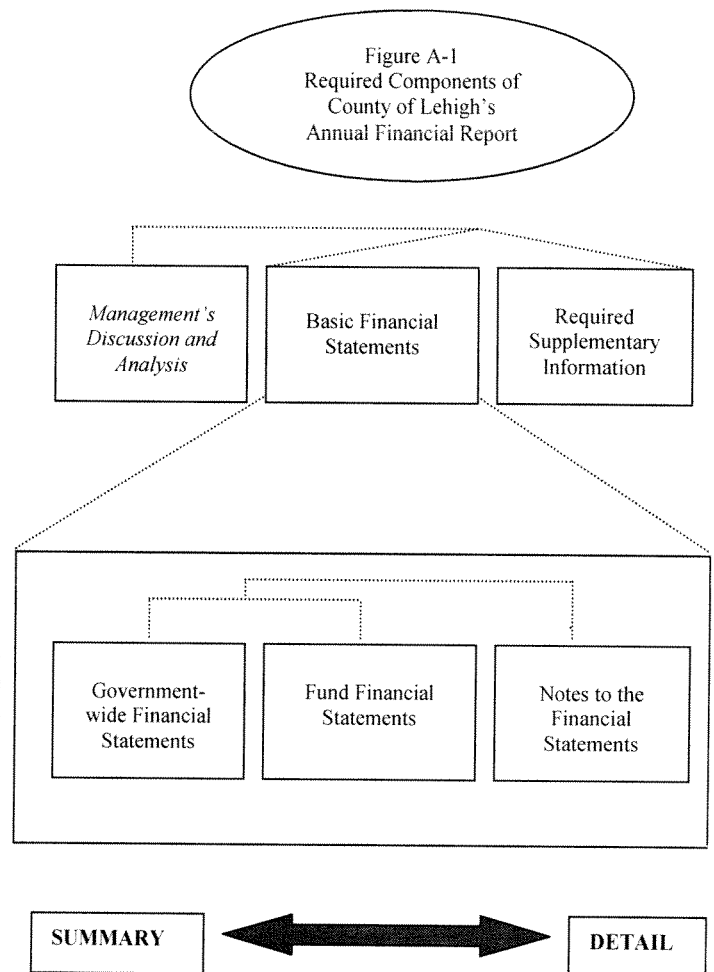
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This section of the County of Lehigh's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2014. Please read it in conjunction with the County's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general governmental services were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Cedar View Apartments.
 - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, such as the Employees' Retirement Fund.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<p style="text-align: center;">Figure A-2 Major Features of County of Lehigh's Government-wide and Fund Financial Statements</p>				
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Fund Statements Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire County Government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as general governmental operations, courts, human services and public works	Activities the County operates similar to private businesses, such as Cedar View Apartments	Instances in which the County is the trustee or agent for someone else's resources, such as the retirement plan for County employees
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flow 	<ul style="list-style-type: none"> * Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year regardless of when cash is received or paid

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Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the County's *net position* and how it has changed. Net position - the difference between the County's assets and liabilities including deferred inflows and outflows - is a way to measure the County's financial health, *or position*. Over time, increases or decreases in the County's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the anticipated level of funding from the federal and state governments.

Government-wide financial statements display information about the reporting government as a whole, except for fiduciary activities. *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 *governmental activities* include most of the County's basic services, such as operation of general government, human services, corrections, and court system.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds* - not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law or by bond indentures.
- The County administration establishes other funds to control and manage money for particular purposes (like Record Improvement Fee collections) or to show that it is properly using certain taxes and grants (like the Hotel Room Rental Tax and grants from the federal and state governments).

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other *financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent pages of the governmental funds statements, that explains the relationship (or difference) between them.
- *Proprietary funds* - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information. We use an *internal service fund* (one type of proprietary fund) to report activities that provide services for the County's other programs and activities - such as the Government Center.
- *Fiduciary funds* - The County is the trustee, or *fiduciary*, for its employee's pension plan. It is also responsible for other assets that are collected and held for others and are restricted for that use. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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Government-wide Financial Analysis

The County's assets exceeded liabilities by approximately \$158.1 million at the close of the 2014 fiscal year. The following is a condensed summary of net position for the years 2013 and 2014:

County of Lehigh's Net Position

	Total Governmental Activities		Total Business - Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 155,486,703	\$ 154,025,918	\$ 940,649	\$ 732,632	\$ 156,427,352	\$ 154,758,550
Capital assets	243,652,639	244,147,439	1,098,447	1,176,956	244,751,086	245,324,395
Total Assets	399,139,342	398,173,357	2,039,096	1,909,588	401,178,438	400,082,945
General obligation bonds and notes payable	154,481,675	141,813,186			154,481,675	141,813,186
Other liabilities	93,913,480	100,018,467	121,455	119,701	94,034,935	100,138,168
Total Liabilities	248,395,155	241,831,653	121,455	119,701	248,516,610	241,951,354
Net Position:						
Net investment in capital assets	96,099,991	105,523,355	1,098,447	1,176,956	97,198,438	106,700,311
Restricted	60,044,266	57,667,217			60,044,266	57,667,217
Unrestricted	(5,400,070)	(6,848,868)	819,194	612,931	(4,580,876)	(6,235,937)
Total Net Position	\$ 150,744,187	\$ 156,341,704	\$ 1,917,641	\$ 1,789,887	\$ 152,661,828	\$ 158,131,591

Current and other assets decreased \$1.7 million largely due to a decrease in grants receivable of \$1.8 million resulting from the timing of receipt of state funded grants. Net capital assets increased \$.5 million due to the net of \$11.5 million in capital asset purchases and \$11 million in net current year accumulated depreciation. See Note 5 on page 37 for additional capital asset information.

General obligation bonds and notes payable decreased \$12.7 million due to current year principal payments. See Note 3 on Page 34 for additional information concerning the County's long-term debt.

Other liabilities increased \$6.1 million due to the net of:

- A decrease in accounts payable of \$1 million largely resulting from the delayed timing of payments for Cedarbrook Fund food services and physical therapy services in 2013.
- An increase in unearned grant revenue of \$5.1 million due to Reinvestment Sharing excesses in the Health Choices Fund which are required to be reported as unearned revenue.
- A decrease in unamortized bond premium of \$1.6 million resulting from the annual amortization of this balance.
- An increase in deposits and agency amounts payable of \$1.7 million due to an increase in tax claim and judicial sales amounts payable of \$1 million resulting from the outsourcing of tax claim services and an increase in the actuarially determined liability for incurred but not reported claims in the Health Choices Fund of \$.7 million.
- An increase in accrued vacation and other compensation of \$1.3 million due to the addition of a liability for incurred but not reported healthcare claims totaling \$1.1 million.

Net investment in capital assets increased \$9.5 million due to the net of an increase in net capital assets of \$.5 million noted above, principal payments on general obligation bonds and notes payable totaling \$12.7 million, the amortization of bond premium totaling \$1.6 million, and the decrease in Bond Fund 2007 fund balance of \$6 million. Restricted net position decreased \$2.4 million largely due to the decrease in Health Choices net position resulting from increased unearned grant revenue noted above. Unrestricted net position decreased \$1.7 million largely due to the increase of \$.2 million in postemployment benefits other than pensions and the addition of a liability for incurred but not reported healthcare claims totaling \$1.1 million noted above.

Changes in Net Position:

The following is a summary of the key elements comprising the changes in net position for the years 2013 and 2014.

County of Lehigh's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues:						
Program revenue:						
Charges for services	\$ 30,640,763	\$ 29,761,044	\$ 1,045,749	\$ 1,045,489	\$ 31,686,512	\$ 30,806,533
Operating grants and contributions	218,301,593	202,644,543			218,301,593	202,644,543
General revenues:						
Property taxes	102,958,966	107,260,125			102,958,966	107,260,125
Unrestricted investment earnings	408,904	347,796	2,529	1,688	411,433	349,484
Transfers	172,963	133,848	(172,963)	(133,848)		
Total revenues	352,483,189	340,147,356	875,315	913,329	353,358,504	341,060,685
Expenses:						
Elected officials	23,129,296	23,693,463			23,129,296	23,693,463
County executive	4,469,673	4,399,019			4,469,673	4,399,019
Administration	13,726,701	12,732,127			13,726,701	12,732,127
Human services	128,279,488	127,528,397	1,047,897	1,041,083	129,327,385	128,569,480
General services	15,321,917	15,736,640			15,321,917	15,736,640
Nursing homes	65,338,378	65,575,737			66,338,378	65,575,737
Corrections	36,029,147	34,873,540			36,029,147	34,873,540
Department of law	132,459	29,968			132,459	29,968
Courts	35,827,929	34,690,474			35,827,929	34,690,474
Development	11,924,289	7,867,084			11,924,289	7,867,084
Interest on long-term debt	8,022,658	7,423,390			8,022,658	7,423,390
Total expenses	345,201,935	334,549,839	1,047,897	1,041,083	346,249,832	335,590,922
Changes in Net Position	7,281,254	5,597,517	(172,582)	(127,754)	7,108,672	5,469,763
Beginning Net Position	143,462,933	150,744,187	2,090,223	1,917,641	145,553,156	152,661,828
Ending Net Position	<u>\$150,744,187</u>	<u>\$156,341,704</u>	<u>\$ 1,917,641</u>	<u>\$ 1,789,887</u>	<u>\$152,661,828</u>	<u>\$158,131,591</u>

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The County's total revenues decreased \$12.3 million to \$341.1 million due to:

- An increase in property tax revenue of \$4.3 million. A one-time expiring tax credit was authorized for 2013 totaling \$3,500,000 for taxpayers whose taxes are paid in full by the end of the year. It was calculated on a pro rata basis across the classes of all taxable properties. This tax credit was not authorized for 2014.
- A decrease in operating grants and contributions of \$15.7 million due to a decrease in the Health Choices Fund of \$7.9 million resulting from Reinvestment Sharing excesses in the Health Choices Fund which are required to be reported as unearned revenue, a decrease in the Liquid Fuels Fund of \$2.7 million for reimbursements of continued bridge reconstruction, and an decrease in state funded RACP of \$3.5 million.

The County's expenditures totaled \$335.6 million. The Human Services and Nursing Homes functions comprise 58% of the total expenditures. The Corrections and Courts functions comprise 21% of the total expenditures.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$100.6 million, which is a \$6.1 million decrease from the prior year. The primary reasons for this decrease in fund balances were:

- The General Fund increased \$1.7 million as tightened budgetary constraints resulted in favorable budgetary variations.
- The Health Choices Fund decreased \$2.3 million. These funds are restricted for the payment of specific program expenditures.
- The Cedarbrook Fund increased \$.8 million as tightened budgetary constraints resulted in favorable budgetary variations.
- The Other Governmental Funds decreased \$6.2 million largely due to the decrease in Bond Fund 2007 of \$6 million for the construction of a forensic medicolegal facility and an upgrade to the Jail HVAC system.

General Fund Budgetary Highlights

Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of revenues in the General Fund resulted in a net increase of \$6.3 million, or 4.8 percent. This increase is largely due to an increase in the Grants and Reimbursements budget from \$5.5 million to \$11.7 million which is the result of revisions for several Redevelopment Assistance Capital Program (RACP) projects which were not originally budgeted and are funded by state grant revenues.

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$8.6 million, or 7.5 percent. This increase is largely due to an increase in the Development expenditure budget from \$.3 million to \$6.4 million which is the result of revisions for several RACP projects noted above.

Overall variance in net other financing sources / (uses) of \$5.1 million is largely due to anticipated capital asset activity totaling \$2.1 million that did not occur. Such projects are not funded through debt borrowings. Funding of these projects is achieved through transfers from individual funds to the Other Capital Projects Fund. Also, budgeted subsidy to the Cedarbrook Fund totaling \$2.1 million was not required as tightened budgetary constraints resulted in favorable budgetary variations.

Capital Assets

The following is a schedule of the County's capital assets as of December 31, 2013 and December 31, 2014:

County of Lehigh's Capital Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 12,240,981	\$ 12,240,981	\$ 236,533	\$ 236,533	\$ 12,477,514	\$ 12,477,514
Buildings and improvements	177,311,092	176,058,535	796,331	898,865	178,107,423	176,957,400
Machinery and equipment	5,804,557	5,024,437	54,783	32,808	5,859,340	5,057,245
Furniture and Fixtures	2,330,812	1,869,431	10,800	8,750	2,341,612	1,878,181
Easements	19,529,310	19,653,258			19,529,310	19,653,258
Infrastructure	26,435,887	29,300,797			26,435,887	29,300,797
Total	\$ 243,652,639	\$ 244,147,439	\$ 1,098,447	\$ 1,176,956	\$ 244,751,086	\$ 245,324,395

Noteworthy capital asset purchases/projects that took place in 2014 were as follows:

- \$2.5 million - Jail HVAC system upgrade
- \$3.7 million - Major bridge reconstruction
- \$2.3 million - Forensic medicolegal facility construction

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Additional information of the County's Capital Assets can be found in Note 5 on page 37.

Debt Administration

At year-end the County had \$122.9 million in general obligation bonds and \$18.9 million in general obligation notes outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 34.

The County's general obligation debt has been rated as Aa1 by Moody's Investor Services and AA by Standard and Poor's due to the County's stable financial position.

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is \$600 million as stated within the debt statement of the County's most recent note issuance, which is significantly in excess of the County's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Lehigh County was 4.8 percent compared to the state's rate of 4.8 percent and the national rate of 5.6 percent.
- Northeast region 2014 inflation was .4 percent.

These indicators were taken into account when adopting the general fund budget for 2015.

Property tax millage for 2015 decreased to 3.75 mills from 3.79 mills in 2014.

Request for Information

This financial report is designed to provide the reader an overview of the County. Questions regarding any information in this report should be directed to: Fiscal Office, Room 467, Government Center, 17 South Seventh Street, Allentown, PA, 18101-2400.

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COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Net Position

December 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 121,703,961	\$ 732,395	\$ 122,436,356
Receivables:			
Grants	13,632,399		13,632,399
Real estate taxes	4,267,648		4,267,648
Other	2,281,613	237	2,281,850
Other	3,242,370		3,242,370
Cash and cash equivalents - restricted	8,897,927		8,897,927
Capital assets, not being depreciated	31,894,239	236,533	32,130,772
Capital assets (net of accumulated depreciation)	212,253,200	940,423	213,193,623
Total assets	<u>398,173,357</u>	<u>1,909,588</u>	<u>400,082,945</u>
LIABILITIES			
Accounts payable	14,090,580	52,269	14,142,849
Deposits and agency amounts payable	8,897,927		8,897,927
Accrued payroll and payroll taxes	3,357,264	4,564	3,361,828
Due to other governmental units	249,553		249,553
Unearned grant revenues	19,413,532		19,413,532
Current portions of long term liabilities:			
General obligation bonds payable	9,445,000		9,445,000
Note payable	4,772,168		4,772,168
Unamortized bond premium	1,348,545		1,348,545
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	16,951,983		16,951,983
Accrued worker's compensation	2,808,483		2,808,483
General obligation bonds payable	113,450,000		113,450,000
Note payable	14,146,018		14,146,018
Unamortized bond premium	2,557,249		2,557,249
Unfunded other postemployment benefits	30,343,351	62,868	30,406,219
Total liabilities	<u>241,831,653</u>	<u>119,701</u>	<u>241,951,354</u>
NET POSITION			
Net investment in capital assets	105,523,355	1,176,956	106,700,311
Restricted for:			
Program expenditures	51,645,255		51,645,255
Debt service	105,963		105,963
Bond financed improvements	5,915,999		5,915,999
Unrestricted	(6,848,868)	612,931	(6,235,937)
Total net position	<u>\$ 156,341,704</u>	<u>\$ 1,789,887</u>	<u>\$ 158,131,591</u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Activities
For the Year Ended December 31, 2014

Function	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 21,230,467	\$ 2,462,996	\$ 5,485,577	\$ 1,948,807	\$ (16,259,079)	\$	\$ (16,259,079)
County executive	3,415,172	983,847	797	22,765	(4,375,457)		(4,375,457)
Administration	27,231,537	(14,499,410)	6,749,688	941,832	(5,040,607)		(5,040,607)
Human services	124,971,019	2,557,378	161,267	120,362,114	(7,005,016)		(7,005,016)
General services	17,048,543	(1,311,903)	180,360	9,378,916	(6,177,364)		(6,177,364)
Nursing homes	60,872,141	4,703,596	7,099,622	54,791,235	(3,684,880)		(3,684,880)
Corrections	33,123,594	1,749,946	3,545,933	1,644,448	(29,683,159)		(29,683,159)
Department of law	1,246,467	(1,216,499)	268,810		238,842		238,842
Courts	30,363,303	4,327,171	4,143,763	7,056,892	(23,489,819)		(23,489,819)
Development	7,700,597	166,487	2,125,227	6,497,534	755,677		755,677
Interest on long-term debt	7,423,390				(7,423,390)		(7,423,390)
Total governmental activities	334,626,230	(76,391)	29,761,044	202,644,543	(102,144,252)		(102,144,252)
Business-type activities:							
Enterprise funds	964,692	76,391	1,045,489			4,406	4,406
Total primary government	\$ 335,590,922	\$ 0	\$ 30,806,533	\$ 202,644,543	(102,144,252)	4,406	(102,139,846)
General revenues:							
Taxes					107,260,125		107,260,125
Unrestricted investment earnings					347,796	1,688	349,484
Transfers					133,848	(133,848)	0
Total general revenues					107,741,769	(132,160)	107,609,609
Change in net position					5,597,517	(127,754)	5,469,763
Net position, January 1					150,744,187	1,917,641	152,661,828
Net position, December 31					\$ 156,341,704	\$ 1,789,887	\$ 158,131,591

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The notes to the financial statements are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA

Balance Sheet Governmental Funds December 31, 2014

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 33,156,519	\$ 3,646,151	\$ 37,888,891	\$ 5,789,735	\$ 1,098,078	\$ 36,085,605	\$ 117,664,979
Receivables:							
Grants	1,137,445	15,770	6,912	2,841,133	7,097,197	2,533,942	13,632,399
Real estate taxes	4,267,648						4,267,648
Other	1,735,453	1,807	50	5,253	630,489	377,653	2,750,705
Other	17,370					3,225,000	3,242,370
Cash and cash equivalents - restricted	2,800,408		5,900,000			197,519	8,897,927
Total assets	<u>\$ 43,114,843</u>	<u>\$ 3,663,728</u>	<u>\$ 43,795,853</u>	<u>\$ 8,636,121</u>	<u>\$ 8,825,764</u>	<u>\$ 42,419,719</u>	<u>\$ 150,456,028</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,607,316	\$ 2,331,080	\$ 1,649,928	\$ 2,392,321	\$ 1,859,677	\$ 4,694,843	\$ 14,535,165
Deposits and agency amounts payable	2,800,408		5,900,000			197,519	8,897,927
Payroll and payroll taxes	1,661,943	63,084	7,834	165,457	1,113,334	325,410	3,337,062
Due to other governmental units	249,553						249,553
Unearned revenues:							
Grants	343,430	1,269,564	8,451,891	6,078,343		3,270,304	19,413,532
Real estate taxes	3,424,325						3,424,325
Total liabilities	<u>10,086,975</u>	<u>3,663,728</u>	<u>16,009,653</u>	<u>8,636,121</u>	<u>2,973,011</u>	<u>8,488,076</u>	<u>49,857,564</u>
Fund balances:							
Restricted			27,786,200			21,243,003	49,029,203
Committed					5,852,753	12,688,640	18,541,393
Unassigned	33,027,868						33,027,868
Total fund balances	<u>33,027,868</u>	<u>0</u>	<u>27,786,200</u>	<u>0</u>	<u>5,852,753</u>	<u>33,931,643</u>	<u>100,598,464</u>
Total liabilities and fund balances	<u>\$ 43,114,843</u>	<u>\$ 3,663,728</u>	<u>\$ 43,795,853</u>	<u>\$ 8,636,121</u>	<u>\$ 8,825,764</u>	<u>\$ 42,419,719</u>	<u>\$ 150,456,028</u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF LEHIGH, PENNSYLVANIA
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2014

DRAFT

Total fund balances for governmental funds \$ 100,598,464

Total net position reported for governmental activities in the statement of net position 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	12,240,981
Buildings and improvements, net of \$112,150,345 accumulated depreciation	176,058,535
Machinery and equipment, net of \$46,952,586 accumulated depreciation	5,024,437
Furniture and fixtures, net of \$6,209,349 accumulated depreciation	1,869,431
Easements	19,653,258
Infrastructure, net of \$5,249,226 accumulated depreciation	<u>29,300,797</u>

Net capital assets 244,147,439

An internal service fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

3,994,273

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 unearned revenue in the funds.

3,424,325

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 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 position.

Balances at December 31, 2014 are:

Accrued vacation and other compensation	(16,951,983)
Accrued worker's compensation	(2,808,483)
Bonds and notes payable	(141,813,186)
Unamortized bond premium	(3,905,794)
Unfunded other postemployment benefits	<u>(30,343,351)</u> <u>(195,822,797)</u>

Total net position of governmental activities \$ 156,341,704

The notes to the financial statement are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

DRAFT

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 107,369,352						\$ 107,369,352
Grants and reimbursements	12,191,627	\$ 12,741,767	\$ 65,497,321	\$ 21,177,978	\$ 54,791,235	\$ 36,244,615	202,644,543
Departmental earnings	12,067,928	13,537			6,757,206	3,096,195	21,934,866
Judicial costs and fines	3,820,306					26,568	3,846,874
Investment income	137,586	8,708	98,449	9,729	1,166	92,158	347,796
Rents	368,556					1,290,085	1,658,641
Other	439,352			4,271	894	456,859	901,376
Total revenues	<u>136,394,707</u>	<u>12,764,012</u>	<u>65,595,770</u>	<u>21,191,978</u>	<u>61,550,501</u>	<u>41,206,480</u>	<u>338,703,448</u>
EXPENDITURES							
Current:							
Elected officials	19,563,038					3,665,676	23,228,714
County executive	3,392,471					3,392,471	3,392,471
Administration	21,572,538					3,450,493	25,023,031
Human services	157,157			23,545,867		22,083,864	125,291,177
General services	7,380,805	12,586,443	66,917,846			11,152,780	18,533,585
Nursing homes					58,847,704	1,210,054	60,057,758
Corrections	30,669,710					2,940,635	33,610,345
Department of law	1,236,196						1,236,196
Courts	25,008,476					4,821,389	29,829,865
Development	6,022,953					1,592,244	7,615,197
Indirect cost allocation charges	(7,734,389)	386,305	131,841	1,033,324	4,477,943	1,628,585	(76,391)
Debt Service:							
Principal retirement						8,915,205	8,915,205
Interest						6,484,853	6,484,853
Total expenditures	<u>107,268,955</u>	<u>12,972,748</u>	<u>67,049,687</u>	<u>24,579,191</u>	<u>63,325,647</u>	<u>67,945,778</u>	<u>343,142,006</u>
Excess of revenues over (under) expenditures	<u>29,125,752</u>	<u>(208,736)</u>	<u>(1,453,917)</u>	<u>(3,387,213)</u>	<u>(1,775,146)</u>	<u>(26,739,298)</u>	<u>(4,438,558)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	1,750,133	567,620		3,966,000	4,331,425	22,327,291	32,942,469
Operating transfers out	(29,164,904)	(358,884)	(890,274)	(578,787)	(1,791,480)	(1,833,896)	(34,618,225)
Proceeds of general obligation note						11,685,000	11,685,000
Payment to refunded bond escrow agent						(11,628,165)	(11,628,165)
Total other financing sources / (uses)	<u>(27,414,771)</u>	<u>208,736</u>	<u>(890,274)</u>	<u>3,387,213</u>	<u>2,539,945</u>	<u>20,550,230</u>	<u>(1,618,921)</u>
Net change in fund balances	1,710,981	0	(2,344,191)	0	764,799	(6,189,068)	(6,057,479)
Fund balances, January 1	31,316,887	0	30,130,391	0	5,087,954	40,120,711	106,655,943
Fund balances, December 31	<u>\$ 33,027,868</u>	<u>\$ 0</u>	<u>\$ 27,786,200</u>	<u>\$ 0</u>	<u>\$ 5,852,753</u>	<u>\$ 33,931,643</u>	<u>\$ 100,598,464</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
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, 2014

DRAFT

Net change in fund balances – total governmental funds \$ (6,057,479)

The change in position 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. The net effect of the retirement of capital assets is to decrease net position. This is the amount by which capital outlays exceeded net depreciation and retirements in the current period. 494,800

The issuance of long-term debt is an other financing source in the governmental funds, but increases the liability in the statement of net assets. The repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 9,663,947

Under the modified accrual basis of accounting used in the 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 recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of four balances.

Accrued worker's compensation	19,972	
Accrued vacation and other compensation	(1,277,565)	
Unearned real estate tax revenue	(109,227)	
Other postemployment benefits	<u>(211,332)</u>	
		(1,578,152)

An internal service fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals. The net income of the internal service fund (net of \$683,434 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 3,074,401

Change in net position of governmental activities \$ 5,597,517

The notes to the financial statements are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
Proprietary Funds
December 31, 2014

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	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 732,395	\$ 4,038,982
Other receivables	237	
Total current assets	<u>732,632</u>	<u>4,038,982</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	6,671,781	23,354,186
Equipment	391,093	1,010,142
Furniture and fixtures	40,983	1,441,539
Less accumulated depreciation	<u>(6,163,434)</u>	<u>(12,248,795)</u>
Total capital assets (net of accumulated depreciation)	<u>1,176,956</u>	<u>13,557,072</u>
TOTAL ASSETS	<u>1,909,588</u>	<u>17,596,054</u>
LIABILITIES		
Current liabilities:		
Accounts payable	52,269	24,507
Accrued payroll and payroll taxes	4,564	20,202
Unamortized bond premium		377,771
Current portion of general obligation bonds payable		4,426,876
Total current liabilities	<u>56,833</u>	<u>4,849,356</u>
Noncurrent liabilities:		
General obligation bonds payable		5,502,620
Unamortized bond premium		377,772
Unfunded other postemployment benefits	<u>62,868</u>	
TOTAL LIABILITIES	<u>119,701</u>	<u>10,729,748</u>
NET POSITION		
Net investment in capital assets	1,176,956	2,872,033
Unrestricted	612,931	3,994,273
TOTAL NET POSITION	<u><u>\$ 1,789,887</u></u>	<u><u>\$ 6,866,306</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 1,045,489	
Government Center revenues		\$ 2,921,352
Total operating revenues	<u>1,045,489</u>	<u>2,921,352</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	754,634	
Government Center		1,401,345
Depreciation	210,058	683,434
Indirect cost allocation charges	76,391	
Total operating expenses	<u>1,041,083</u>	<u>2,084,779</u>
OPERATING INCOME/(LOSS)	<u>4,406</u>	<u>836,573</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,688	12,782
Amortization of bond premium		377,771
Interest expense		(645,763)
Total nonoperating revenues	<u>1,688</u>	<u>(255,210)</u>
OTHER FINANCING USES		
Transfers in		2,475,000
Transfers out	(133,848)	(665,396)
	<u>(133,848)</u>	<u>1,809,604</u>
Change in net position	(127,754)	2,390,967
Total net position, January 1	<u>1,917,641</u>	<u>4,475,339</u>
Total net position, December 31	<u><u>\$ 1,789,887</u></u>	<u><u>\$ 6,866,306</u></u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

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	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,046,029	\$ 2,921,352
Payments to suppliers	(507,477)	(351,723)
Payments to employees	(185,309)	(781,594)
Payments of benefits on behalf of employees	(63,602)	(270,979)
Indirect cost allocation charges	(76,391)	
Net cash provided by operating activities	<u>213,250</u>	<u>1,517,056</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		2,475,000
Transfers to other funds	(133,848)	(665,396)
Net cash provided by / (used) for noncapital financing activities	<u>(133,848)</u>	<u>1,809,604</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(288,567)	
Principal paid on capital debt		(4,258,285)
Interest paid on capital debt		(645,763)
Net cash used by capital and related financing activities	<u>(288,567)</u>	<u>(4,904,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	1,688	12,782
Net cash provided by investing activities	<u>1,688</u>	<u>12,782</u>
Net increase in cash and cash equivalents	(207,477)	(1,564,606)
Cash and cash equivalents, January 1	939,872	5,603,588
Cash and cash equivalents, December 31	<u>\$ 732,395</u>	<u>\$ 4,038,982</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 4,406	\$ 836,573
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	210,058	683,434
Decrease in other receivables	540	
Decrease in accounts payable	(2,992)	(7,537)
Increase in payroll and payroll taxes payable	721	4,586
Increase in unfunded other postemployment benefits payable	517	
Net cash provided by operating activities	<u>\$ 213,250</u>	<u>\$ 1,517,056</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
Fiduciary Funds
December 31, 2014

	Employee Retirement Plan	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 27,891,067	\$ 16,385,719
Investments, at fair value:		
United States government and municipal obligations	20,018,832	152,966
Corporate and foreign bonds	81,688,235	73,579
Common stock	140,169,100	238,175
Mutual fund - alternatives	12,076,767	
Mutual fund - corporate bonds	8,316,318	23,164
Mutual fund - common stock	87,212,818	
Mutual fund - foreign stock	71,640,897	
Mutual fund - balanced	12,137,788	
Total investments	<u>433,260,755</u>	<u>487,884</u>
Receivables:		
Interest and dividends	999,486	
Employee contributions	157,968	
Other		46,787
Total receivables	<u>1,157,454</u>	<u>46,787</u>
Total assets	<u>\$ 462,309,276</u>	<u>\$ 16,920,390</u>
LIABILITIES		
Accounts payable	\$ 255,973	\$ 615,168
Deposits and agency amounts payable		14,070,417
Due to other governmental units		2,234,805
Withdrawals payable	64,814	
Pension benefits payable	842,447	
Due to broker	425,442	
Total liabilities	<u>\$ 1,588,676</u>	<u>\$ 16,920,390</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 460,720,600</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	<u>Employee Retirement Plan</u>
ADDITIONS	
Contributions:	
Employee	\$ 6,315,752
Employer	<u>10,265,444</u>
Total contributions	16,581,196
Investment income:	
Interest and dividend income	10,108,530
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	983,282
Corporate and foreign bonds	1,775,617
Common stock	14,199,856
Mutual fund - alternatives	216,682
Mutual fund - corporate bonds	4,398,768
Mutual fund - common stock	9,117
Mutual fund - foreign stock	(3,592,820)
Partnerships - balanced	<u>(157,654)</u>
	17,832,848
Less investment expenses	<u>(1,364,143)</u>
Net investment income	<u>26,577,235</u>
Other additions	<u>23,158</u>
Total additions	43,181,589
DEDUCTIONS	
Employee contributions refunded	688,802
Retirement benefits paid	26,199,466
Death benefits paid	769,417
Administrative expense	46,798
Total deductions	<u>27,704,483</u>
Change in net position	15,477,106
Net position, January 1	<u>445,243,494</u>
Net position, December 31	<u><u>\$ 460,720,600</u></u>

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The notes to the financial statements are an integral part of this statement.

COUNTY OF LEHIGH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

For financial reporting purposes, the County's financial statements include all funds, departments, agencies, boards, commissions and other organizations for which County officials are financially accountable. The County's major operations include administrative and judicial general government, corrections, civil defense, and health and welfare. In addition, the County owns and operates the Cedarbrook and Fountain Hill Nursing Homes and the Lehigh County Jail.

Consistent with the guidance issued by the Governmental Accounting Standards Board (GASB), the County evaluated the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity based on financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the County reviewed the applicability of the following criteria:

The County is financially accountable for:

- Organizations that make up the legal County entity.
- If County officials appoint a voting majority of the legally separate organization's governing body and the County is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County as defined below.

Impose Its Will - If the County can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - Exists if the County (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget without approval by the County.

The County has reviewed and evaluated its relationship with the following organizations to determine if these organizations should be included in the financial statements of the County:

- Lehigh County Authority
- Lehigh County General Purpose Authority
- Lehigh County Housing Authority
- Lehigh County Industrial Development Authority
- Lehigh County Redevelopment Authority
- Lehigh-Northampton Airport Authority
- Lehigh and Northampton Transportation Authority
- Lehigh Valley Planning Commission
- Lehigh County Conservation District
- Private Industry Council of the Lehigh Valley

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As required by GASB, these entities have been placed in one of the following categories:

1. Component Unit - A legally separate organization for which elected officials of the County are financially accountable. This type of entity may then be reported in one of the two following manners:
 - Discrete presentation - Financial data for the component unit is presented in a column separate from that of the County's financial data. There is no such presentation for the County's financial statements.
 - Blended presentation - Financial data for the component unit is presented in the same manner as that of the County's financial data and is reported as part of the County's financial operations. There is no such presentation for the County's financial statements.
2. Joint Venture - A legal entity or other organization that results from a contractual arrangement is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. There are no such entities included in the County's reporting entity.
3. Related Organization - An organization for which the County is not financially accountable even though the County appoints a voting majority of the organization's governing board.

The criteria used to determine how these organizations should be categorized in the financial statements of the County were: (1) selection of the governing board, (2) ability to significantly influence operations, (3) existence of a financial benefit/burden relationship and (4) financial interdependency.

The County Executive is responsible for appointing members of the governing boards of the Lehigh County Authority, Lehigh County General Purpose Authority, Lehigh County Housing Authority, Lehigh County Industrial Development Authority, Lehigh County Redevelopment Authority, Lehigh-Northampton Airport Authority, Lehigh County Conservation District, and the Private Industry Council of the Lehigh Valley. These appointments are approved by the County Board of Commissioners. The County's accountability for these organizations does not extend beyond making the appointments. Thus, these organizations have been determined to be related organizations.

In addition, the County supports the Lehigh Valley Planning Commission which is engaged in general, regional, environmental, transportation, housing and other studies. In 2014, the County paid \$425,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2014, the County provided \$413,700 in subsidies to this Authority. The County Executive appoints, and the County Board of Commissioners approves, one half of the governing board for each organization. These two organizations have been determined to be related organizations.

Measurement Focus and Basis of Accounting

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Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for fiduciary activities. *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.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, retirement trust fund, and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. A separate column is presented in the government-wide financial statements to allocate indirect expenses to their various functional activities. That column presents a decrease for each function that reports an expense to be allocated and a corresponding increase for each function to which that expense is being allocated.

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net position, revenues and expenditures or expenses, as appropriate. Fund financial statements for the governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate. The determination of major funds is based on minimum criteria set forth by GASB. When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted sources, and then from unrestricted sources. The following funds are used to account for the activities of the County:

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, except taxes, to be available if they are anticipated within 180 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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 position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than fund assets. Debt service expenditures as well as expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

The County's major Governmental Funds are General Fund, Mental Health Fund, Health Choices Fund, Children and Youth Fund, and Cedarbrook Fund.

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues of this Fund are primarily derived from general property taxes, departmental earnings, which are fees for services, and state and federal distributions. Many of the more important activities of the County, including operation of general County government, boards, commissions, and the court system are accounted for in this Fund.

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

The Health Choices Fund is used to account for the proceeds of specific revenue sources related to the provision of managed care services programs (including mental health and intellectual disabilities) that are restricted to expenditures for those specified purposes.

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

The Cedarbrook Fund is used to account for the operation of the County nursing homes, including medical assistance and Medicare reimbursements.

Proprietary Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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Internal service funds are used to account for goods or services provided by a central service department or agency to other departments, agencies, or to other unrelated governmental units, usually on a cost reimbursement basis. Accordingly, revenue and other financial resources of these funds should recover expenses, including depreciation.

Proprietary fund operating revenues and operating expenses are the result of providing services in connection with the fund's principal ongoing operations. Operating revenues include charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Investment earnings, amortization of bond premium, and bond interest are reported as nonoperating items as they are ancillary to the principal ongoing operations.

Enterprise Fund

- The Cedar View Apartments Fund is used to account for tenant rentals received from occupants of a 200-unit apartment building for the elderly and related maintenance expenses.

Internal Service Fund

- The Government Center Fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals.

Fiduciary Funds

The Employees' Retirement Fund is used to account for the revenue and expenditures of the County's retirement system.

Agency Funds are used to account for assets held as an agent for individuals, private organizations, and/or other governmental units.

Cash and Cash Equivalents

The County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of certificates of deposit, interest-bearing accounts and noninterest-bearing accounts.

Investments

The County accounts for its investments at fair value.

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Real Estate Taxes

Substantially all real estate taxes are levied annually on April 1 with the face amount due by July 31. Unpaid taxes become delinquent on December 31 in the year of levy. Current year and delinquent tax payments are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenue as of December 31. The 2014 real estate taxes assessed equaled \$108,397,898 based on a total County valuation of \$28,601,028,000. Based on the 2014 levy of 3.79 mills, a property owner would pay \$3.79 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2014 real estate taxes are as follows:

July 31, 2015	Notices of unpaid delinquent taxes must be mailed by the County.
August 30, 2016	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 14, 2016	This is the earliest date on which the County may conduct the tax sale (upset sale) to recover unpaid delinquent taxes, penalties, costs, and interest.
December 14, 2016	This is the earliest date on which the County would conduct the judicial tax sale for parcels remaining unsold at the previous upset sale to recover all costs incurred by the County in its attempt to collect unpaid taxes on a particular parcel (actual taxes, interest, and penalties are waived). Parcels remaining unsold after the judicial tax sale are placed in a repository for unsold properties.

Capital Assets

Capital assets, which include land, easements, buildings and improvements, machinery and equipment, furniture and fixtures, and infrastructure assets, are reported in the governmental and business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The County defines capital assets as assets with an initial, individual cost exceeding \$5,000 (\$50,000 for infrastructure assets and \$500 for nursing home assets) and an estimated useful life exceeding one year. All capital assets are recorded at cost, if known, or estimated historical cost. Donated fixed assets are recorded at their fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Depreciation is not recognized for easement assets since they have an indefinite life.

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Depreciation is recognized over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	15-40 years
Machinery and equipment	5-15 years
Furniture and fixtures	8-15 years
Infrastructure	40 years

Accrued Vacation and Other Compensation

County policy is to pay terminated employees for unused vacation, and upon retirement, qualified full-time employees, as defined by County policy, are paid for 30% of their earned unused sick leave to a maximum of one hundred eighty days. Unpaid vacation and other compensatory leave is accrued in the period it is earned. Unpaid sick pay is accrued as such benefits are earned by employees who qualify for voluntary retirement as defined by County policy as well as for those employees who are estimated to become eligible to receive such benefits. The estimated value of vacation and other compensatory leave and sick leave earned by employees which may be used in subsequent years, or paid upon termination or retirement, is accrued in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

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.

Interfund Transactions

The County affects a variety of transactions between funds to finance operations, service debt, and other similar functions. Accordingly, to the extent that certain interfund transactions have not been paid or received, appropriate interfund receivables and payables have been established at the fund level.

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Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenue in the government-wide and enterprise funds 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. 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.

Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. 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 Position* – 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 Position* - This category represents net position of the County, not restricted for any project or other purpose.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which 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:

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- 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 Board of Commissioners remove or change the specified use by taking the same type of action 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 has the responsibility to approve or remove assigned fund balance to reflect the intended use of the resources.
- 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.

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 amounts may differ from those estimates.

Recent Accounting Pronouncements

On January 1, 2014, the County adopted the requirements of GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement amends and expands certain disclosures and required supplementary information for defined benefit pension plans. The disclosures and required supplementary information pursuant to GASB Statement No. 67 have been included in the separately issued financial statements of the County of Lehigh Employee's Retirement Plan for the year ended December 31, 2014.

On January 1, 2014, the County adopted the requirements of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The adoption of this guidance did not have a material effect on the County's financial statements.

On January 1, 2014, the County adopted the requirements of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The adoption of this guidance did not have a material effect on the County's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends financial accounting and reporting requirements for sponsors of defined benefit pension plans. GASB statement No. 68 is effective for periods beginning after June 15, 2014.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB statement No. 71 is effective for periods beginning after June 15, 2014.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. GASB statement No. 72 is effective for periods beginning after June 15, 2015.

The County is currently evaluating what effect the adoption of GASB Statements No. 68, 71 and 72 will have on the County's financial statements.

NOTE 2 DEPOSIT AND INVESTMENT RISK

As of December 31, 2014, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

Investment Type	Investment Maturities (in Years)		
	Fair Value	1-5	6-10
U.S. government treasuries	82,348	\$ 46,455	\$ 35,893
U.S. government agencies	70,618	55,627	14,991
Corporate bonds	73,579	26,801	46,778
Total	\$ 226,545	\$ 128,883	\$ 97,662

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As of December 31, 2014, the County had the following debt investments and maturities within its Employee Retirement Plan Fund:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. government treasuries	12,978,629	2,001,100	\$ 5,534,887	\$ 1,735,740	\$ 3,706,902
U.S. government agencies	7,040,203		174,834	4,468,658	2,396,711
Corporate bonds	81,688,235	7,186,814	22,846,004	17,711,554	33,943,863
Total	\$ 101,707,067	\$ 9,187,914	\$ 28,555,725	\$ 23,915,952	\$ 40,047,476

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the County’s investment policy is to invest funds to meet the projected cash flow requirements and by investing primarily in shorter-term securities, money market mutual funds, or similar investment pools. Investments must be made in accordance with the Commonwealth of Pennsylvania’s Act 72.

The County’s Retirement Plan Investment Policy states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 35% (with an allowable range of 20% - 45%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

The County’s Retirement Investment Policy states that the overall rating of the fixed income assets shall be at least “A”. In cases where the yield spread adequately compensates for additional risk, “BAA” or “BBB” ratings can be purchased up to a maximum of 20% of the total market value of fixed income securities. The County is in compliance with the Retirement Investment Policy. Fixed income securities invested in mutual funds are excluded from the table below.

As of December 31, 2014, the County’s retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Cash Equivalent	AA+	100%
U.S. Government Treasuries	AA+	100%
U.S. Government Agencies	AA+	100%
Corporate Bonds	AAA	5%
Corporate Bonds	AA+	26%
Corporate Bonds	AA	6%
Corporate Bonds	AA-	6%
Corporate Bonds	A+	8%
Corporate Bonds	A	12%
Corporate Bonds	A-	21%
Corporate Bonds	BBB+	8%
Corporate Bonds	BBB	6%
Corporate Bonds	BBB-	2%

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Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County’s custodial credit risk policy for governmental fund’s investments is to limit investments to the safest types of securities, to pre-qualify the financial institutions the County does business with and to diversify the investment portfolio so that potential losses on individual securities will be minimized. The County’s Retirement Investment Policy states that fixed income investments shall be high quality, marketable securities with a preponderance of the fixed income investments in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, and (2) investment grade corporate assets including convertibles.

As of December 31, 2014, the County’s cash and restricted cash balances for its governmental funds, proprietary funds and agency funds were \$147,720,002 and its bank balances were \$152,241,399. The entire bank balance was either insured or collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County’s name. The entire cash and cash equivalent balance in the Employee Retirement Plan Fund was either insured collateralized with securities held by the pledging financial institutions, or their trust departments or agents, but not in the County’s name. The County had petty cash balances totaling \$25,332 at December 31, 2014.

NOTE 3 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2014:

	Balance at January 1, 2014	Additions	Retirements	Balance at December 31, 2014	Amount due within one year
Accrued vacation and other compensation	\$ 15,674,418	\$ 1,277,565		\$ 16,951,983	
Accrued worker’s compensation	2,828,455	1,209,271	\$ (1,229,243)	2,808,483	
General obligation bonds payable	146,635,000		(23,740,000)	122,895,000	\$ 9,445,000
Note payable	7,846,675	11,685,000	(613,489)	18,918,186	4,772,168
Unamortized bond premium/discount	5,537,308		(1,631,514)	3,905,794	1,348,545
Other postemployment benefits	30,194,370	211,849		30,406,219	
	<u>\$ 208,716,226</u>	<u>\$ 14,383,685</u>	<u>\$ (27,214,246)</u>	<u>\$ 195,885,665</u>	<u>\$ 15,565,713</u>

Compensated absences and the liability for worker’s compensation self-insurance are liquidated by the General, Health Choices, Children and Youth, Mental Health, Cedarbrook, and certain other nonmajor funds.

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General Obligation Bonds and Notes Payable

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The following is a summary of general obligation notes and bonds payable of the County for the year ended December 31, 2014:

		Amount Due Within <u>One Year</u>
\$76,895,000 2007 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$12,835,000 through November 15, 2022, interest rates vary from 4.00% to 5.00%	\$ 76,865,000	\$ 5,000
\$18,120,000 2007 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$355,000 to \$1,215,000 through December 15, 2037, interest rates vary from 5.43% to 5.85%	16,090,000	355,000
\$13,355,000 2007 Guaranteed Authority Bonds, serial bonds due in annual installments of \$5,000 to \$1,585,000 through December 15, 2037, interest rates vary from 4.00% to 4.5%	13,320,000	5,000
\$17,085,000 2010 General Obligation Bonds, serial bonds due in annual installment of \$1,900,000 through November 15, 2015, interest rate of 5%	1,900,000	1,900,000
\$32,925,000 2011 General Obligation Bonds, serial bonds due in annual installments of \$7,180,000 to \$7,540,000 through November 15, 2016, interest rate of 5%	14,720,000	7,180,000
Total general obligation bonds payable	\$ 122,895,000	\$ 9,445,000
\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$77,000 to \$109,000 through September 1, 2024, interest rate of 3.73%	\$ 3,584,000	311,000
\$4,768,538 2010 General Obligation Note, due in annual installments of \$291,168 to \$381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	3,679,186	291,168
\$11,685,000 2014 General Obligation Note, due in annual installments of \$1,285,000 to \$4,170,000 through November 15, 2017, interest rate of .83%	11,655,000	4,170,000
Total notes payable	18,918,186	4,772,168
Total general obligation bonds and notes payable	\$ 141,813,186	\$ 14,217,168

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2014 are as follows:

	<u>Governmental Activities</u>		<u>Internal Service Fund</u>		<u>Total Debt Service</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	9,790,292	6,045,657	4,426,876	475,077	14,217,168	6,520,734	20,737,902
2016	10,109,962	5,736,895	4,646,933	255,461	14,756,895	5,992,356	20,749,251
2017	14,131,723	5,496,996	84,948	24,881	14,216,671	5,521,877	19,738,548
2018	12,770,104	4,851,301	87,392	22,441	12,857,496	4,873,742	17,731,238
2019	13,405,521	4,219,475	89,851	19,922	13,495,372	4,239,397	17,734,769
2020-2024	48,040,087	11,035,252	487,753	59,035	48,527,840	11,094,287	59,622,127
2025-2029	6,416,001	5,403,733	105,743	3,107	6,521,744	5,406,840	11,928,584
2030-2034	9,430,000	3,515,633			9,430,000	3,515,633	12,945,633
2035-2037	7,790,000	814,230			7,790,000	814,230	8,604,230
	<u>\$131,883,690</u>	<u>\$47,119,172</u>	<u>\$ 9,929,496</u>	<u>\$ 859,924</u>	<u>\$141,813,186</u>	<u>\$47,979,096</u>	<u>\$189,792,282</u>

On April 15, 2014, the County issued \$11,685,000 General Obligation Note, Series of 2014. The proceeds of this note financed the current refunding of the County's General Obligation Bonds, Series of 2004, including the cost of issuance of the Note. The refunding resulted in a decrease in total debt service payments of \$500,798 and an economic gain (difference between the present value of the old and the new debt service payments) of \$501,166.

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NOTE 4 INTERFUND TRANSFERS

Certain interfund transfers are executed as a result of the General Fund's requirement to match a portion of another fund's expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. Interfund transfers to and transfers from of each individual fund for the year ended December 31, 2014 are as follows:

<u>Transfer Out:</u>	<u>Transfer In:</u>						<u>Total</u>
	<u>General Fund</u>	<u>Mental Health</u>	<u>Children and Youth Fund</u>	<u>Cedarbrook Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>	
General Fund		409,400	3,966,000	3,870,862	18,443,642	2,475,000	\$29,164,904
Mental Health Fund	99,100				259,784		\$ 358,884
Health Choices Fund	86,500	158,220			645,554		\$ 890,274
Children and Youth Fund	80,100				498,687		\$ 578,787
Cedarbrook Fund					1,791,480		\$ 1,791,480
Other Governmental Funds	1,373,333			460,563			\$ 1,833,896
Enterprise Fund					133,848		\$ 133,848
Internal Service Fund	111,100				554,296		\$ 665,396
	<u>\$ 1,750,133</u>	<u>\$ 567,620</u>	<u>\$3,966,000</u>	<u>\$ 4,331,425</u>	<u>\$ 22,327,291</u>	<u>\$ 2,475,000</u>	

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 12,240,981			\$ 12,240,981
Easements	19,529,310	123,948		19,653,258
Total capital assets, not being depreciated	31,770,291	123,948	-	31,894,239
Capital assets, being depreciated:				
Buildings and improvements	282,238,636	\$ 5,970,244		288,208,880
Machinery and equipment	50,551,885	1,441,672	\$ (16,534)	51,977,023
Furniture and fixtures	8,054,945	23,835		8,078,780
Infrastructure	30,867,046	3,682,977		34,550,023
Total capital assets, being depreciated	371,712,512	11,118,728	(16,534)	382,814,706
Total capital assets, historical cost	403,482,803	11,242,676	(16,534)	414,708,945
Less accumulated depreciation for:				
Buildings and improvements	(104,927,544)	(7,222,801)		(112,150,345)
Machinery and equipment	(44,747,328)	(2,221,792)	16,534	(46,952,586)
Furniture and fixtures	(5,724,133)	(485,216)		(6,209,349)
Infrastructure	(4,431,159)	(818,067)		(5,249,226)
Total accumulated depreciation	(159,830,164)	(10,747,876)	16,534	(170,561,506)
Total capital assets, net of accumulated depreciation	\$ 243,652,639	\$ 494,800	\$ 0	\$ 244,147,439
Business-type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 236,533			\$ 236,533
Capital assets, being depreciated:				
Buildings and improvements	6,396,121	\$ 275,660		6,671,781
Machinery and equipment	378,186	12,907		391,093
Furniture and fixtures	40,983			40,983
Total capital assets, being depreciated	6,815,290	288,567	-	7,103,857
Total capital assets, historical cost	7,051,823	288,567	-	7,340,390
Less accumulated depreciation for:				
Buildings and improvements	(5,599,790)	(173,126)		(5,772,916)
Machinery and equipment	(323,403)	(34,882)		(358,285)
Furniture and fixtures	(30,183)	(2,050)		(32,233)
Total accumulated depreciation	(5,953,376)	(210,058)	-	(6,163,434)
Total capital assets, net of accumulated depreciation	\$ 1,098,447	\$ 78,509	-	\$ 1,176,956

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Depreciation expense was charged to each function in the Statement of Activities as follows:

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 234,687
Executive	2,550
Administration	3,070,324
Human services	108,745
General services	3,554,892
Nursing homes	1,513,334
Corrections	1,943,861
Courts	236,979
Development	<u>82,504</u>
Total depreciation expense-governmental activities	<u><u>\$10,747,876</u></u>
Total depreciation expense - business-type activities - enterprise funds	<u><u>\$ 210,058</u></u>

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NOTE 6 EMPLOYEES' RETIREMENT FUND

The Employees' Retirement Fund is used to account for retirement pension plan contributions of the County and its employees.

Description - The County of Lehigh Employees' Retirement Fund ("Plan"), a single-employer plan, was established in 1942 and is a contributory defined benefit pension plan. Plan benefits and obligations are under the authority of Pennsylvania State Act Number 96 of 1971 and can be amended by Act of the General Assembly of the Commonwealth of Pennsylvania. All County employees with the expectation of working over 1,000 hours per year are required to participate in the Plan. Elected officials have the option to participate, while other full-time employees must participate. The Plan issues a stand-alone financial report which is available by contacting the County of Lehigh Retirement Board of Trustees, 17 South Seventh Street, Allentown, PA 18101-2400.

Contributions to the Plan made by the County and its employees are accumulated and transferred to Wells Fargo Bank, the Plan's custodian. The Plan is administered by the Retirement Board of Trustees. The Plan's assets are invested with the following investment advisors based on recommendations from Cornerstone Advisor's Assets Management Inc., the Plan's consultant: Agincourt Capital Management, LLC, American EuroPacific Growth Fund, Arbitrage Fund Class Institutional Fund, CBRE Clarion Securities, LLC, Credit Suisse Commodity Return Strategy Fund, C. S. McKee, LP, Edgar Lomax Company, Emerald Advisers, Inc., John Hancock Global Absolute Return Strategies Fund, Mondrian Investment Partners, Inc., Nuveen Preferred Securities Fund, Sustainable Growth Advisors, LP, The Philadelphia Trust Company, Vanguard Developed Markets Index Fund, Vanguard Short Term Investment Grade Admiral Fund, Vanguard SCV Index Fund, and Vanguard Institutional Index Fund, the Plan's investment advisors.

An employee becomes fully vested after five years of service. Normal retirement age is attained when an employee reaches age 60, regardless of years of service, or age 55 and completion of 20 years of service.

An employee's normal retirement benefit is the total of the employee's annuity based upon the actuarial value of the employee's accumulated contributions and a County annuity equal to the product of the final average salary (highest three years), applicable class rate, and length of membership service in each class. The County annuity will be increased in instances where a member has prior service credits. Disability retirement benefits are determined by using 25% of the final average salary for the three highest years.

Funding Policy - The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the aggregate actuarial cost method of funding.

Employee contributions must be 5% of their salary. Each member may voluntarily contribute up to an additional 10% above the minimum. Employee contributions earn interest at 5.5% a year, which is the maximum rate allowable by law.

Annual Pension Cost and Net Pension Obligation - The pension benefit obligation was determined as part of an actuarial valuation at January 1, 2014. Significant actuarial assumptions used include:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Greater of Market Value and Actuarial Value
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases*	4%
* Includes Inflation at	3%

(The asset valuation assumption was modified for the 1/1/11 actuarial valuation. There are 12 years remaining on the amortization resulting from this change.)

Schedule of Funding Progress

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)
1/1/2009	351,739,670	386,231,423	34,491,753	91.1%	104,774,896	32.9%
1/1/2010	344,533,257	405,281,058	60,747,801	85.0%	108,008,635	56.2%
1/1/2011	363,022,473	430,640,974	67,618,501	84.3%	109,572,720	61.7%
1/1/2012	381,216,401	452,851,496	71,635,095	84.2%	109,197,576	65.6%
1/1/2013	399,472,998	476,755,481	77,282,483	83.8%	108,693,112	71.1%
1/1/2014	445,243,494	499,399,723	54,156,229	89.2%	108,186,851	50.1%

The annual pension costs were \$10,265,444, \$12,372,805, and \$11,076,512 for each of the fiscal years ended December 31, 2014, 2013, and 2012, respectively. The County has contributed 100% of the annual pension cost. The net pension obligations were \$0 for each of the fiscal years ended December 31, 2014, 2013, and 2012.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND

Plan Description: The County sponsors a single-employer postemployment benefit plan that covers health and life insurance benefits for eligible retirees. These benefits were granted by County Commissioner Resolution 1975-3 (pre-home rule) and were rescinded in 1986, effective for employees hired after January 1, 1987. To be eligible for the postemployment benefits, an employee must meet the following requirements:

- Is classified as a retiree under the requirements of the State of Pennsylvania Act Number 96 of 1971
- Was employed by the County prior to January 1, 1987
- Was in the continuous employment of the County from January 1, 1987 until the date of retirement
- Received fully paid County health care benefits or an equivalent contribution to a Health Maintenance Organization program for the five years preceding the date of retirement
- Selected options of the Plan other than the "Vesting Option", as defined in the Plan, prior to receiving pension benefits or the "Lump Sum Distribution" option upon retirement

As of December 31, 2014, there were 715 retired participants in the plan and 71 potential participants who are currently active, for a total of 786 plan participants.

Funding Policy: The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently do not contribute towards the plan's costs. The County is required to have calculated the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 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. The ARC for 2014 was \$8,859,761 for the health and life insurance plan (\$8,727,586 for the health insurance and \$132,175 for the life insurance) using the implicit rate subsidy.

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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	0	141,698,640	141,698,640	0%	NA	NA
1/1/2010	0	130,304,475	130,304,475	0%	NA	NA
1/1/2011	0	130,792,914	130,792,914	0%	NA	NA
1/1/2012	0	119,577,949	119,577,949	0%	NA	NA
1/1/2013	0	119,410,284	119,410,284	0%	NA	NA
1/1/2014	0	134,979,289	134,979,289	0%	NA	NA

Development of net OPEB Obligation

(1) Year	(2) ARC	(3) Interest On Net OPEB Obligation**	(4) ARC Adjustment***	(5) Amortization Factor	(6) OPEB-Cost (2+3-4)	(7) Contribution	(8) Changes in Net OPEB Obligation (6-7)	(9) Net OPEB Obligation Balance* (BB+8)
2009	9,722,391	774,436	1,056,457	16.29	9,440,370	5,024,493	4,415,877	21,625,566
2010	8,843,831	973,150	1,327,536	16.29	8,489,445	4,741,273	3,748,172	25,373,738
2011	8,843,831	1,141,818	1,557,627	16.29	8,428,022	5,428,243	2,999,779	28,373,517
2012	8,050,091	1,276,808	1,741,775	16.29	7,585,124	6,258,190	1,326,934	29,700,451
2013	8,050,091	1,336,520	1,823,232	16.29	7,563,379	7,069,460	493,919	30,194,370
2014	8,859,761	1,358,747	1,853,552	16.29	8,364,956	8,153,107	211,849	30,406,219

* BB = Beginning balance for the year.

** Interest on the balance of the Net OPEB Obligation at the beginning of the year using the investment return rate assumed in determining ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made (4.5% when applicable).

*** ARC adjustment is the previous year's balance of the Net OPEB Obligation divided by the amortization factor.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	9,440,370	53.2%	21,625,566
12/31/10	8,489,445	55.8%	25,373,738
12/31/11	8,428,022	64.4%	28,373,517
12/31/12	7,585,124	82.5%	29,700,451
12/31/13	7,563,379	93.5%	30,194,370
12/31/14	8,364,956	97.5%	30,406,219

	Governmental	Business-type	Total Primary
	Activities	Activities	Government
Annual required contribution (ARC)	\$ 8,838,125	\$ 21,636	\$ 8,859,761
Interest on net OPEB Obligation	1,355,429	3,318	1,358,747
Adjustment to ARC	(1,849,026)	(4,526)	(1,853,552)
Annual OPEB Cost (Expense)	8,344,528	20,428	8,364,956
Contributions made	8,133,197	19,910	8,153,107
Increase to net OPEB obligation	211,331	518	211,849
Net OPEB obligation—beginning of year	30,132,019	62,351	30,194,370
Net OPEB obligation—end of year	\$ 30,343,350	\$ 62,869	\$ 30,406,219

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 the 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 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.

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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The projected unit credit cost method was used for valuation purposes and the level dollar method over a period of 30 years was used for the amortization of the unfunded liability. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 6.0% initially, reduced by decrements to an ultimate rate of 3.8% after 5 years.

NOTE 8 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters which are accounted for as follows:

General Liability and Property Damage

The County is insured for general liability and property damage losses. The property damage and time element deductible is \$25,000 each occurrence during the policy term. General liability losses are covered in excess of \$100,000 applicable to each occurrence.

Healthcare

The County provides one self-insured health care plan for active employees, which is a PPO (preferred provider organizations). Retirees, under age 65, are covered under a PPO plan. Retirees, age 65 and over, are covered by Highmark Blue Shield where Medicare is primary and the Plan is secondary.

Worker's Compensation

The County is self-insured for worker's compensation losses. Excessive losses are covered by commercial insurance with a \$650,000 maximum retention per accident or employee.

The County records reported loss claims and claims incurred but not reported for worker's compensation based on estimates of independent actuaries. Such claims and estimates are not discounted. The following provides aggregate information for the current and prior year on worker's compensation liabilities, incurred claims and payments:

		<u>Change In</u> <u>Incurred Claims</u>		<u>Payments</u>		
	<u>January 1</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>December 31</u>
2013	\$ 2,974,107	\$ 951,115	\$ 686,331	\$ (345,231)	\$ (1,437,867)	\$ 2,828,455
2014	2,828,455	919,343	289,928	(260,057)	(969,186)	2,808,483

During 2014, there has not been a significant reduction in any insurance coverage and the amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

NOTE 9 RESTRICTED ASSETS

Cash and cash equivalents whose use is limited to a specific purpose have been classified as restricted in the governmental funds balance sheets as follows:

General Fund

Cash restricted for temporarily held balances that are due other parties. \$2,800,408

Health Choices Fund

Cash restricted for claims payable. 5,900,000

Other Governmental Funds

Cash restricted for temporarily held balances that are due to other parties. 197,519

Total Restricted Assets \$8,897,927

NOTE 10 FUND BALANCE / NET POSITION

The constraints on fund balance included in the governmental fund financial statements represent portions of fund balances that are restricted or committed for various purposes and are not available for the payment of other subsequent expenditures. The following restricted and committed fund balances are included in the governmental fund financial statements:

Health Choices Fund

Restricted fund balance

Amounts restricted for the payment of specific grant program expenditures.	<u>\$ 27,786,200</u>
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Cedarbrook Fund

Committed fund balance

Amounts committed for the payment of nursing home expenditures.	<u>\$ 5,852,753</u>
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Other Governmental Funds

Restricted fund balance amounts for:

The payment of specific grant and fee program expenditures.	\$ 9,304,231
The payment of capital project expenditures.	8,552,420
The required worker's compensation self-insurance reserve.	3,280,389
Debt service payments.	105,963
	<u>\$ 21,243,003</u>

Committed fund balance amounts for:

The payment of specific program expenditures.	\$ 7,880,165
The payment of capital project expenditures.	4,458,475
General insurance reserve.	350,000
	<u>\$ 12,688,640</u>

Fiduciary Fund

Held in trust for pension benefits

Amounts restricted to Employee Retirement Plan use for future payment of member benefits.	<u>\$ 460,720,600</u>
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NOTE 11 CONSTRUCTION COMMITMENTS

The County has entered into a variety of construction commitments for bridge replacement and repair for the Lehigh Street Bridge and Coplay/Northampton Bridge. These commitments totaled \$7,817,482 and \$8,802,544 at December 31, 2014, respectively. These projects are significantly funded by federal and state grants.

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NOTE 12 OPERATING LEASE

The County has entered into a lease agreement with the Allentown Parking Authority to lease up to 326 parking spaces in a parking deck for a period of 50 years. In an effort to better serve the parking needs of the citizens of Lehigh County as well as business and government owned enterprises located near the site, the County has contributed \$3,750,000 towards the construction costs of the parking deck. In return, the County received 162 parking spaces. The County will rent at market rate the balance of the parking spaces as needed up to 326 spaces. The \$3,750,000 is treated as an asset that will be amortized over the length of the lease. The unamortized balance at December 31, 2014 was \$3,225,000.

NOTE 13 STABILIZATION FUND

A Stabilization Fund was established by the Board of Commissioners through Ordinance 2003-168 as a prudent budgetary practice to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures. All transfers into or transfers from the Stabilization Fund shall be established during the County's budget process or upon approval of a subsequent ordinance of the Board of Commissioners. The balance of the Fund at December 31, 2014 was \$25,000,000 and is included in unassigned fund balance in the Governmental Funds Balance Sheet and unrestricted net position in the Statement of Net Position.

NOTE 14 RECLASSIFICATION OF FUND BALANCE

In 2014, the Bond Fund 2007 Fund was reclassified from a major fund to a non-major fund. As a result, the Other Governmental Funds have been reclassified in the Statement of Revenues, Expenditures, and Changes in Fund Balances as follows:

	Bond Fund 2007	Other Governmental Funds
Beginning fund balance as of January 1, 2014, as previously reported	\$ 12,556,304	\$ 27,564,407
Reclassification to other governmental fund	(12,556,304)	\$ 12,556,304
Beginning fund balance, as reclassified	<u>\$ 0</u>	<u>\$ 40,120,711</u>

NOTE 15 LITIGATION

The County is defending a number of lawsuits, the outcomes of which, in the opinion of counsel, will not materially affect the financial position of the County.

NOTE 16 SUBSEQUENT EVENTS

The County evaluated subsequent events through June 24, 2015. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2014 were noted.

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COUNTY OF LEHIGH, PENNSYLVANIA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 105,804,486	\$ 105,804,486	\$ 107,025,661	\$ 1,221,175
Grants and reimbursements	5,492,903	11,723,633	13,159,622	1,435,989
Departmental earnings	12,510,921	12,513,896	11,918,879	(595,017)
Costs and fines	4,055,351	4,055,351	3,807,705	(247,646)
Investment income	130,003	130,003	137,586	7,583
Rents	392,683	392,683	363,726	(28,957)
Payments in lieu of taxes	214,450	214,450	197,378	(17,072)
Other revenues	959,840	985,838	254,871	(730,967)
Total revenues	<u>129,560,637</u>	<u>135,820,340</u>	<u>136,865,428</u>	<u>1,045,088</u>
EXPENDITURES				
Current:				
Elected officials	20,450,483	20,509,805	19,424,510	(1,085,295)
County executive	3,625,809	3,620,645	3,386,524	(234,121)
Administration	19,241,341	22,098,292	21,711,690	(386,602)
Human services	217,341	193,689	170,225	(23,464)
General services	7,595,311	7,801,000	7,164,600	(636,400)
Corrections	34,317,920	33,645,960	30,580,000	(3,065,960)
Department of law	1,292,199	1,292,199	1,235,381	(56,818)
Courts	27,174,362	27,332,231	25,074,295	(2,257,936)
Development	322,289	6,365,611	6,213,044	(152,567)
Total expenditures	<u>114,237,055</u>	<u>122,859,432</u>	<u>114,960,269</u>	<u>(7,899,163)</u>
Excess of revenues over expenditures	<u>15,323,582</u>	<u>12,960,908</u>	<u>21,905,159</u>	<u>8,944,251</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,078,478	10,020,878	1,806,831	(8,214,047)
Indirect cost allocation in	14,031,455	14,068,299	14,065,833	(2,466)
Operating transfers out	(40,914,047)	(42,506,007)	(29,221,602)	13,284,405
Indirect cost allocation out	(6,331,444)	(6,331,444)	(6,331,444)	0
Total other financing sources (uses)	<u>(23,135,558)</u>	<u>(24,748,274)</u>	<u>(19,680,382)</u>	<u>5,067,892</u>
Net change in fund balances	(7,811,976)	(11,787,366)	2,224,777	14,012,143
Fund balance, January 1	25,000,000	30,803,160	30,807,138	3,978
Fund balance, December 31	<u>\$ 17,188,024</u>	<u>\$ 19,015,794</u>	<u>\$ 33,031,915</u>	<u>\$ 14,016,121</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
General Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2014

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 1,710,981	\$ 33,027,868
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2013	3,478,477	
Accrued as receivables (net of unearned revenues) at December 31, 2014 but not recognized in budget	(3,012,203)	(3,012,203)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2013	(2,968,728)	
Accrued as liabilities at December 31, 2014 but not recognized in budget	3,016,250	3,016,250
Budgetary Basis	\$ 2,224,777	\$ 33,031,915

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COUNTY OF LEHIGH, PENNSYLVANIA

Mental Health Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2014**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Grants and reimbursements	\$ 13,085,446	\$ 13,098,396	\$ 12,345,598	\$ (752,798)
Departmental earnings	8,234	8,234	19,328	11,094
Costs and fines				
Investment income	10,650	10,650	8,708	(1,942)
Rents				
Payments in lieu of taxes				
Other revenues	2	2		(2)
Total revenues	<u>13,104,332</u>	<u>13,117,282</u>	<u>12,373,634</u>	<u>(743,648)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	13,022,822	13,036,067	12,718,046	(318,021)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>13,022,822</u>	<u>13,036,067</u>	<u>12,718,046</u>	<u>(318,021)</u>
Excess of revenues over (under) expenditures	<u>81,510</u>	<u>81,215</u>	<u>(344,412)</u>	<u>(425,627)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	715,413	701,813	567,620	(134,193)
Indirect cost allocation in				
Operating transfers out	(410,618)	(397,018)	(358,884)	38,134
Indirect cost allocation out	(386,305)	(386,305)	(386,305)	0
Total other financing sources (uses)	<u>(81,510)</u>	<u>(81,510)</u>	<u>(177,569)</u>	<u>(96,059)</u>
Net change in fund balances	0	(295)	(521,981)	(521,686)
Fund balance, January 1	0	4,168,295	4,168,132	(163)
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 4,168,000</u>	<u>\$ 3,646,151</u>	<u>\$ (521,849)</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Mental Health Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2014

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 0	\$ 0
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2013	(1,642,551)	
Accrued as receivables (net of unearned revenues) at December 31, 2014 but not recognized in budget	1,251,987	1,251,987
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2013	(2,525,581)	
Accrued as liabilities at December 31, 2014 but not recognized in budget	2,394,164	2,394,164
Budgetary Basis	\$ (521,981)	\$ 3,646,151

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COUNTY OF LEHIGH, PENNSYLVANIA
Health Choices Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	\$ 70,077,982	\$ 70,077,982	\$ 71,041,527	\$ 963,545
Departmental earnings				
Costs and fines				
Investment income	67,003	67,003	98,449	31,446
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>70,144,985</u>	<u>70,144,985</u>	<u>71,139,976</u>	<u>994,991</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	70,127,977	70,162,391	65,609,865	(4,552,526)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>70,127,977</u>	<u>70,162,391</u>	<u>65,609,865</u>	<u>(4,552,526)</u>
Excess of revenues over (under) expenditures	<u>17,008</u>	<u>(17,406)</u>	<u>5,530,111</u>	<u>5,547,517</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Indirect cost allocation in				
Operating transfers out	(1,074,324)	(1,292,532)	(890,274)	402,258
Indirect cost allocation out	(131,841)	(131,841)	(131,841)	0
Total other financing sources (uses)	<u>(1,206,165)</u>	<u>(1,424,373)</u>	<u>(1,022,115)</u>	<u>402,258</u>
Net change in fund balances	(1,189,157)	(1,441,779)	4,507,996	5,949,775
Fund balance, January 1	31,500,000	30,124,622	33,380,895	3,256,273
Fund balance, December 31	<u>\$ 30,310,843</u>	<u>\$ 28,682,843</u>	<u>\$ 37,888,891</u>	<u>\$ 9,206,048</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Health Choices Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2014

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ (2,344,191)	\$ 27,786,200
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2013	(2,900,743)	
Accrued as receivables (net of unearned revenues) at December 31, 2014 but not recognized in budget	8,444,929	8,444,929
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2013	(349,761)	
Accrued as liabilities at December 31, 2014 but not recognized in budget	1,657,762	1,657,762
Budgetary Basis	\$ 4,507,996	\$ 37,888,891

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COUNTY OF LEHIGH, PENNSYLVANIA
Children and Youth Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes				
Grants and reimbursements	\$ 22,721,777	\$ 22,721,777	\$ 20,610,652	\$ (2,111,125)
Departmental earnings	2,000	2,000	900	(1,100)
Costs and fines				
Investment income	501	501	9,729	9,228
Rents				
Payments in lieu of taxes				
Other revenues	2,000	2,000	260	(1,740)
Total revenues	<u>22,726,278</u>	<u>22,726,278</u>	<u>20,621,541</u>	<u>(2,104,737)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	25,084,813	25,089,272	22,705,144	(2,384,128)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>25,084,813</u>	<u>25,089,272</u>	<u>22,705,144</u>	<u>(2,384,128)</u>
Excess of revenues over (under) expenditures	<u>(2,358,535)</u>	<u>(2,362,994)</u>	<u>(2,083,603)</u>	<u>279,391</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,966,000	3,966,000	3,966,000	0
Indirect cost allocation in				
Operating transfers out	(574,141)	(627,329)	(578,787)	48,542
Indirect cost allocation out	<u>(1,033,324)</u>	<u>(1,033,324)</u>	<u>(1,033,324)</u>	<u>0</u>
Total other financing sources (uses)	<u>2,358,535</u>	<u>2,305,347</u>	<u>2,353,889</u>	<u>48,542</u>
Net change in fund balances	0	(57,647)	270,286	327,933
Fund balance, January 1	<u>0</u>	<u>5,519,535</u>	<u>5,519,649</u>	<u>114</u>
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 5,461,888</u>	<u>\$ 5,789,935</u>	<u>\$ 328,047</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
 Children and Youth Fund
 Adjustments to Reconcile GAAP Basis to Budgetary Basis
 For the Year Ended December 31, 2014

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 0	\$ 0
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2013	(3,803,022)	
Accrued as receivables (net of unearned revenues) at December 31, 2014 but not recognized in budget	3,232,157	3,232,157
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2013	(1,716,627)	
Accrued as liabilities at December 31, 2014 but not recognized in budget	2,557,778	2,557,778
Budgetary Basis	\$ 270,286	\$ 5,789,935

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COUNTY OF LEHIGH, PENNSYLVANIA

Cedarbrook Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 57,621,431	\$ 59,640,413	\$ 55,354,680	\$ (4,285,733)
Departmental earnings	5,745,107	5,740,277	6,753,088	1,012,811
Costs and fines				
Investment income	1,000	1,000	1,166	166
Rents				
Payments in lieu of taxes				
Other revenues	705,402	705,402	1,540	(703,862)
Total revenues	<u>64,072,940</u>	<u>66,087,092</u>	<u>62,110,474</u>	<u>(3,976,618)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services				
General services				
Nursing homes	64,308,575	66,634,101	60,509,386	(6,124,715)
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>64,308,575</u>	<u>66,634,101</u>	<u>60,509,386</u>	<u>(6,124,715)</u>
Excess of revenues over (under) expenditures	<u>(235,635)</u>	<u>(547,009)</u>	<u>1,601,088</u>	<u>2,148,097</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	6,444,815	6,455,380	4,331,425	(2,123,955)
Indirect cost allocation in				
Operating transfers out	(1,731,237)	(2,159,116)	(1,791,480)	367,636
Indirect cost allocation out	<u>(4,477,943)</u>	<u>(4,477,943)</u>	<u>(4,477,943)</u>	<u>0</u>
Total other financing sources (uses)	<u>235,635</u>	<u>(181,679)</u>	<u>(1,937,998)</u>	<u>(1,756,319)</u>
Net change in fund balances	0	(728,688)	(336,910)	391,778
Fund balance, January 1	0	2,049,660	2,049,660	0
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 1,320,972</u>	<u>\$ 1,712,750</u>	<u>\$ 391,778</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Cedarbrook Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2014

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 764,799	\$ 5,852,753
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2013	7,671,307	
Accrued as receivables (net of unearned revenues) at December 31, 2014 but not recognized in budget	(7,112,658)	(7,112,658)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2013	(4,633,013)	
Accrued as liabilities at December 31, 2014 but not recognized in budget	2,972,655	2,972,655
Budgetary Basis	<u>\$ (336,910)</u>	<u>\$ 1,712,750</u>

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