

*County of Lehigh,  
Pennsylvania*

*December 31, 2010*

*Financial Statements  
and Independent Auditors' Report*

County of Lehigh

Year Ended December 31, 2010

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
County of Lehigh  
Allentown, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Lehigh's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh, as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in 2010 the County of Lehigh adopted the provisions of Governmental Accounting Standard Board's Statement No. 51, "Accounting for Financial Reporting for Intangible Assets," No. 53, "Accounting and Financial Reporting for Derivative Instruments," No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011, on our consideration of the County of Lehigh's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

<u>Harrisburg</u>	<u>Lehigh Valley</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103

# Zelenkofske Axelrod LLC

Board of Commissioners  
County of Lehigh  
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

Allentown, Pennsylvania  
June 22, 2011

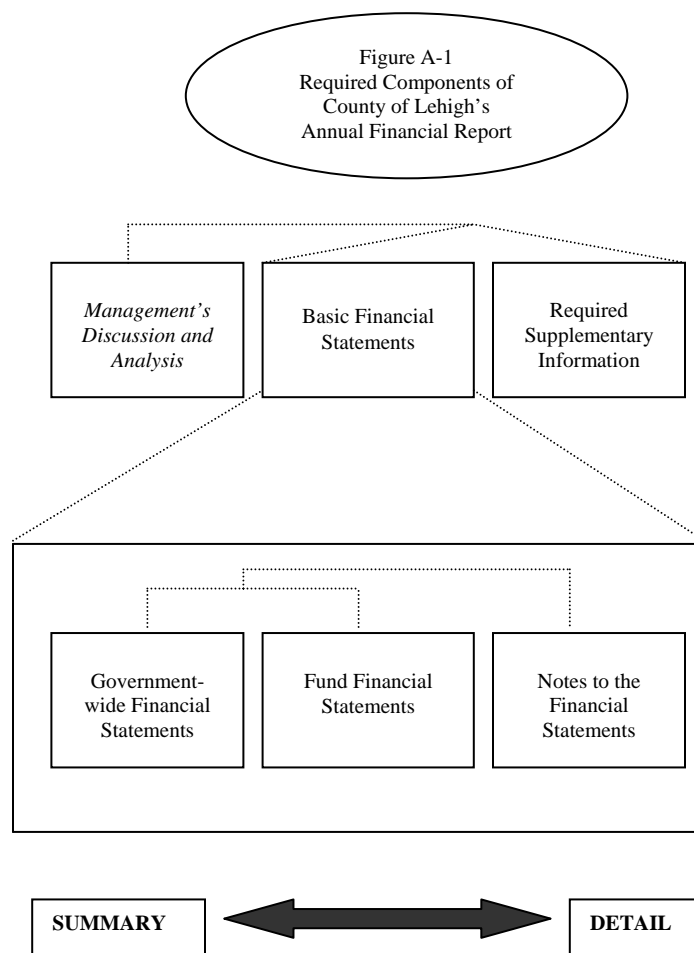
## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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.

Figure A-2 Major Features of County of Lehigh’s Government-wide and Fund Financial Statements				
	<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	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flow	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
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

## 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 assets includes *all* of the government’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 assets* and how they have changed. Net assets - the difference between the County’s assets and liabilities – is a way to measure the County’s financial health, *or position*. Over time, increases or decreases in the County’s net assets are 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 and 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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## Government-wide Financial Analysis

The County's assets exceeded liabilities by approximately \$143.6 million at the close of the 2010 fiscal year. The following is a condensed summary of net assets for the years 2009 and 2010.

### County of Lehigh's Net Assets

	Total Governmental Activities		Total Business - Type Activities		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 198,188,932	\$ 174,807,618	\$ 831,025	\$ 1,067,831	\$ 199,019,957	\$ 175,875,449
Capital assets	<u>233,153,656</u>	<u>239,956,580</u>	<u>1,360,173</u>	<u>1,231,927</u>	<u>234,513,829</u>	<u>241,188,507</u>
<b>Total Assets</b>	431,342,588	414,764,198	2,191,198	2,299,758	433,533,786	417,063,956
General obligation bonds and notes payable	196,455,756	190,126,538			196,455,756	190,126,538
Other liabilities	<u>93,698,326</u>	<u>83,206,775</u>	<u>92,437</u>	<u>92,300</u>	<u>93,790,763</u>	<u>83,299,075</u>
<b>Total liabilities</b>	290,154,082	273,333,313	92,437	92,300	290,246,519	273,425,613
Net assets:						
Invested in capital assets, net of related debt	57,341,408	63,333,813	1,360,173	1,231,927	58,701,581	64,565,740
Restricted	58,370,521	62,336,780			58,370,521	62,336,780
Unrestricted	<u>25,476,577</u>	<u>15,760,292</u>	<u>738,588</u>	<u>975,531</u>	<u>26,215,165</u>	<u>16,735,823</u>
<b>Total net assets</b>	\$ 141,188,506	\$ 141,430,885	\$ 2,098,761	\$ 2,207,458	\$ 143,287,267	\$ 143,638,343

Current and other assets decreased \$23.1 million largely due to a decrease of \$7.8 million in cash and cash equivalents and a decrease of \$14.8 million in total receivables. Cash decreased due to a decrease in cash for current year capital asset purchases and an increase in cash from note proceeds. Total receivables decreased due to the transfer of certain human service funding from the county level to the state level.

Capital assets increased \$6.7 million due to the net of \$16.1 million in capital asset purchases less \$11.9 million in current year accumulated depreciation. In addition, an increase of \$2.5 million resulted from the elimination of accumulated depreciation on easement capital assets as required by GASB Statement No. 51 and described in Note 9 on page 41. See Note 5 on page 35 and Note 11 on page 42 for additional capital asset information.

General obligation bonds and notes payable decreased \$6.3 million due to principal payments of \$10.2 million and the net change of \$4.1 million in current year bonds and notes activity. See Note 3 on Page 32 for additional information concerning the County's long-term debt.

Other liabilities decreased \$9.8 million largely due to the net of a decrease in accounts payable of \$11.5 million due to the transfer of certain human service funding from the county level to the state level, a decrease in accrued payroll of \$4 million due to the timing of the biweekly payroll cycle, an increase in unamortized bond premium of \$1.5 million resulting from current year bonds payable activity, and an increase in unfunded postemployment benefits other than pensions of \$3.7 million. See Note 7 on page 38 for additional information concerning postemployment benefits other than pensions.

Net assets invested in capital assets, net of related debt increased \$5.9 million largely due to principal payments on general obligation bonds and notes payable totaling \$10.2 million and the net change of \$4.1 million in current year bonds and notes activity. Restricted net assets increased \$4 million largely due to an increase in funds reserved for human services program expenditures. Unrestricted net assets decreased \$9.5 million largely due to the increase of \$3.7 million in postemployment benefits other than pensions noted above and a decrease of \$6 million in the general fund noted on page 8.



**Changes in Net Assets:**

The following is a summary of the key elements comprising the changes in net assets for the years 2009 and 2010.

**County of Lehigh's Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenues:						
Program revenue:						
Charges for services	\$ 26,648,194	\$ 27,567,387	\$ 958,569	\$ 1,005,006	\$ 27,606,763	\$ 28,572,393
Operating grants and contributions	247,269,975	240,859,596			247,269,975	240,859,596
General revenues:						
Property taxes	92,768,963	92,948,977			92,768,963	92,948,977
Unrestricted investment earnings	3,373,637	1,942,285	8,516	4,812	3,382,153	1,947,097
Transfers	50,691	20,720	(50,691)	(20,720)		
<b>Total revenues</b>	<b>370,111,460</b>	<b>363,338,965</b>	<b>916,394</b>	<b>989,098</b>	<b>371,027,854</b>	<b>364,328,063</b>
Expenses:						
Elected officials	19,915,655	20,398,879			19,915,655	20,398,879
County executive	4,605,890	4,699,790			4,605,890	4,699,790
Administration	41,673,672	11,681,639			41,673,672	11,681,639
Human services	183,336,945	158,478,244	969,371	880,401	184,306,316	159,358,645
General services	14,750,636	14,166,100			14,750,636	14,166,100
Nursing homes	62,046,676	64,227,128			62,046,676	64,227,128
Corrections	35,284,159	36,559,827			35,284,159	36,559,827
Department of law	186,966	25,766			186,966	25,766
Courts	35,126,946	35,399,439			35,126,946	35,399,439
Development	6,723,036	8,951,747			6,723,036	8,951,747
Interest on long-term debt	10,185,498	10,994,743			10,185,498	10,994,743
<b>Total expenses</b>	<b>413,836,079</b>	<b>365,583,302</b>	<b>969,371</b>	<b>880,401</b>	<b>414,805,450</b>	<b>366,463,703</b>
<b>Changes in net assets</b>	<b>(43,724,619)</b>	<b>(2,244,337)</b>	<b>(52,977)</b>	<b>108,697</b>	<b>(43,777,596)</b>	<b>(2,135,640)</b>
Ending net assets	\$141,188,506	\$141,430,885	\$ 2,098,761	\$ 2,207,458	\$143,287,267	\$143,638,343

The County's total revenues decreased \$6.7 million to \$364.3 million due to:

- A decrease in operating grants and contributions of \$6.4 million largely due to the transfer of Intellectual Disabilities funding from the county level to the state level.
- An increase in charges for services of \$1 million.
- A decrease in investment earnings of \$1.4 million largely due to a decrease in investment rates and cash balances as noted on page 6.

The County's expenditures totaled \$366.5 million. The Human Services and Nursing Homes functions comprise 61% of the total expenditures. The Corrections and Courts functions comprise 20% of the total expenditures.

## **Financial Analysis of the Governmental Funds**

The County's governmental funds combined fund balances were \$130.8 million, which is an \$8.4 million decrease from the prior year. The primary reasons for this decrease in fund balances were:

- The General Fund decreased \$6 million largely due to the use of fund balance for taxpayer relief purposes and the use of funds for agricultural land preservation purposes.
- The Health Choices Fund increased \$4 million. These funds are restricted for the payment of specific program expenditures.
- Bond Fund 2007 decreased \$8.4 due to continuation of the courthouse renovation expansion project as well as the renovation of the men's community correction center. Remaining funds are restricted for future capital asset construction and purchase.
- The Other Governmental Funds increased \$2.1 million largely due to additional note proceeds that have not been spent down at year end.

## **General Fund Budgetary Highlights**

### Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$4.4 million, or 2.5 percent. This increase is largely due to an increase in the Development expenditure budget from \$1 million to \$5.3 million which is the result of revisions for several projects, such as the state funded Redevelopment Assistance Capital Program (RACP), that were not originally budgeted and are funded by state grant revenues.

### Final Budget vs. Actual

- \$1.2 million unfavorable variance in tax revenues largely due to the downturn in the economy and increased tax appeals.
- \$.8 million unfavorable variance in investment income due to continued unfavorable interest rates.
- \$1.7 million favorable variance in Courts expenditures largely due to favorable juvenile institution placement experience and favorable budgetary variations in healthcare and pension costs.
- \$1.2 million favorable variance in Nursing Home expenditures due to favorable budgetary variations in healthcare and pension costs.
- Overall net favorable other financing sources / (uses) variance of \$5.9 million largely due to anticipated capital asset activity 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.

## Capital Assets

The following is a schedule of the County's capital assets as of December 31, 2009 and December 31, 2010:

### County of Lehigh's Capital Assets

	<u>Total Governmental Activities</u>		<u>Total Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ 12,314,925	\$ 12,314,926	\$ 236,533	\$ 236,533	\$ 12,551,458	\$ 12,551,459
Buildings and improvements	175,474,504	179,478,922	883,393	806,842	176,357,897	180,285,764
Machinery and equipment	13,615,036	11,037,126	221,247	171,602	13,836,283	11,208,728
Furniture and Fixtures	3,063,815	3,139,400	19,000	16,950	3,082,815	3,156,350
Easements	14,351,085	18,231,478			14,351,085	18,231,478
Infrastructure	14,334,291	15,754,728			14,334,291	15,754,728
<b>Total</b>	<b>\$ 233,153,656</b>	<b>\$ 239,956,580</b>	<b>\$ 1,360,173</b>	<b>\$ 1,231,927</b>	<b>\$ 234,513,829</b>	<b>\$ 241,188,507</b>

Noteworthy capital asset purchases/projects that took place in 2010 were as follows:

- \$4.9 million - Continuation of the courthouse renovation expansion project
- \$2.2 million - Renovations to men's community correction center
- \$1.9 million - Construction of Trexler Nature Preserve environmental center and nature trail development
- \$1.4 million - Purchased additional easements for agricultural land preservation
- \$1.9 million - Major bridge reconstruction

As noted in Footnote 9 on page 41, the County was required to adopt GASB Statement No. 51 in 2010, resulting in the elimination of \$2.5 million of prior years' depreciation on easement assets.

Additional information of the County's Capital Assets can be found in Note 5 on page 35.

## Debt Administration

At year-end the County had \$180.6 million in general obligation bonds and \$9.5 million in general obligation notes outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 32.

The County's general obligation debt has been rated as Aa1 by Moody's Investor Services 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 \$539 million as stated within the official statement of the County's most recent bond 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 the Allentown-Bethlehem-Easton metropolitan area now stands at 8.9 percent versus 10.2 percent a year ago. This is the slightly higher than the state's rate of 8.0 percent and is slightly lower than the national rate of 9.2 percent.
- 2010 inflation in the Lehigh Valley (Lehigh and Northampton counties) was the same as the national rate – 2.7 percent.

These indicators were taken into account when adopting the general fund budget for 2011.

Property tax millage for 2011 increased to 11.9 mills from 10.25 mills in 2010.

### **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.

COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Net Assets

December 31, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 136,912,769	\$ 1,067,277	\$ 137,980,046
Investments	729,142		729,142
Receivables:			
Grants	20,048,724		20,048,724
Real estate taxes	3,736,275		3,736,275
Interest	91,579		91,579
Mortgage	1,063,286		1,063,286
Other	1,261,143	554	1,261,697
Unamortized bond issuance costs	527,809		527,809
Other	3,582,558		3,582,558
Cash and cash equivalents - restricted	6,854,333		6,854,333
Capital assets, not being depreciated	12,314,926	236,533	12,551,459
Capital assets (net of accumulated depreciation)	<u>227,641,654</u>	<u>995,394</u>	<u>228,637,048</u>
Total assets	<u>414,764,198</u>	<u>2,299,758</u>	<u>417,063,956</u>
<b>LIABILITIES</b>			
Accounts payable	13,709,380	36,434	13,745,814
Deposits and agency amounts payable	6,854,457		6,854,457
Accrued payroll and payroll taxes	1,930,142	1,129	1,931,271
Due to other governmental units	126,034		126,034
Unearned grant revenues	11,176,624		11,176,624
Current portions of long term liabilities:			
General obligation bonds payable	10,570,000		10,570,000
Note payable	529,733		529,733
Unamortized bond premium	798,872		798,872
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	14,114,392		14,114,392
Accrued worker's compensation	3,904,071		3,904,071
General obligation bonds payable	170,070,000		170,070,000
Note payable	8,956,805		8,956,805
Unamortized bond premium	5,273,802		5,273,802
Unfunded other postemployment benefits	<u>25,319,001</u>	<u>54,737</u>	<u>25,373,738</u>
Total liabilities	<u>273,333,313</u>	<u>92,300</u>	<u>273,425,613</u>
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	63,333,813	1,231,927	64,565,740
Restricted for:			
Program expenditures	57,176,792		57,176,792
Debt service	443,333		443,333
Bond financed improvements	4,716,655		4,716,655
Unrestricted	<u>15,760,292</u>	<u>975,531</u>	<u>16,735,823</u>
Total net assets	<u>\$ 141,430,885</u>	<u>\$ 2,207,458</u>	<u>\$ 143,638,343</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA  
Statement of Activities  
For the Year Ended December 31, 2010

Function	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 18,691,467	\$ 1,707,412	\$ 5,922,222	\$ 1,945,934	\$ (12,530,723)		\$ (12,530,723)
County executive	3,607,706	1,092,084	1,418	30,664	(4,667,708)		(4,667,708)
Administration	23,635,621	(11,953,982)	5,720,916	374,020	(5,586,703)		(5,586,703)
Human services	156,302,972	2,175,272	195,308	155,573,180	(2,709,756)		(2,709,756)
General services	15,494,655	(1,328,555)	337,318	8,091,622	(5,737,160)		(5,737,160)
Nursing homes	60,589,857	3,637,271	6,545,719	57,483,042	(198,367)		(198,367)
Corrections	34,974,529	1,585,298	2,982,468	1,928,758	(31,648,601)		(31,648,601)
Department of law	1,308,747	(1,282,981)	324,890		299,124		299,124
Courts	31,362,715	4,036,724	3,991,476	7,569,427	(23,838,536)		(23,838,536)
Development	8,687,881	263,866	1,545,652	7,862,949	456,854		456,854
Interest on long-term debt	10,994,743				(10,994,743)		(10,994,743)
Total governmental activities	<u>\$ 365,650,893</u>	<u>\$ (67,591)</u>	<u>\$ 27,567,387</u>	<u>\$ 240,859,596</u>	<u>\$ (97,156,319)</u>		<u>\$ (97,156,319)</u>
Business-type activities:							
Enterprise funds	<u>\$ 812,810</u>	<u>\$ 67,591</u>	<u>\$ 1,005,006</u>			<u>\$ 124,605</u>	<u>\$ 124,605</u>
Total primary government	<u>\$ 366,463,703</u>	<u>\$ 0</u>	<u>\$ 28,572,393</u>	<u>\$ 240,859,596</u>	<u>\$ (97,156,319)</u>	<u>\$ 124,605</u>	<u>\$ (97,031,714)</u>
			General revenues:				
			Taxes		92,948,977		92,948,977
			Unrestricted investment earnings		1,942,285	4,812	1,947,097
			Transfers		20,720	(20,720)	0
			Total general revenues		<u>94,911,982</u>	<u>(15,908)</u>	<u>94,896,074</u>
			Change in net assets		<u>(2,244,337)</u>	<u>108,697</u>	<u>(2,135,640)</u>
			Net assets, January 1, as restated (Note 9)		<u>143,675,222</u>	<u>2,098,761</u>	<u>145,773,983</u>
			Net assets, December 31		<u>\$ 141,430,885</u>	<u>\$ 2,207,458</u>	<u>\$ 143,638,343</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA  
Balance Sheet  
Governmental Funds  
December 31, 2010

	General	Mental Health	Health Choices	Area Agency on Aging	Bond Fund 2007	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 36,002,260	\$ 4,909,967	\$ 36,633,757	\$ 585,921	\$ 22,257,251	\$ 29,793,089	\$ 130,182,245
Investments	729,142						729,142
Receivables:							
Grants	10,672,869	14,631	20,373	332,359		9,008,492	20,048,724
Real estate taxes	3,736,275						3,736,275
Interest	57,863					26,301	84,164
Mortgage	1,063,286						1,063,286
Other	1,637,246	9,765	250	9,566		283,546	1,940,373
Other	57,558					3,525,000	3,582,558
Cash and cash equivalents - restricted	1,235,096		5,400,000			219,237	6,854,333
Total assets	<u>\$ 55,191,595</u>	<u>\$ 4,934,363</u>	<u>\$ 42,054,380</u>	<u>\$ 927,846</u>	<u>\$ 22,257,251</u>	<u>\$ 42,855,665</u>	<u>\$ 168,221,100</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	3,331,796	2,090,795	198,628	541,192	1,306,863	6,882,531	14,351,805
Deposits and agency amounts payable	1,235,096		5,400,000			219,237	6,854,333
Payroll and payroll taxes	1,667,795	23,351	3,163	22,497		206,310	1,923,116
Due to other governmental units	42,431				83,603		126,034
Unearned revenues:							
Grants	681,611	2,820,217		364,157		7,310,639	11,176,624
Real estate taxes	2,941,210						2,941,210
Total liabilities	<u>9,899,939</u>	<u>4,934,363</u>	<u>5,601,791</u>	<u>927,846</u>	<u>1,390,466</u>	<u>14,618,717</u>	<u>37,373,122</u>
Fund balances:							
Reserved for:							
Program expenditures			36,452,589			20,724,203	57,176,792
Debt service						443,333	443,333
Bond financed improvements					20,866,785	3,426,315	24,293,100
Unreserved	45,291,656					3,643,097	48,934,753
Total fund balances	<u>45,291,656</u>	<u>0</u>	<u>36,452,589</u>	<u>0</u>	<u>20,866,785</u>	<u>28,236,948</u>	<u>130,847,978</u>
Total liabilities and fund balances	<u>\$ 55,191,595</u>	<u>\$ 4,934,363</u>	<u>\$ 42,054,380</u>	<u>\$ 927,846</u>	<u>\$ 22,257,251</u>	<u>\$ 42,855,665</u>	<u>\$ 168,221,100</u>

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

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**Reconciliation of Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**December 31, 2010**

Total fund balances for governmental funds \$ 130,847,978

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	12,314,926
Buildings and improvements, net of \$83,832,333 accumulated depreciation	179,478,922
Machinery and equipment, net of \$36,637,448 accumulated depreciation	11,037,126
Furniture and fixtures, net of \$4,186,852 accumulated depreciation	3,139,400
Easements	18,231,478
Infrastructure, net of \$2,750,369 accumulated depreciation	<u>15,754,728</u>

Total capital assets 239,956,580

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 assets. 6,693,984

Governmental funds report the effect of bond issuance costs when debt is first issued. These amounts are deferred and amortized over the life of the bonds in the statement of net assets. 527,809

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. 2,941,210

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 assets.

Balances at December 31, 2010 are:

Accrued vacation and other compensation	(14,114,392)
Accrued worker's compensation	(3,904,071)
Bonds and notes payable	(190,126,538)
Unamortized bond premium	(6,072,674)
Unfunded other postemployment benefits	<u>(25,319,001)</u>
	<u>(239,536,676)</u>

Total net assets of governmental activities \$ 141,430,885

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, 2010

	General	Mental Health	Health Choices	Area Agency on Aging	Bond Fund 2007	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 92,828,666						\$ 92,828,666
Grants and reimbursements	68,870,932	\$ 9,718,325	\$ 71,097,173	\$ 37,791,504		\$ 53,381,662	240,859,596
Departmental earnings	18,287,666	18,079		172,834		2,374,486	20,853,065
Judicial costs and fines	3,647,223					41,700	3,688,923
Investment income	417,205	13,853	199,712	8,925	\$ 1,127,442	175,148	1,942,285
Rents	451,069					1,290,126	1,741,195
Other	351,083	72		25		134,152	485,332
Total revenues	<u>184,853,844</u>	<u>9,750,329</u>	<u>71,296,885</u>	<u>37,973,288</u>	<u>1,127,442</u>	<u>57,397,274</u>	<u>362,399,062</u>
<b>EXPENDITURES</b>							
Current:							
Elected officials	16,949,464				688	1,498,299	18,448,451
County executive	3,120,419						3,120,419
Administration	18,003,497				3,896,032	3,510,953	25,410,482
Human services	546,162	10,209,635	66,334,084	37,503,865		42,022,170	156,615,916
General services	8,191,319				1,002,345	8,610,005	17,803,669
Nursing homes	56,883,847				1,102,251	857,767	58,843,865
Corrections	31,600,465				3,100,489	542,387	35,243,341
Department of law	1,275,604						1,275,604
Courts	25,601,326				463,567	4,852,527	30,917,420
Development	4,534,759					4,074,090	8,608,849
Indirect cost allocation charges	(2,991,533)	393,302	152,281	567,562		1,810,797	(67,591)
Debt Service:							
Principal retirement						10,239,211	10,239,211
Interest						8,303,975	8,303,975
Total expenditures	<u>163,715,329</u>	<u>10,602,937</u>	<u>66,486,365</u>	<u>38,071,427</u>	<u>9,565,372</u>	<u>86,322,181</u>	<u>374,763,611</u>
Excess of revenues over (under) expenditures	<u>21,138,515</u>	<u>(852,608)</u>	<u>4,810,520</u>	<u>(98,139)</u>	<u>(8,437,930)</u>	<u>(28,924,907)</u>	<u>(12,364,549)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	2,123,503	1,320,837		645,464	1,618,908	30,688,674	36,397,386
Operating transfers out	(29,312,679)	(468,229)	(856,974)	(547,325)	(1,618,908)	(3,466,778)	(36,270,893)
Proceeds of general obligation bonds						19,394,231	19,394,231
Proceeds of general obligation note						3,790,988	3,790,988
Payment to refunded bond escrow agent						(19,306,400)	(19,306,400)
Total other financing sources / (uses)	<u>(27,189,176)</u>	<u>852,608</u>	<u>(856,974)</u>	<u>98,139</u>	<u>0</u>	<u>31,100,715</u>	<u>4,005,312</u>
Net change in fund balances	(6,050,661)	0	3,953,546	0	(8,437,930)	2,175,808	(8,359,237)
Fund balances, January 1	51,342,317	0	32,499,043	0	29,304,715	26,061,140	139,207,215
Fund balances, December 31	<u>\$ 45,291,656</u>	<u>\$ 0</u>	<u>\$ 36,452,589</u>	<u>\$ 0</u>	<u>\$ 20,866,785</u>	<u>\$ 28,236,948</u>	<u>\$ 130,847,978</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, 2010**

Net change in fund balances – total governmental funds \$ (8,359,237)

The change in assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded net depreciation in the current period. 4,316,208

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. 5,603,680

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 five balances.

Accrued worker’s compensation	(260,054)	
Accrued vacation and other compensation	(660,489)	
Unearned real estate tax revenue	120,311	
Other postemployment benefits	<u>(3,739,833)</u>	
		(4,540,065)

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 \$660,781 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 735,077

Change in net assets of governmental activities \$ (2,244,337)

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

COUNTY OF LEHIGH, PENNSYLVANIA  
Statement of Net Assets (Deficit)  
Proprietary Funds  
December 31, 2010

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,067,277	\$ 6,730,524
Interest receivable		7,415
Other receivables	<u>554</u>	
Total current assets	<u>1,067,831</u>	<u>6,737,939</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	5,926,605	21,013,271
Equipment	328,953	1,019,877
Furniture and fixtures	40,983	1,441,539
Less accumulated depreciation	<u>(5,301,147)</u>	<u>(9,446,642)</u>
Total capital assets (net of accumulated depreciation)	<u>1,231,927</u>	<u>14,028,045</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,299,758</u>	<u>\$ 20,765,984</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 36,434	\$ 36,929
Accrued payroll and payroll taxes	1,129	7,026
Current portion of general obligation bonds payable		<u>1,009,193</u>
Total current liabilities	<u>37,563</u>	<u>1,053,148</u>
Noncurrent liabilities:		
General obligation bonds payable		21,674,383
Unfunded other postemployment benefits	<u>54,737</u>	
<b>TOTAL LIABILITIES</b>	<u>92,300</u>	<u>22,727,531</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,231,927	(8,655,531)
Unrestricted	<u>975,531</u>	<u>6,693,984</u>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ 2,207,458</u>	<u>\$ (1,961,547)</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 Assets (Deficit)  
Proprietary Funds  
For the Year Ended December 31, 2010

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>		
Tenant rentals - Cedar View	\$ 1,005,006	
Government Center revenues		\$ 3,363,618
Total operating revenues	<u>1,005,006</u>	<u>3,363,618</u>
<b>OPERATING EXPENSES</b>		
Administration and maintenance:		
Cedar View apartments	604,756	
Government Center		1,470,689
Depreciation	208,054	660,781
Indirect cost allocation charges	67,591	
Total operating expenses	<u>880,401</u>	<u>2,131,470</u>
<b>OPERATING INCOME</b>	<u>124,605</u>	<u>1,232,148</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	4,812	52,289
Interest expense		(1,104,368)
Total nonoperating revenues (expenses)	<u>4,812</u>	<u>(1,052,079)</u>
<b>OTHER FINANCING USES</b>		
Transfers out	<u>(20,720)</u>	<u>(105,773)</u>
	(20,720)	(105,773)
Change in net assets	108,697	74,296
Total net assets (deficit), January 1	<u>2,098,761</u>	<u>(2,035,843)</u>
Total net assets (deficit), December 31	<u>\$ 2,207,458</u>	<u>\$ (1,961,547)</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2010

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,004,684	\$ 3,363,618
Payments to suppliers	(382,897)	(449,362)
Payments to employees	(179,942)	(822,019)
Payments of benefits on behalf of employees	(42,054)	(230,983)
Indirect cost allocation charges	<u>(67,591)</u>	<u>(230,983)</u>
Net cash provided by operating activities	<u>332,200</u>	<u>1,861,254</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	<u>(20,720)</u>	<u>(105,773)</u>
Net cash used for noncapital financing activities	<u>(20,720)</u>	<u>(105,773)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of debt issuance		977,550
Purchases of capital assets	(79,808)	
Principal paid on capital debt		(223,545)
Interest paid on capital debt		<u>(1,104,368)</u>
Net cash used by capital and related financing activities	<u>(79,808)</u>	<u>(350,363)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	<u>4,812</u>	<u>44,874</u>
Net cash provided by investing activities	<u>4,812</u>	<u>44,874</u>
Net increase in cash and cash equivalents	236,484	1,449,992
Cash and cash equivalents, January 1	<u>830,793</u>	<u>5,280,532</u>
Cash and cash equivalents, December 31	<u>\$ 1,067,277</u>	<u>\$ 6,730,524</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 124,605	\$ 1,232,148
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	208,054	660,781
Change in assets and liabilities:		
Increase in other receivables	(322)	
Increase in accounts payable	(1,900)	(4,290)
Decrease in payroll and payroll taxes payable	(6,576)	(27,385)
Increase in unfunded other postemployment benefits payable	8,339	
Net cash provided by operating activities	<u>\$ 332,200</u>	<u>\$ 1,861,254</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2010

	<u>Employee Retirement Plan</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,707,785	\$ 12,422,169
Investments, at fair value:		
United States government and municipal obligations	31,468,526	108,484
Corporate and foreign bonds	16,644,202	73,481
Common stock	106,143,729	
Mutual fund - corporate bonds	65,196,909	231,559
Mutual fund - common stock	39,573,930	
Mutual fund - foreign stock	68,175,133	
Partnerships - real estate	5,757,876	
Hedge funds	14,421,466	
Total investments	<u>347,381,771</u>	<u>413,524</u>
Receivables:		
Interest and dividends	437,435	
Employee contributions	79,613	
Other		41,740
Total receivables	<u>517,048</u>	<u>41,740</u>
 Total assets	 <u>\$ 358,606,604</u>	 <u>\$ 12,877,433</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 231,764	\$ 548,071
Deposits and agency amounts payable		8,781,461
Due to other governmental units		3,547,901
Withdrawals payable	87,923	
Pension benefits payable	95,436	
Due to broker	71,708	
Total liabilities	<u>\$ 486,831</u>	<u>\$ 12,877,433</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 358,119,773</u>	

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

COUNTY OF LEHIGH, PENNSYLVANIA  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended December 31, 2010

	<u>Employee Retirement Plan</u>
<b>ADDITIONS</b>	
Contributions:	
Employee	\$ 6,505,105
Employer	9,632,648
Total contributions	<u>16,137,753</u>
Investment income:	
Interest and dividend income	3,821,586
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	455,703
Corporate and foreign bonds	982,668
Collateralized mortgages	(220,791)
Common stock	14,369,976
Mutual fund - corporate bonds	5,209,353
Mutual fund - common stock	4,983,170
Mutual fund - foreign stock	4,126,766
Partnerships - real estate	1,122,352
Hedge funds	421,466
	<u>31,450,663</u>
Less investment expenses	(986,926)
Net investment income	<u>34,285,323</u>
Other additions	<u>71,988</u>
Total additions	50,495,064
<b>DEDUCTIONS</b>	
Employee contributions refunded	569,274
Retirement benefits paid	16,988,369
Death benefits paid	949,629
Administrative expense	39,059
Total deductions	<u>18,546,331</u>
Change in net assets	31,948,733
Net assets, January 1	<u>326,171,040</u>
Net assets, December 31	<u><u>\$ 358,119,773</u></u>

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, 2010**

**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 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

As required by Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations are Component Units", an amendment of Statement No. 14, "The Financial Reporting Entity", 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 2010, 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 2010, the County provided \$407,500 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**

### 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 Statement 33 – *Accounting and financial Reporting for Non-Exchange Transactions*.

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. 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 assets, 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 in GASB Statement Number 34. 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 collected 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 assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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 assets, 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, Area Agency on Aging Fund, and Bond Fund 2007.

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 Area Agency on Aging Fund is used to account for the proceeds of specific revenue sources related to the provision of aging services that are restricted to expenditures for those specified purposes.

The Bond Fund 2007 is used to account for the proceeds of general obligation debt that are restricted to capital asset construction and purchase.

### ***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.

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 are reported as nonoperating revenues as they are ancillary to the principal ongoing operations.

Pursuant to Section P80 of Governmental Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

***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 a 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.

**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 2010 real estate taxes assessed equaled \$93,739,261 based on a total County valuation of \$9,145,293,800. Based on the 2010 levy of 10.25 mills, a property owner would pay \$10.25 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2010 real estate taxes are as follows:

July 31, 2011	Notices of unpaid delinquent taxes must be mailed by the County.
August 30, 2012	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 10, 2012	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, 2012	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 property, plant, equipment, furniture, easements, 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.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

### **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.

### **Unearned Revenues**

Unearned revenues reported in the government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The County deems revenues received within 180 days of year end to be available with the exception of property taxes which must be received within 60 days of year end to be deemed available.

### **Net Assets/Fund Balances**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* - This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

### **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.

### **Adoption of Governmental Accounting Standards Board Statements**

The County adopted the provisions of GASB Statement No. 51, “*Accounting and Financial Report for Intangible Assets*”. The adoption of this Statement required the restatement of beginning net assets of governmental activities as described in Note 9.

The County adopted the provisions of GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*”. The adoption of this statement had no effect on the financial reporting information of the County.

The County adopted the provisions of GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*”. The adoption of this statement had no effect on the financial reporting information of the County.

### **Pending Changes in Accounting Principles**

In March 2009, the GASB issued Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The County is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

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

In June 2010, the GASB issued Statement No. 59, “*Financial Instruments Omnibus*”. The County is required to adopt statement No. 59 for its calendar year 2011 financial statements.

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

In November 2010 the GASB issued Statement No. 61, “*The financial Reporting Entity: Omnibus – and amendment of GASB Statement No. 14 and No. 34*”. The County is required to adopt statement No. 61 for its calendar year 2013 financial statements.

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

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

**NOTE 2 DEPOSIT AND INVESTMENT RISK**

As of December 31, 2010, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Cash and cash equivalents	\$ 157,256,548	\$ 157,256,548	
U.S. government treasuries	837,626	734,248	\$ 103,378
Corporate bonds	73,481	5,106	68,375
Total	\$ 158,167,655	\$ 157,995,902	\$ 171,753

As of December 31, 2010, 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
Cash and cash equivalents	\$ 10,707,785	\$ 10,707,785			
U.S. government treasuries	17,001,370		\$ 9,232,934	\$ 4,839,888	2,928,548
U.S. government agencies	14,467,156		184,845	4,641,300	9,641,011
Corporate bonds	16,644,202		1,212,908	9,756,612	5,674,682
Total	\$ 58,820,513	\$ 10,707,785	\$ 10,630,687	\$ 19,237,800	\$ 18,244,241

*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 34% (with an allowable range of +/- 5%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

*Credit Risk* – The County’s investment policy limits operating fund’s investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The County’s governmental, proprietary, and agency funds investments of \$837,626 were comprised of various U.S. Treasury Bills, all of which will mature within one year or one to five years, as noted above.

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 15% 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, 2010, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Cash Equivalent	Aaa	100%
U.S. Government Treasuries	Aaa	100%
U.S. Government Agencies	Aaa	100%
Corporate Bonds	Aaa	29%
Corporate Bonds	A1	8%
Corporate Bonds	A2	22%
Corporate Bonds	A3	6%
Corporate Bonds	Aa1	6%
Corporate Bonds	Aa2	11%
Corporate Bonds	Aa3	9%
Corporate Bonds	Baa1	6%
Corporate Bonds	Baa2	3%

*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, 2010, the County's cash and restricted cash balances for its governmental funds, proprietary funds and agency funds were \$157,256,548 and its bank balances were \$165,922,811. 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.

**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, 2010:

	<b>Balance at January 1, 2010</b>	<b>Additions</b>	<b>Retirement s</b>	<b>Balance at December 31, 2010</b>	<b>Amount due within one year</b>
Accrued vacation and other compensation	\$ 13,453,903	\$ 660,489		\$ 14,114,392	
Accrued worker's compensation	3,644,017	1,731,008	\$ (1,470,954)	3,904,071	
General obligation bonds payable	191,480,000	17,085,000	(27,925,000)	180,640,000	\$ 10,570,000
Note payable	4,975,756	4,768,538	(257,756)	9,486,538	529,733
Unamortized bond premium/discount	4,562,315	2,309,231	(798,872)	6,072,674	798,872
	<u>\$ 218,115,991</u>	<u>\$ 26,554,266</u>	<u>\$ (30,452,582)</u>	<u>\$ 214,217,675</u>	<u>\$ 11,898,605</u>

**General Obligation Bonds and Notes Payable**

The following is a summary of general obligation notes and bonds payable of the County for the year ended December 31, 2010:

\$88,210,000 2001 General Obligation Bonds, serial bonds due in annual installments of \$6,205,000 to \$7,540,000 through November 15, 2016, interest rate of 5.00%	\$ 41,755,000
\$47,425,000 2004 General Obligation Bonds, serial bonds due in annual installments of \$130,000 to \$5,970,000 through November 15, 2017, interest rates vary from 3.25% to 4.10%	14,235,000
\$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%	76,885,000
\$18,120,000 2007 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$290,000 to \$1,215,000 through December 15, 2037, interest rates vary from 5.30% to 5.85%	17,340,000
\$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%	13,340,000
\$17,085,000 2010 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$5,310,000 through November 15, 2015, interest rates of 2% and 5%	<u>17,085,000</u>
Total general obligation bonds payable	180,640,000

\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$63,756 to \$109,000 through September 1, 2024, interest rate of 3.73%	4,718,000
\$4,768,538 2010 General Obligation Note, due in quarterly Installments of \$261,733 to \$381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	<u>4,768,538</u>
Total notes payable	<u>9,486,538</u>
Total general obligation bonds and notes payable	<u>\$ 190,126,538</u>

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2010 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>	
2011	\$ 10,090,540	\$ 8,057,350	\$ 1,009,193	\$ 1,099,408	\$ 11,099,733	\$ 9,156,758	\$ 20,256,491
2012	8,199,545	7,663,512	3,811,727	1,064,222	12,011,272	8,727,734	20,739,006
2013	8,599,383	7,262,540	3,999,475	874,827	12,598,858	8,137,367	20,736,225
2014	9,021,257	6,841,465	4,197,232	676,074	13,218,489	7,517,539	20,736,028
2015	9,467,911	6,399,381	4,404,257	467,462	13,872,168	6,866,843	20,739,011
2016-2020	64,322,946	24,158,044	4,890,788	311,114	69,213,734	24,469,158	93,682,892
2021-2025	35,396,381	8,692,244	370,903	33,168	35,767,284	8,725,412	44,492,696
2026-2030	6,710,000	5,081,393			6,710,000	5,081,393	11,791,393
2031-2035	10,240,000	3,033,393			10,240,000	3,033,393	13,273,393
2036-2038	5,395,000	417,105			5,395,000	417,105	5,812,105
	<u>\$167,442,963</u>	<u>\$77,606,427</u>	<u>\$ 22,683,575</u>	<u>\$4,526,275</u>	<u>\$190,126,538</u>	<u>\$82,132,702</u>	<u>\$272,259,240</u>

On February 25, 2010, the County issued \$17,085,000 General Obligation Bonds, Series of 2010. The proceeds of this bond financed the advance refunding of a portion of the County's General Obligation Bonds, Series of 2001, including the cost of issuance of the Bonds. The refunded bonds that were previously issued by the County are now payable, as to principal and interest thereon, from proceeds of irrevocably pledged assets, primarily U.S. Government investments. The balance of these bonds totaled \$17,480,000 at December 31, 2010. The investments are held by the Refunded Bond Trustee, and principal and interest payments are scheduled to coincide with Trustee cash requirements for debt service. Under the defeasance indenture, the principal and interest on the refunded bonds are to be paid as such become due, to and including their call date. The refunded bonds and the investments pledged for their redemption are not recognized on the County's balance sheet. The refunding resulted in a decrease in total debt service payments of \$924,050 and an economic gain (difference between the present value of the old and the new debt service payments) of \$913,928.

On September 13, 2010, the County issued \$2,414,538 General Obligation Note, Series A of 2010 (Qualified Energy Conservation Bond) and \$2,354,000 General Obligation Note, Series B of 2010. The proceeds of these notes will finance the acquisition, installation, replacement, construction, reconstruction, and renovation of and to the buildings and equipment of the County for the purpose of creating greater energy efficiency.

**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, 2010 are as follows:

**Transfer In:**

	General Fund	Mental Health Fund	Area Agency On Aging Fund	Bond Fund 2007	Other Governmenta l Funds	Total
<b><u>Transfer Out:</u></b>						
General Fund		\$ 1,004,502	\$ 645,464		\$ 27,662,713	\$29,312,679
Mental Health	\$ 101,966				366,263	\$ 468,229
Health Choices Fund	\$ 78,016	\$ 316,335			462,623	\$ 856,974
Area Agency on Aging Fund					547,325	\$ 547,325
Bond Fund 2007					1,618,908	\$ 1,618,908
Other Governmental Funds	1,847,870			1,618,908		\$ 3,466,778
Enterprise Fund					20,720	\$ 20,720
Internal Service Fund	95,651				10,122	\$ 105,773
	<u>\$ 2,123,503</u>	<u>\$ 1,320,837</u>	<u>\$ 645,464</u>	<u>1,618,908</u>	<u>\$ 30,688,674</u>	

## NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Restatement (See Note 9)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land	\$ 12,314,925		\$ 1		\$ 12,314,926
Capital assets, being depreciated:					
Buildings and improvements	252,757,074		10,554,181		263,311,255
Machinery and equipment	46,236,569		1,661,669	\$ (223,664)	47,674,574
Furniture and fixtures	6,788,045		538,207		7,326,252
Easements	16,837,801		1,393,677		18,231,478
Infrastructure	16,645,296		1,859,801		18,505,097
Total capital assets, being depreciated	<u>339,264,785</u>		<u>16,007,535</u>	<u>(223,664)</u>	<u>355,048,656</u>
Total capital assets, historical cost	<u>351,579,710</u>		<u>16,007,536</u>	<u>(223,664)</u>	<u>367,363,582</u>
Less accumulated depreciation for:					
Buildings and improvements	(77,282,570)		(6,549,763)		(83,832,333)
Machinery and equipment	(32,621,533)		(4,236,954)	221,039	(36,637,448)
Furniture and fixtures	(3,724,230)		(462,622)		(4,186,852)
Easements	(2,486,716)	\$ 2,486,716			0
Infrastructure	(2,311,005)		(439,364)		(2,750,369)
Total accumulated depreciation	<u>(118,426,054)</u>	<u>2,486,716</u>	<u>(11,688,703)</u>	<u>221,039</u>	<u>(127,407,002)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 233,153,656</u>	<u>\$ 2,486,716</u>	<u>\$ 4,318,833</u>	<u>\$ (2,625)</u>	<u>\$ 239,956,580</u>
<b>Business-type Activities:</b>	<b>Beginning Balance</b>	<b>Restatement (See Note 9)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land	\$ 236,533				\$ 236,533
Capital assets, being depreciated:					
Buildings and improvements	5,846,797		\$ 79,808		5,926,605
Machinery and equipment	328,953				328,953
Furniture and fixtures	40,983				40,983
Total capital assets, being depreciated	<u>6,216,733</u>	<u>-</u>	<u>79,808</u>	<u>-</u>	<u>6,296,541</u>
Total capital assets, historical cost	<u>6,453,266</u>	<u>-</u>	<u>79,808</u>	<u>-</u>	<u>6,533,074</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,963,404)		(156,359)		(5,119,763)
Machinery and equipment	(107,706)		(49,645)		(157,351)
Furniture and fixtures	(21,983)		(2,050)		(24,033)
Total accumulated depreciation	<u>(5,093,093)</u>	<u>-</u>	<u>(208,054)</u>	<u>-</u>	<u>(5,301,147)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,360,173</u>	<u>-</u>	<u>\$ (128,246)</u>	<u>-</u>	<u>\$ 1,231,927</u>

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

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 349,069
Executive	422,441
Administration	2,954,929
Human services	16,509
General services	3,905,246
Nursing homes	1,613,621
Corrections	1,736,060
Department of law	114
Courts	606,942
Development	<u>83,772</u>
 Total depreciation expense-governmental activities	 <u>\$11,688,703</u>
 Total depreciation expense - business-type activities - enterprise funds	 <u>\$ 208,054</u>

## 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 PFM Advisors, the Plan's consultant: Artio Global Investors, Attalus Multi-Strategy Fund, Ltd., C. S. McKee & Co., Inc., GW Capital, Inc., Emerald Advisers Inc., ING Clarion, Mondrian Investment Partners, Inc., J.P. Morgan Alternative Asset Management, Inc., Mellon Equity Associates LLP, Morgan Stanley, Northern Trust, and Philadelphia Trust, 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, 2010. Significant actuarial assumptions used include:

Actuarial Cost Method	Entry Age
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases*	4%
* Includes Inflation at	3%

#### 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)
1/1/2008	\$364,082,316	\$361,684,784	(\$2,397,532)	100.7%	\$98,169,076	(2.4%)
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%

The annual pension costs were \$9,632,648, \$8,046,712, and \$3,475,185 for each of the fiscal years ended December 31, 2010, 2009, and 2008, 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, 2010, 2009, and 2008.

Economic Conditions – The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in investment values either directly invested in or tied to the equity markets. Those declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs, may take some time. The major resulting impact of the equity market's decline on the County will be in the form of increased annual required contributions and increased pension expense with respect to its pension plan.

**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, 2010, there were 691 retired participants in the plan and 189 potential participants who are currently active, for a total of 880 plan participants.

*Funding Policy:* The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently contribute nothing 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 2010 was \$8,843,831 for the health and life insurance plan (\$8,708,007 for the health insurance and \$135,824 for the life insurance) using the implicit rate subsidy.



## 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 (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2006	\$0	\$161,201,061	\$161,201,061	0%	\$88,721,917	181.7%
1/1/2007	\$0	\$164,506,389	\$164,506,189	0%	\$93,591,263	175.8%
1/1/2008	\$0	\$150,876,102	\$150,876,102	0%	\$98,169,076	153.7%
1/1/2009	\$0	\$141,698,640	\$141,698,640	0%	\$104,774,896	135.2%
1/1/2010	\$0	\$130,304,475	\$130,304,475	0%	\$108,008,635	120.6%

## 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)
2006	\$11,365,253	\$0	\$0	16.29	\$11,365,253	\$5,418,266	\$5,946,987	\$ 5,946,787
2007	\$11,365,253	\$267,605	\$0	16.29	\$11,632,858	\$4,889,093	\$6,743,765	\$12,690,552
2008	\$ 9,722,391	\$571,075	\$779,039	16.29	\$ 9,514,427	\$4,995,290	\$4,519,137	\$17,209,689
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

\* 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.

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/06	\$ 11,365,253	47.68%	\$ 5,946,787
12/31/07	\$ 11,632,858	42.03%	\$ 12,690,552
12/31/08	\$ 9,514,427	52.50%	\$ 17,209,689
12/31/09	\$ 9,440,370	53.22%	\$ 21,625,566
12/31/10	\$ 8,489,445	55.70%	\$ 25,373,738

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.

*Actuarial Methods and Assumptions:* 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 10% initially, reduced by decrements to an ultimate rate of 5% 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 \$250,000 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 Capital Blue Cross Senior Plan 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 \$500,000 maximum retention per accident or employee.

Reserve balances are based on the requirements of Government Accounting Standards Board Statement Number 10. 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>January 1</u>	<u>Change In Incurred Claims</u>		<u>Payments</u>		<u>December 31</u>
		<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	
2009	\$ 3,582,444	\$ 1,199,871	\$ 888,381	\$ (400,434)	\$ (1,626,245)	\$ 3,644,017
2010	\$ 3,644,017	\$ 1,187,352	\$ 543,656	\$ (260,665)	\$ (1,210,289)	\$ 3,904,071

During 2010, 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      RESTATEMENT OF NET ASSETS**

In July 2007, the GASB issued Statement No. 51, "*Accounting and Financial Report for Intangible Assets*" that the County was required to adopt for its calendar year 2010 financial statements. Statement No. 51 does not allow for the depreciation of intangible assets that have an indefinite life, such as easement capital assets. The County was previously recording depreciation on easement capital assets. As a result, the Governmental Activities beginning net assets in the Government-wide Statement of Activities has been restated as follows:

Net assets, as previously reported	\$ 141,188,506
Elimination of prior years' easement depreciation	<u>2,486,716</u>
Net assets, beginning of year, as restated	<u>\$ 143,675,222</u>

**NOTE 10      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:

<u>General Fund</u>	
Cash restricted for temporarily held balances that are due other parties.	\$1,235,096
<u>Health Choices Fund</u>	
Cash restricted for claims payable.	\$5,400,000
<u>Other Governmental Funds</u>	
Cash restricted for temporarily held balances that are due to other parties.	<u>\$219,237</u>
Total Restricted Assets	<u><u>\$6,854,333</u></u>

**NOTE 11      RESERVED FUND BALANCES**

The reservations of fund balances included in the financial statements represent portions of fund balances that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following are included in the financial statements:

Special Revenue Funds

Program expenditures

This reserve represents amounts reserved for the payment of specific program expenditures. \$ 57,176,792

Other Governmental Funds

Reserved for bond financed improvements

This reserve represents the restriction of funds set aside for capital projects. \$ 24,293,100

Reserved for debt service

This reserve represents the restriction of funds set aside for future debt service payments. \$ 443,333

Fiduciary Fund

Held in trust for pension benefits

This reserve represents funds restricted to Employee Retirement Plan use for future payment of member benefits. \$ 358,119,773

**NOTE 12      CONSTRUCTION COMMITMENTS**

The County has entered into a variety of construction contracts for the expansion of the courthouse and the men’s community correction center. These commitments totaled \$2,437,012 and \$3,711,561 at December 31, 2010, respectively.

**NOTE 13      OPERATING LEASE**

The County has entered into a lease agreement with the Allentown Parking Authority to lease up to 326 parking spaces in a newly constructed 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 new 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 a prepaid asset that will be amortized over the length of the lease. The unamortized balance at December 31, 2010 was \$3,525,000.

**NOTE 14      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.

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 94,007,772	\$ 94,007,772	\$ 92,801,967	\$ (1,205,805)
Grants and reimbursements	62,189,149	65,595,182	65,317,810	(277,372)
Departmental earnings	17,907,779	17,988,782	18,253,231	264,449
Costs and fines	3,832,001	3,831,999	3,663,904	(168,095)
Investment income	1,506,787	1,506,784	733,828	(772,956)
Rents	438,510	447,510	457,769	10,259
Payments in lieu of taxes	173,190	173,191	193,945	20,754
Other revenues	243,070	235,854	155,152	(80,702)
Total revenues	<u>180,298,258</u>	<u>183,787,074</u>	<u>181,577,606</u>	<u>(2,209,468)</u>
<b>EXPENDITURES</b>				
Current:				
Elected officials	17,745,663	18,051,950	17,309,466	742,484
County executive	3,417,929	3,397,077	3,126,490	270,587
Administration	19,400,537	19,533,374	18,262,360	1,271,014
Human services	585,652	578,261	556,701	21,560
General services	8,758,435	8,938,903	8,339,585	599,318
Nursing homes	59,275,920	59,364,933	58,183,611	1,181,322
Corrections	34,129,985	33,394,167	32,187,798	1,206,369
Department of law	1,424,789	1,372,777	1,310,766	62,011
Courts	27,642,624	27,799,993	26,118,097	1,681,896
Development	981,112	5,312,560	4,524,956	787,604
Total expenditures	<u>173,362,646</u>	<u>177,743,995</u>	<u>169,919,830</u>	<u>7,824,165</u>
Excess of revenues over (under) expenditures	<u>6,935,612</u>	<u>6,043,079</u>	<u>11,657,776</u>	<u>5,614,697</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	24,885,694	26,319,235	21,486,618	(4,832,617)
Indirect cost allocation in	10,283,836	10,293,836	10,216,643	(77,193)
Operating transfers out	(54,976,647)	(59,514,842)	(48,675,794)	10,839,048
Indirect cost allocation out	(7,225,110)	(7,225,110)	(7,225,110)	0
Total other financing sources (uses)	<u>(27,032,227)</u>	<u>(30,126,881)</u>	<u>(24,197,643)</u>	<u>5,929,238</u>
Net change in fund balances	(20,096,615)	(24,083,802)	(12,539,867)	11,543,935
Fund balance, January 1	<u>41,470,000</u>	<u>50,261,633</u>	<u>50,207,887</u>	<u>(53,746)</u>
Fund balance, December 31	<u>\$ 21,373,385</u>	<u>\$ 26,177,831</u>	<u>\$ 37,668,020</u>	<u>\$ 11,490,189</u>

COUNTY OF LEHIGH, PENNSYLVANIA  
 General Fund  
 Adjustments to Reconcile GAAP Basis to Budgetary Basis  
 For the Year Ended December 31, 2010

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ (6,050,661)	\$ 45,291,656
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2009	8,125,092	
Accrued as receivables (net of deferred revenues) at December 31, 2010 but not recognized in budget	(11,802,202)	(11,802,202)
Change in appreciation of investments	374,486	(405,420)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2009	(7,770,568)	
Accrued as liabilities at December 31, 2010 but not recognized in budget	4,583,986	4,583,986
Budgetary Basis	\$ (12,539,867)	\$ 37,668,020

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Taxes				
Grants and reimbursements	\$ 9,167,331	\$ 9,167,339	\$ 12,933,615	\$ 3,766,276
Departmental earnings	13,072	13,072	11,629	(1,443)
Costs and fines				
Investment income	20,076	20,076	13,853	(6,223)
Rents				
Payments in lieu of taxes				
Other revenues	2	2	72	70
Total revenues	<u>9,200,481</u>	<u>9,200,489</u>	<u>12,959,169</u>	<u>3,758,680</u>
<b>EXPENDITURES</b>				
Current:				
Elected officials				
County executive				
Administration				
Planning				
Human services	9,532,241	9,533,887	9,080,419	453,468
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>9,532,241</u>	<u>9,533,887</u>	<u>9,080,419</u>	<u>453,468</u>
Excess of revenues over (under) expenditures	<u>(331,760)</u>	<u>(333,398)</u>	<u>3,878,750</u>	<u>4,212,148</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,216,980	1,375,837	1,320,837	(55,000)
Indirect cost allocation in				
Operating transfers out	(491,918)	(478,098)	(468,229)	9,869
Indirect cost allocation out	(393,302)	(393,302)	(393,302)	0
Total other financing sources (uses)	<u>331,760</u>	<u>504,437</u>	<u>459,306</u>	<u>(45,131)</u>
Net change in fund balances	0	171,039	4,338,056	4,167,017
Fund balance, January 1	650,000	571,787	571,787	0
Fund balance, December 31	<u>\$ 650,000</u>	<u>\$ 742,826</u>	<u>\$ 4,909,843</u>	<u>\$ 4,167,017</u>

COUNTY OF LEHIGH, PENNSYLVANIA  
Mental Health Fund  
Adjustments to Reconcile GAAP Basis to Budgetary Basis  
For the Year Ended December 31, 2010

	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 at December 31, 2009	412,063	
Accrued as receivables at December 31, 2010 but not recognized in budget	2,795,821	2,795,821
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2009	(983,850)	
Accrued as deferred expenditures at December 31, 2009 but not recognized in budget		
Accrued as liabilities at December 31, 2010 but not recognized in budget	2,114,022	2,114,022
Budgetary Basis	\$ 4,338,056	\$ 4,909,843



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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Grants and reimbursements	\$ 65,768,707	\$ 70,807,030	\$ 72,085,066	\$ 1,278,036
Departmental earnings				
Costs and fines				
Investment income	300,001	300,003	199,712	(100,291)
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>66,068,708</u>	<u>71,107,033</u>	<u>72,284,778</u>	<u>1,177,745</u>
<b>EXPENDITURES</b>				
Current:				
Elected officials				
County executive				
Administration				
Planning				
Human services	70,206,330	79,328,569	68,338,876	10,989,693
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>70,206,330</u>	<u>79,328,569</u>	<u>68,338,876</u>	<u>10,989,693</u>
Excess of revenues over (under) expenditures	<u>(4,137,622)</u>	<u>(8,221,536)</u>	<u>3,945,902</u>	<u>12,167,438</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in				
Indirect cost allocation in				
Operating transfers out	(642,175)	(948,729)	(856,974)	91,755
Indirect cost allocation out	(152,281)	(152,281)	(152,281)	0
Total other financing sources (uses)	<u>(794,456)</u>	<u>(1,101,010)</u>	<u>(1,009,255)</u>	<u>91,755</u>
Net change in fund balances	(4,932,078)	(9,322,546)	2,936,647	12,259,193
Fund balance, January 1	33,475,000	33,697,110	33,697,110	0
Fund balance, December 31	<u>\$ 28,542,922</u>	<u>\$ 24,374,564</u>	<u>\$ 36,633,757</u>	<u>\$ 12,259,193</u>

COUNTY OF LEHIGH, PENNSYLVANIA  
 Health Choices Fund  
 Adjustments to Reconcile GAAP Basis to Budgetary Basis  
 For the Year Ended December 31, 2010

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>Fund Balance at End of Year</u>
GAAP Basis	\$ 3,953,546	\$ 36,452,589
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2009	1,008,316	
Accrued as receivables (net of deferred revenues) at December 31, 2010 but not recognized in budget	(20,623)	(20,623)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2009	(2,206,383)	
Accrued as liabilities at December 31, 2010 but not recognized in budget	<u>201,791</u>	<u>201,791</u>
Budgetary Basis	<u>\$ 2,936,647</u>	<u>\$ 36,633,757</u>

COUNTY OF LEHIGH, PENNSYLVANIA  
Area Agency on Aging Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Taxes				
Grants and reimbursements	\$ 47,510,630	\$ 49,895,084	\$ 44,588,233	\$ (5,306,851)
Departmental earnings	171,001	171,001	172,307	1,306
Costs and fines				
Investment income	15,001	15,001	8,925	(6,076)
Rents				
Payments in lieu of taxes				
Other revenues	471	471	25	(446)
Total revenues	<u>47,697,103</u>	<u>50,081,557</u>	<u>44,769,490</u>	<u>(5,312,067)</u>
<b>EXPENDITURES</b>				
Current:				
Elected officials				
County executive				
Administration				
Planning				
Human services	47,169,898	49,557,150	45,429,242	4,127,908
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>47,169,898</u>	<u>49,557,150</u>	<u>45,429,242</u>	<u>4,127,908</u>
Excess of revenues over (under) expenditures	<u>527,205</u>	<u>524,407</u>	<u>(659,752)</u>	<u>(1,184,159)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	645,465	645,465	645,464	(1)
Indirect cost allocation in				
Operating transfers out	(605,108)	(552,623)	(547,325)	5,298
Indirect cost allocation out	(567,562)	(567,562)	(567,562)	0
Total other financing sources (uses)	<u>(527,205)</u>	<u>(474,720)</u>	<u>(469,423)</u>	<u>5,297</u>
Net change in fund balances	0	49,687	(1,129,175)	(1,178,862)
Fund balance, January 1	<u>0</u>	<u>1,715,315</u>	<u>1,715,316</u>	<u>1</u>
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 1,765,002</u>	<u>\$ 586,141</u>	<u>\$ (1,178,861)</u>

