

*County of Lehigh,
Pennsylvania*

December 31, 2020

*Financial Statements
and Independent Auditor's Report*

County of Lehigh

Year Ended December 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position - Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	18
Statement of Cash Flows - Proprietary Funds.....	19
Statement of Fiduciary Net Position - Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	21
 Notes to Financial Statements	 22
 Required Supplemental Information	
Schedule of County Contributions - Pension.....	53
Schedule of Changes in the County's Net Pension Liability and Related Ratios.....	54
Schedule of Changes in the County's Total OPEB Liability and Related Ratios.....	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - General Fund.....	56
Adjustments To Reconcile GAAP Basis to Budgetary Basis - General Fund.....	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Mental Health Fund.....	58
Adjustments To Reconcile GAAP Basis to Budgetary Basis - Mental Health Fund.....	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Health Choices Fund.....	60
Adjustments To Reconcile GAAP Basis to Budgetary Basis - Health Choices Fund.....	61
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Children and Youth Fund.....	62
Adjustments To Reconcile GAAP Basis to Budgetary Basis - Children and Youth Fund.....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Cedarbrook Fund.....	64
Adjustments To Reconcile GAAP Basis to Budgetary Basis - Cedarbrook Fund.....	65



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Lehigh, Pennsylvania
Allentown, Pennsylvania

Report on the Financial Statements

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, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County of Lehigh, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County of Lehigh, Pennsylvania's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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To the Board of Commissioners
County of Lehigh, Pennsylvania
Page 2

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, Pennsylvania as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Pronouncements

In 2020 the County adopted the provisions of Governmental Accounting Standards Board's Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10, pension plan information on pages 53 through 54, OPEB plan information on page 55, budgetary comparison information on pages 56 through 65 and 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 Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
June 23, 2021

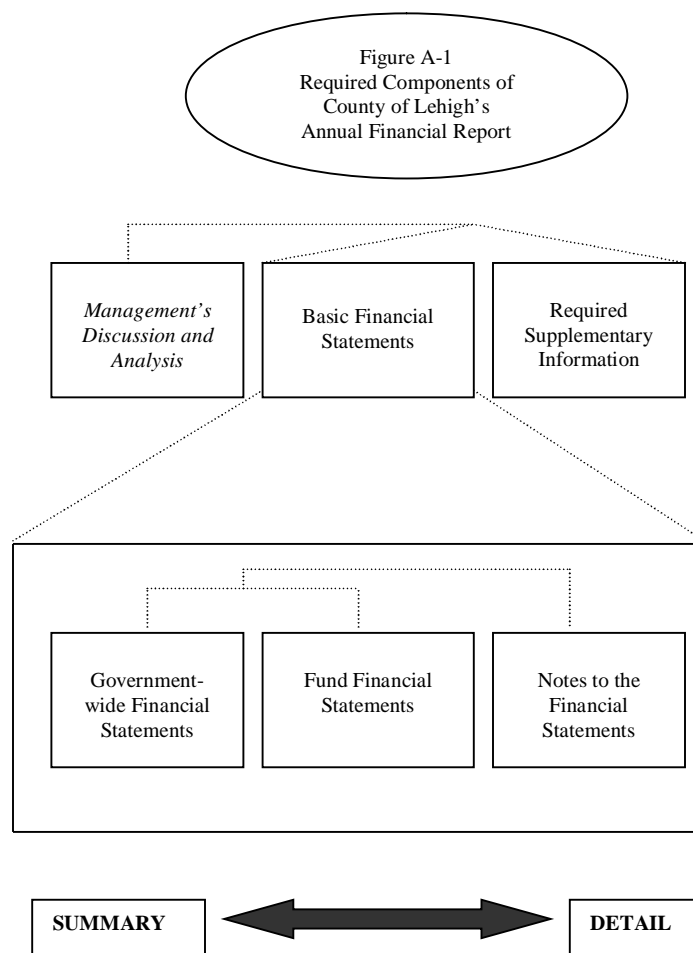
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020. 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 position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flow	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the County’s assets, liabilities, deferred outflows of resources, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the County’s *net position* and how it has changed. Net position - the difference between the County’s assets and liabilities including deferred inflows and outflows - is a way to measure the County’s financial health, *or position*. Over time, increases or decreases in the County’s net position 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 or by bond indentures.
- The County administration establishes other funds to control and manage money for particular purposes (like Record Improvement Fee collections) or to show that it is properly using certain taxes and grants (like the Hotel Room Rental Tax and grants from the federal and state governments).

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other *financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps 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 that covers the costs of the related service are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term 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 employees' pension plan. It is also responsible for other assets that are collected and held for others and are restricted for that use. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Government-wide Financial Analysis

The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$62 million at the close of the 2020 fiscal year. The following is a condensed summary of net position for the years 2019 and 2020:

County of Lehigh's Net Position

	Total Governmental Activities		Total Business - Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 220,141,008	\$ 237,130,159	\$ 1,421,877	\$ 1,445,148	\$ 221,562,885	\$ 238,575,307
Capital assets	266,674,743	265,313,386	418,342	501,609	267,093,085	265,814,995
Total Assets	<u>486,815,751</u>	<u>502,443,545</u>	<u>1,840,219</u>	<u>1,946,757</u>	<u>488,655,970</u>	<u>504,390,302</u>
Deferred outflows of resources - Pension	2,946,473	41,178,787	5,120	79,665	2,951,593	41,258,452
General obligation bonds and notes payable	160,424,584	145,222,284			160,424,584	145,222,284
Other liabilities	253,598,253	305,969,115	370,845	451,688	253,969,098	306,420,803
Total Liabilities	<u>414,022,837</u>	<u>451,191,399</u>	<u>370,845</u>	<u>451,688</u>	<u>414,393,682</u>	<u>451,643,087</u>
Deferred inflows of resources - Pension	17,239,365	31,581,439	39,261	67,225	17,278,626	31,648,664
Debt refinance	701,860	350,930	0	0	701,860	350,930
	<u>17,941,225</u>	<u>31,932,369</u>	<u>39,261</u>	<u>67,225</u>	<u>17,980,486</u>	<u>31,999,594</u>
Net Position:						
Net investment in capital assets	171,467,641	178,877,512	418,342	501,609	171,885,983	179,379,121
Restricted	65,979,040	69,956,626			65,979,040	69,956,626
Unrestricted deficit	(179,648,519)	(188,335,574)	1,016,891	1,005,900	(178,631,628)	(187,329,674)
Total Net Position	<u>\$ 57,798,162</u>	<u>\$ 60,498,564</u>	<u>\$ 1,435,233</u>	<u>\$ 1,507,509</u>	<u>\$ 59,233,395</u>	<u>\$ 62,006,073</u>

Current and other assets increased \$17 million largely due to the increase in cash and cash equivalents totaling \$16.8 million. Cash and cash equivalents increased \$10.5 million in the General Fund and \$7.4 million in the Cedarbrook Fund due to favorable variances in budgeted expenditures as noted below as well as a \$5.4 million decrease in the Bond Fund 2019 due to capital asset purchases. Net capital assets decreased \$1.3 million due to the net of \$12.7 million in capital asset purchases and \$14 million in net current year accumulated depreciation. See Note 5 on page 40 for additional capital asset information.

Deferred outflows of resources - pension increased \$38.3 million due to an update in assumptions used in the actuarially determined calculation and deferred inflows of resources - pension increased \$14.4 million resulting from favorable market conditions. See note 6 on page 41 for additional information.

General obligation bonds and notes payable decreased \$15.2 million. See Note 3 on Page 37 for additional information concerning the County's long-term debt.

Other liabilities increased \$52.5 million due to the net of:

- An increase in deposits and agency amounts payable of \$2.1 million resulting from a \$2.2 million increase in the actuarially determined claims payable reserve in the Health Choices Fund.
- An increase in unearned grant revenue of \$6.3 million resulting from the timing of human service's expenditure reimbursements from the state.
- An increase in net pension liability of \$24.4 million resulting from an update in assumptions used in the actuarially determined calculation. See note 6 on page 41 for additional information.
- An increase in total OPEB liability of \$16.4 million resulting from a decrease in the discount rate used in calculating this liability as required by GASB No. 75. See note 7 on page 46 for additional information.

Total net investment in capital assets/net position restricted for capital improvements increased \$7.5 million due to the net of a decrease in net capital assets of \$1.3 million, the payment of \$15.2 million in principal payments, and a decrease in unspent bond proceeds of \$7.3 million resulting from current year capital asset purchases. Unrestricted deficit increased \$8.7 million largely due to the net effect of the changes in net pension liability, deferred inflows/outflows of resources – pension, and unfunded other postemployment benefits as previously noted.

Changes in Net Position:

The following is a summary of the key elements comprising the changes in net position for the years 2019 and 2020.

County of Lehigh's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Revenues:						
Program revenue:						
Charges for services	\$ 32,268,738	\$ 27,446,710	\$ 1,164,456	\$ 1,164,573	\$ 33,433,194	\$ 28,611,283
Operating grants and contributions	277,334,749	332,081,628			277,334,749	332,081,628
General revenues:						
Property taxes	108,673,445	113,799,528			108,673,445	113,799,528
Unrestricted investment earnings	2,769,157	693,677	26,860	8,458	2,796,017	702,135
Transfers	128,889	79,953	(128,889)	(79,953)		
Total revenues	421,174,978	474,101,496	1,062,427	1,093,078	422,237,405	475,194,574
Expenses:						
Elected officials	28,694,244	33,966,470			28,694,244	33,966,470
County executive	5,908,083	6,895,338			5,908,083	6,895,338
Administration	12,760,249	12,812,619			12,760,249	12,812,619
Human services	182,204,306	195,978,628	974,390	1,020,802	183,178,696	196,999,430
General services	20,757,240	20,533,826			20,757,240	20,533,826
Nursing homes	82,984,641	89,945,945			82,984,641	89,945,945
Corrections	35,428,916	36,197,010			35,428,916	36,197,010
Department of law	51,740	234,905			51,740	234,905
Courts	37,346,447	39,010,113			37,346,447	39,010,113
Development	2,192,574	30,973,109			2,192,574	30,973,109
Interest on long-term debt	2,813,518	4,853,131			2,813,518	4,853,131
Total expenses	411,141,958	471,401,094	974,390	1,020,802	412,116,348	472,421,896
Changes in Net Position	10,033,020	2,700,402	88,037	72,276	10,121,057	2,772,678
Beginning Net Position	47,765,142	57,798,162	1,347,196	1,435,233	49,112,338	59,233,395
Ending Net Position	<u>\$ 57,798,162</u>	<u>\$ 60,498,564</u>	<u>\$ 1,435,233</u>	<u>\$ 1,507,509</u>	<u>\$ 59,233,395</u>	<u>\$ 62,006,073</u>

The County's total revenues increased \$53 million to \$475.2 million due to:

- A decrease in charges for services of \$4.8 million resulting from reduced activity due to the COVID-19 pandemic.
- An increase in operating grants and contributions of \$54.7 million due to an increase in the General Fund of \$37.5 million largely due to federal CARES Act funds and \$18.2 million in the Health Choices Fund due to an increase in eligible membership and an increase in the MCO assessment tax.
- An increase in property taxes of \$5.1 million due to a millage increase from 3.64 in 2019 to 3.78 in 2020.
- A decrease in unrestricted investment earnings of \$2.1 million resulting from a decrease in interest rates.

The County's expenses totaled \$472.4 million. The Human Services and Nursing Homes functions comprise 60.7% of the total expenses. The Corrections and Courts functions comprise 15.9% of the total expenses.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$182.1 million, which is a \$4.9 million increase from the prior year. The primary reasons for this increase in fund balances were:

- The General Fund increased \$8.8 million due to favorable variances in several expenditure categories as noted below.
- Cedarbrook Fund increased \$3 million largely due to an increase in the transfer of funds between the County and the Pennsylvania Department of Human Services, known as an intergovernmental transfer (IGT).
- Bond Fund 2019 decreased \$5.8 million resulting from capital asset purchases as previously noted. These funds are restricted for the payment of capital related expenditures.

General Fund Budgetary Highlights

Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of revenues in the General Fund resulted in a net increase of \$34.8 million. Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$35.9 million which is largely the result of revisions for purchase order and other committed fund carryovers. These fluctuations were the result of budget revisions to accommodate federal CARES Act funds.

Final Budget vs. Actual

- \$0.1 million favorable variance in tax revenues.
- \$2.9 million favorable variance in grants and reimbursements. In general, these variances are the result of timing differences between the grant related expenditure and the corresponding reimbursement.
- \$1.1 million unfavorable variance in costs and fines due to the COVID-19 pandemic impact on such operations.
- \$1.2 million unfavorable variance in investment income due to unfavorable interest rates.

- \$1.9 million favorable variance in Elected Officials expenditures largely due to favorable budget variations in personnel costs and professional services such as legal services and other specialized services.
- \$3.1 favorable variance in Administration expenditures largely due to favorable budgetary variations in personnel and employee benefit costs
- \$2.9 million favorable variance in Corrections expenditures largely due to favorable budgetary variations in personnel costs and operational costs such as meal expenses and electricity.
- \$2.2 million favorable variance in Courts expenditures largely due to favorable budgetary variations in personnel costs, operational costs such as professional services, and shared institutional costs for juvenile placements.

Budgeted operating transfers in and operating transfers out resulted in a net favorable variance of \$3.8 million largely due to anticipated capital asset activity totaling \$4.6 million that did not occur as of the close of the year. Funding of these projects is achieved through transfers from individual funds to the Other Capital Projects Fund which is carried forward to the following year.

Capital Assets

The following is a schedule of the County’s net capital assets as of December 31, 2019 and December 31, 2020:

County of Lehigh’s Capital Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 12,310,981	\$ 12,310,981	\$ 236,533	\$ 236,533	\$ 12,547,514	\$ 12,547,514
Buildings and improvements	151,866,315	147,466,058	151,736	240,243	152,018,051	147,706,301
Machinery and equipment	15,241,718	15,390,303	7,489	5,349	15,249,207	15,395,652
Furniture and Fixtures	576,607	579,076	22,584	19,484	599,191	598,560
Easements	26,089,610	27,642,566			26,089,610	27,642,566
Infrastructure	60,589,512	61,924,402			60,589,512	61,924,402
Total	\$ 266,674,743	\$ 265,313,386	\$ 418,342	\$ 501,609	\$ 267,093,085	\$ 265,814,995

Noteworthy capital asset purchases/projects that took place in 2020 were as follows:

- \$3.1 million - Major bridge reconstruction
- \$1.6 million - Agriculture land easements
- \$2.3 million – Public safety software

Additional information of the County’s Capital Assets can be found in Note 5 on page 40.

Debt Administration

At year-end, the County had \$116.1 million in general obligation bonds and \$29.1 million in general obligation notes outstanding. More detailed information about the County’s long-term liabilities is presented in Note 3 on Page 37.

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

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is \$1.2 billion as stated within the debt statement of the County's most recent note issuance, which is significantly in excess of the County's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Lehigh County was 7.8 percent compared to the state's rate of 9.1 percent and the national rate of 8.1 percent.
- Northeast region 2020 inflation was 1.4 percent.

These indicators were taken into account when adopting the general fund budget for 2021.

Property tax millage for 2021 is the same as 2020 - 3.78 mills.

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 Position
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 186,135,151	\$ 1,445,148	\$ 187,580,299
Receivables:			
Grants	34,034,546		34,034,546
Real estate taxes	3,892,796		3,892,796
Other	1,503,340		1,503,340
Other	2,789,340		2,789,340
Cash and cash equivalents - restricted	8,774,986		8,774,986
Capital assets, not being depreciated	39,953,547	236,533	40,190,080
Capital assets (net of accumulated depreciation)	225,359,839	265,076	225,624,915
Total assets	<u>502,443,545</u>	<u>1,946,757</u>	<u>504,390,302</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>41,178,787</u>	<u>79,665</u>	<u>41,258,452</u>
LIABILITIES			
Accounts payable	21,820,265	46,994	21,867,259
Deposits and agency amounts payable	8,774,986		8,774,986
Accrued payroll and payroll taxes	6,551,914	13,932	6,565,846
Due to other governmental units	6,494		6,494
Unearned grant revenues	11,402,757		11,402,757
Current portions of long term liabilities:			
General obligation bonds payable	410,000		410,000
Note payable	13,446,280		13,446,280
Unamortized bond premium	478,244		478,244
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	17,212,037		17,212,037
Accrued worker's compensation	3,485,068		3,485,068
General obligation bonds payable	115,705,000		115,705,000
Note payable	15,661,004		15,661,004
Unamortized bond premium	5,410,518		5,410,518
Net pension liability	82,476,063	135,586	82,611,649
Total OPEB liability	148,350,769	255,176	148,605,945
Total liabilities	<u>451,191,399</u>	<u>451,688</u>	<u>451,643,087</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	31,581,439	67,225	31,648,664
Debt refinance	350,930		350,930
	<u>31,932,369</u>	<u>67,225</u>	<u>31,999,594</u>
NET POSITION			
Net investment in capital assets	178,877,512	501,609	179,379,121
Restricted for:			
Program expenditures	59,115,553		59,115,553
Debt service	752,519		752,519
Capital improvements	10,088,554		10,088,554
Unrestricted (deficit)	(188,335,574)	1,005,900	(187,329,674)
Total net position	<u>\$ 60,498,564</u>	<u>\$ 1,507,509</u>	<u>\$ 62,006,073</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, 2020

Function	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 31,207,586	\$ 2,758,884	\$ 5,840,918	\$ 1,521,316	\$ (26,604,236)		\$ (26,604,236)
County executive	5,839,215	1,056,123	1,158	2,032,175	(4,862,005)		(4,862,005)
Administration	29,320,639	(16,508,020)	5,585,078	1,583,343	(5,644,198)		(5,644,198)
Human services	193,632,967	2,345,661	58,349	189,099,688	(6,820,591)		(6,820,591)
General services	21,759,575	(1,225,749)	172,090	13,360,159	(7,001,577)		(7,001,577)
Nursing homes	84,128,034	5,817,911	7,451,765	80,988,694	(1,505,486)		(1,505,486)
Corrections	34,531,570	1,665,440	2,859,854	413,384	(32,923,772)		(32,923,772)
Department of law	1,303,679	(1,068,774)	55,407		(179,498)		(179,498)
Courts	34,218,145	4,791,968	3,559,089	7,318,838	(28,132,186)		(28,132,186)
Development	30,789,515	183,594	1,863,002	35,764,031	6,653,924		6,653,924
Interest on long-term debt	4,853,131				(4,853,131)		(4,853,131)
Total governmental activities	471,584,056	(182,962)	27,446,710	332,081,628	(111,872,756)		(111,872,756)
Business-type activities:							
Enterprise funds	837,840	182,962	1,164,573			143,771	143,771
Total primary government	\$ 472,421,896	\$ 0	\$ 28,611,283	\$ 332,081,628	(111,872,756)	143,771	(111,728,985)
			General revenues:				
			Taxes		113,799,528		113,799,528
			Unrestricted investment earnings		693,677	8,458	702,135
			Transfers		79,953	(79,953)	0
			Total general revenues		114,573,158	(71,495)	114,501,663
			Change in net position		2,700,402	72,276	2,772,678
			Net position, January 1		57,798,162	1,435,233	59,233,395
			Net position, December 31		\$ 60,498,564	\$ 1,507,509	\$ 62,006,073

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

COUNTY OF LEHIGH, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2020

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Bond Fund 2019	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 41,444,721	\$ 4,692,128	\$ 24,886,901		\$ 8,550,364	\$ 64,272,087	\$ 38,823,368	\$ 182,669,569
Receivables:								
Grants	609,886		11,102,390	\$ 7,180,697	6,133,905		9,007,668	34,034,546
Real estate taxes	3,892,796							3,892,796
Other	6,013,237	67		60	289,651		456,258	6,759,273
Other	14,340						2,775,000	2,789,340
Cash and cash equivalents - restricted	421,460		8,200,000				153,526	8,774,986
Total assets	<u>\$ 52,396,440</u>	<u>\$ 4,692,195</u>	<u>\$ 44,189,291</u>	<u>\$ 7,180,757</u>	<u>\$ 14,973,920</u>	<u>\$ 64,272,087</u>	<u>\$ 51,215,820</u>	<u>\$ 238,920,510</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,899,684	\$ 1,462,458	\$ 9,084,746	\$ 6,791,967	\$ 3,205,085	\$ 403,752	\$ 4,188,227	\$ 27,035,919
Deposits and agency amounts payable	421,460		8,200,000				153,526	8,774,986
Payroll and payroll taxes	3,345,938	154,470	26,847	388,790	1,732,030		861,619	6,509,694
Due to other governmental units	6,494							6,494
Unearned grant revenues		3,075,267					8,327,490	11,402,757
Total liabilities	<u>5,673,576</u>	<u>4,692,195</u>	<u>17,311,593</u>	<u>7,180,757</u>	<u>4,937,115</u>	<u>403,752</u>	<u>13,530,862</u>	<u>53,729,850</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - real estate taxes	<u>\$ 3,041,517</u>							<u>\$ 3,041,517</u>
Fund balances:								
Restricted			26,877,698			63,868,335	29,227,642	119,973,675
Committed					10,036,805		8,457,316	18,494,121
Unassigned	43,681,347							43,681,347
Total fund balances	<u>43,681,347</u>	<u>0</u>	<u>26,877,698</u>	<u>0</u>	<u>10,036,805</u>	<u>63,868,335</u>	<u>37,684,958</u>	<u>182,149,143</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 52,396,440</u>	<u>\$ 4,692,195</u>	<u>\$ 44,189,291</u>	<u>\$ 7,180,757</u>	<u>\$ 14,973,920</u>	<u>\$ 64,272,087</u>	<u>\$ 51,215,820</u>	<u>\$ 238,920,510</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 Position
December 31, 2020

Total fund balances for governmental funds \$ 182,149,143

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

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

Land	12,310,981
Buildings and improvements, net of \$155,096,210 accumulated depreciation	147,466,058
Machinery and equipment, net of \$60,383,239 accumulated depreciation	15,390,303
Furniture and fixtures, net of \$8,185,806 accumulated depreciation	579,076
Easements	27,642,566
Infrastructure, net of \$13,196,639 accumulated depreciation	<u>61,924,402</u>

Net capital assets 265,313,386

An internal service fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. 3,383,083

Some of the County's taxes will be collected after year end but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds. 3,041,517

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Balances at December 31, 2020 are:

Accrued vacation and other compensation	(17,212,037)
Accrued worker's compensation	(3,485,068)
Bonds and notes payable	(145,222,284)
Unamortized bond premium	(5,888,762)
Net pension liability (net of related deferred outflows of resources)	(41,297,276)
Total OPEB liability	(148,350,769)
Deferred inflows of resources – pension	(31,581,439)
Deferred inflows of resources – debt refinance	<u>(350,930)</u> <u>(393,388,565)</u>

Total net position of governmental activities \$ 60,498,564

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, 2020

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Bond Fund 2019	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 113,378,295							\$ 113,378,295
Grants and reimbursements	43,350,522	\$ 14,746,793	\$ 124,254,535	\$ 26,646,574	\$ 80,988,694		\$ 42,094,510	332,081,628
Departmental earnings	11,813,967	4,494			7,083,633		2,863,546	21,765,640
Judicial costs and fines	3,000,118						6,848	3,006,966
Investment income	162,454	11,150	141,676	1,801	10,906	\$ 178,627	187,063	693,677
Rents	366,011				4,500		936,800	1,307,311
Other	363,600			418	5,187		168,414	537,619
Total revenues	<u>172,434,967</u>	<u>14,762,437</u>	<u>124,396,211</u>	<u>26,648,793</u>	<u>88,092,920</u>	<u>178,627</u>	<u>46,257,181</u>	<u>472,771,136</u>
EXPENDITURES								
Current:								
Elected officials	23,810,949					1,888,067	3,027,247	28,726,263
County executive	4,875,975					130,798	230,500	5,237,273
Administration	24,496,476					514,763	1,164,916	26,176,155
Human services	1,988,374	14,585,025	122,528,270	28,959,134			23,029,465	191,090,268
General services	7,589,533					1,893,143	13,833,216	23,315,892
Nursing homes					77,713,303	969,572	1,089,676	79,772,551
Corrections	30,183,798					553,388	190,249	30,927,435
Department of law	1,207,799							1,207,799
Courts	26,487,165						4,698,334	31,185,499
Development	28,904,209						1,762,579	30,666,788
Indirect cost allocation charges	(10,232,331)	362,050	167,122	963,158	6,073,651		2,483,388	(182,962)
Debt Service:								
Principal retirement							15,109,976	15,109,976
Interest							4,835,181	4,835,181
Total expenditures	<u>139,311,947</u>	<u>14,947,075</u>	<u>122,695,392</u>	<u>29,922,292</u>	<u>83,786,954</u>	<u>5,949,731</u>	<u>71,454,727</u>	<u>468,068,118</u>
Excess of revenues over (under) expenditures	<u>33,123,020</u>	<u>(184,638)</u>	<u>1,700,819</u>	<u>(3,273,499)</u>	<u>4,305,966</u>	<u>(5,771,104)</u>	<u>(25,197,546)</u>	<u>4,703,018</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	944,596	519,295		4,048,778	183,025		23,839,241	29,534,935
Operating transfers out	(25,297,235)	(334,657)	(850,283)	(775,279)	(1,493,294)		(552,121)	(29,302,869)
Total other financing sources / (uses)	<u>(24,352,639)</u>	<u>184,638</u>	<u>(850,283)</u>	<u>3,273,499</u>	<u>(1,310,269)</u>	<u>0</u>	<u>23,287,120</u>	<u>232,066</u>
Net change in fund balances	8,770,381	0	850,536	0	2,995,697	(5,771,104)	(1,910,426)	4,935,084
Fund balances, January 1	34,910,966	0	26,027,162	0	7,041,108	69,639,439	39,595,384	177,214,059
Fund balances, December 31	<u>\$ 43,681,347</u>	<u>\$ 0</u>	<u>\$ 26,877,698</u>	<u>\$ 0</u>	<u>\$ 10,036,805</u>	<u>\$ 63,868,335</u>	<u>\$ 37,684,958</u>	<u>\$ 182,149,143</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, 2020

Net change in fund balances – total governmental funds \$ 4,935,084

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the retirement of capital assets is to decrease net position. This is the amount by which net capital outlays exceeded depreciation in the current period. (1,361,357)

The issuance of long-term debt is another financing source in the governmental funds but increases the liability in the statement of net position. The repayment of long-term debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 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. 15,588,220

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 these balances.

Accrued worker’s compensation	552,637	
Accrued vacation and other compensation	(1,521,842)	
Unearned real estate tax revenue	421,233	
Deferred outflows of resources - pension	38,232,314	
Net pension liability	(24,387,420)	
Total OPEB liability	(16,412,742)	
Deferred inflows of resources - pension	(14,342,074)	
Deferred inflows of resources - debt refinance	350,930	(17,106,964)

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 \$662,876 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 645,419

Change in net position of governmental activities \$ 2,700,402

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
Proprietary Funds
December 31, 2020

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,445,148	\$ 3,465,582
Total current assets	<u>1,445,148</u>	<u>3,465,582</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	6,826,366	23,354,186
Equipment	401,793	1,010,142
Furniture and fixtures	71,987	1,441,539
Less accumulated depreciation	<u>(7,035,070)</u>	<u>(16,328,841)</u>
Total capital assets (net of accumulated depreciation)	<u>501,609</u>	<u>9,477,026</u>
TOTAL ASSETS	<u>1,946,757</u>	<u>12,942,608</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSION	<u>79,665</u>	
LIABILITIES		
Current liabilities:		
Accounts payable	46,994	40,279
Accrued payroll and payroll taxes	13,932	42,220
Current portion of general obligation bonds payable	<u> </u>	<u>94,812</u>
Total current liabilities	60,926	177,311
Noncurrent liabilities:		
General obligation bonds payable		406,359
Net pension liability	135,586	
Total OPEB liability	<u>255,176</u>	
TOTAL LIABILITIES	<u>451,688</u>	<u>583,670</u>
DEFERRED INFLOWS OF RESOURCES - PENSION	<u>67,225</u>	
NET POSITION		
Net investment in capital assets	501,609	8,975,855
Unrestricted	<u>1,005,900</u>	<u>3,383,083</u>
TOTAL NET POSITION	<u>\$ 1,507,509</u>	<u>\$ 12,358,938</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 1,164,573	
Government Center revenues		\$ 2,296,456
Total operating revenues	<u>1,164,573</u>	<u>2,296,456</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	774,316	
Government Center		1,498,835
Depreciation	63,524	662,876
Indirect cost allocation charges	182,962	
Total operating expenses	<u>1,020,802</u>	<u>2,161,711</u>
OPERATING INCOME	<u>143,771</u>	<u>134,745</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	8,458	17,861
Interest expense		(17,950)
Total nonoperating revenues (expenses)	<u>8,458</u>	<u>(89)</u>
OTHER FINANCING USES		
Transfers in	39,503	
Transfers out	(119,456)	(152,113)
	<u>(79,953)</u>	<u>(152,113)</u>
Change in net position	72,276	(17,457)
Total net position, January 1	<u>1,435,233</u>	<u>12,376,395</u>
Total net position, December 31	<u>\$ 1,507,509</u>	<u>\$ 12,358,938</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, 2020

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,167,438	\$ 2,296,456
Payments to suppliers	(447,195)	(369,430)
Payments to employees	(237,699)	(815,173)
Payments of benefits on behalf of employees	(55,160)	(301,590)
Indirect cost allocation charges	(182,962)	
Net cash provided by operating activities	244,422	810,263
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in from other funds	39,503	
Transfers to other funds	(119,456)	(152,113)
Net cash used for noncapital financing activities	(79,953)	(152,113)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(146,791)	
Principal paid on capital debt		(92,324)
Interest paid on capital debt		(17,950)
Net cash used by capital and related financing activities	(146,791)	(110,274)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	8,458	17,861
Net cash provided by investing activities	8,458	17,861
Net increase in cash and cash equivalents	26,136	565,737
Cash and cash equivalents, January 1	1,419,012	2,899,845
Cash and cash equivalents, December 31	\$ 1,445,148	\$ 3,465,582
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 143,771	\$ 134,765
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	63,524	662,876
Decrease in other receivables	2,865	
Increase in deferred outflows of resources - pension	(74,545)	
Increase/(decrease) in accounts payable	(1,060)	6,347
Increase in payroll and payroll taxes payable	2,352	6,295
Increase in net pension liability	47,550	
Increase in total OPEB liability	32,001	
Increase in deferred inflows of resources - pension	27,964	
Net cash provided by operating activities	\$ 244,422	\$ 810,283

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Component Unit Employee Retirement Plan	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 16,955,072	\$ 11,503,604
Investments, at fair value:		
United States government obligations	44,945,173	
Corporate and foreign bonds	61,615,430	
Mortgage/asset backed securities	7,631,528	
Common and preferred stock	141,638,121	
Mutual funds	247,189,071	655,846
Alternative investments	69,507,417	
Total investments	572,526,740	655,846
Receivables:		
Interest and dividends	700,693	
Employee contributions	370,578	
Other	8,028	60,052
Total receivables	1,079,299	60,052
Total assets	590,561,111	12,219,502
LIABILITIES		
Accounts payable	302,190	60
Deposits and agency amounts payable		10,502,060
Due to other governmental units		1,717,382
Withdrawals payable	148,432	
Pension benefits payable	594,881	
Total liabilities	1,045,503	12,219,502
NET POSITION		
Held in trust for pension benefits	\$ 589,515,608	\$ 0

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Component Unit	Custodial
	Employee Retirement Plan	Funds
ADDITIONS		
Contributions:		
Employee	\$ 7,245,394	
Employer	14,787,937	
Total contributions	22,033,331	
Investment income:		
Interest and dividend income	9,901,082	
Net appreciation in fair value of investments:		
United States government obligations	180,076	
Corporate and foreign bonds	86,008	
Mortgage/asset backed securities	6,071,131	
Common stock	19,173,200	
Mutual funds	20,125,000	
Alternative investments	6,966,959	
Total net appreciation in fair value of investments	52,602,374	
Less investment expenses	(1,066,127)	
Net investment income	61,437,329	
Other additions	1,688	
Collections:		
Inmate collections		\$ 2,363,100
Nursing home resident trust collections		514,335
Bail, restitution, and criminal seizure collections		558,960
Escheat collections		138,186
Judicial record collections		45,922,489
Sheriff sale collections		7,569,172
Restitution collections		494,982
Escrow collections		263,457
Total collections		57,824,681
Total additions	83,472,348	57,824,681
DEDUCTIONS		
Employee contributions refunded	1,075,137	
Retirement benefits paid	36,465,567	
Death benefits paid	543,465	
Administrative expense	41,891	
Payments of inmate funds		2,363,100
Payments of nursing home resident trust funds		514,335
Payments of bail, restitution, and criminal seizure funds		558,960
Payments of escheat funds		138,186
Payment of judicial record funds		45,922,489
Payment of sheriff sale funds		7,569,172
Payment of restitution		494,982
Payment of escrow funds		263,457
Total deductions	38,126,060	\$ 57,824,681
Change in net position	45,346,288	
Net position, January 1	544,169,320	
Net position, December 31	\$ 589,515,608	

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, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The County is financially accountable for:

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

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

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

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

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

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

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

1. Component Unit - A legally separate organization for which elected officials of the County are financially accountable. This type of entity may then be reported in one of the two following manners:
 - Discrete presentation - Financial data for the component unit is presented in a column separate from that of the County's financial data. There is no such presentation for the County's financial statements.
 - Blended presentation - Financial data for the component unit is presented in the same manner as that of the County's financial data and is reported as part of the County's financial operations. The County's Retirement Fund is presented as a component unit as the County appoints a majority of the board and it is financially dependent upon the County.
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 2020, the County paid \$600,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2020, the County provided \$582,830 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.

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The County's major Governmental Funds are General Fund, Mental Health Fund, Health Choices Fund, Children and Youth Fund, Cedarbrook Fund, and Bond Fund 2019.

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

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

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

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

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

The Bond Fund 2019 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, amortization of bond premium, and bond interest are reported as nonoperating items as they are ancillary to the principal ongoing operations.

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Funds

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

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

Cash and Cash Equivalents

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

Investments

The County accounts for its investments at fair value.

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 2020 real estate taxes assessed equaled \$115,429,576 based on a total County valuation of \$30,536,925,000. Based on the 2020 levy of 3.78 mills, a property owner would pay \$3.78 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2020 real estate taxes are as follows:

July 31, 2021	Notices of unpaid delinquent taxes must be mailed by the County, or its agent.
August 31, 2022	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 5, 2022	This is the earliest date on which the County, or its agent, may conduct the tax sale (upset sale) to recover unpaid delinquent taxes, penalties, costs, and interest.
December 7, 2022	This is the earliest date on which the County, or its agent, would conduct the judicial tax sale for parcels remaining unsold at the previous upset sale to recover all costs incurred by the County in its attempt to collect unpaid taxes on a particular parcel (actual taxes, interest, and penalties are waived). Parcels remaining unsold after the judicial tax sale are placed in a repository for unsold properties.

Capital Assets

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

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

Long-term Obligations

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

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

Interfund Transactions

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

Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenue in the government-wide and enterprise funds financial statements. In the County's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources – Debt Refinance

In May 2017 the County issued a fixed rate General Obligation Note in the original amount of \$67,280,000. The note was issued to refund the General Obligation Bonds Series 2007 and pay issuance costs. The County incurred a refunding gain of \$1,754,650 which represents the difference between the carrying value (including the unamortized premium) and the reacquisition cost of the refunded bonds. The refunding gain has been deferred and is being amortized through November 2022. The unamortized balance of the refunding gain is classified as a deferred inflow of resources for the County's governmental activities and totals \$350,930 at December 31, 2020.

Net Position/Fund Balances

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

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

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

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

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners remove or change the specified use by taking the same type of action that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Commissioners has the responsibility to approve or remove assigned fund balance to reflect the intended use of the resources.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

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

Accounting Estimates

The preparation of the financial statements in accordance 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 (GASB) Statements

The County has adopted the provisions of GASB's Statement No. 84, *Fiduciary Activities*. The adoption required that the County's defined benefit pension plan to now be shown as a component rather than a direct fund of the County and required the reporting of Custodial Funds rather than Agency funds. In addition, the adoption required the presentation of a Statement of Changes in Fiduciary Net Position for the Custodial Funds.

Pending Changes in Accounting Principles

The Governmental Accounting Standards Board has issued GASB's Statement No. 87, *Leases*. This Statement is required to be adopted by the County for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB's Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement is required to be adopted by the County for the year ending December 31, 2021.

The Governmental Accounting Standards Board has issued GASB's Statement No. 91, *Conduit Debt Obligations*. This Statement is required to be adopted by the County for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB's Statement No. 92, *Omnibus 2020*. Sections of this Statement are required to be adopted in two phases by the County for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB's Statement No. 93, *Replacement of Interbank Offered Rates*. Sections of this Statement are required to be adopted in two phases by the County for the year ending December 31, 2021 and 2022.

The Governmental Accounting Standards Board has issued GASB's Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is required to be adopted by the County for the year ending December 31, 2023.

The Governmental Accounting Standards Board has issued GASB's Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is required to be adopted by the County for the year ending December 31, 2023.

The Governmental Accounting Standards Board has issued GASB's Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement is required to be adopted by the County for the year ending December 31, 2022.

NOTE 2 DEPOSITS AND INVESTMENTS

As of December 31, 2020, the County had the following debt investments and maturities within its Employee Retirement Plan Fund:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. government treasuries	\$ 24,691,513	2,578,484	\$ 6,763,453	\$ 8,200,258	\$ 7,149,318
U.S. government agencies	20,253,660		36,007	869,496	19,348,157
Corporate bonds	61,615,430	\$ 3,634,031	27,682,542	17,858,975	12,439,882
Mortgage/asset backed securities	7,631,528	25,347	2,502,208	300,631	4,803,342
Total	\$ 114,192,131	\$ 6,237,862	\$ 36,984,210	\$ 27,229,360	\$ 43,740,699

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

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

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

As of December 31, 2020, the County’s fixed income retirement investments had a credit rating as follows:

Credit Quality Rating	Percent of Fixed Income Investments
AAA	27
AA+	1
AA	20
AA-	2
A+	4
A	20
A-	13
BBB+	6
BBB	5
BBB-	2

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, 2020, the County’s cash and restricted cash balances for its governmental funds, proprietary funds and custodial funds were \$207,829,220 and its bank balances were \$214,642,199. 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 cash and cash equivalents balance in the Employee Retirement Plan Fund was insured up to limits established by the Federal Deposit Insurance Corporation (FDIC). The County had petty cash balances totaling \$29,669 at December 31, 2020.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). Accordingly, the degree of judgement exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The following tables present the balances of fair value measurement on a recurring basis by level within the hierarchy as of December 31, 2020:

Employees' Retirement Plan Fund

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt Securities				
Treasury obligations	\$ 24,691,513			\$ 24,691,513
Agency obligations		\$ 20,253,660		20,253,660
Corporate bonds		61,615,430		61,615,430
Mortgage/asset backed securities		7,631,528		7,631,528
	<u>24,691,513</u>	<u>89,500,618</u>	<u>\$</u>	<u>114,192,131</u>
			<u>0</u>	
Common and Preferred Stocks				
Energy	4,746,866			4,746,866
Materials	4,683,729			4,683,729
Industrials	15,699,198			15,699,198
Consumer discretionary	13,037,230			13,037,230
Consumer staples	6,431,574			6,431,574
Health care	22,879,566			22,879,566
Financials	16,465,116			16,465,116
Information technology	30,230,201			30,230,201
Telecommunication services	12,575,392			12,575,392
Utilities	4,598,744			4,598,744
Real estate	10,290,505			10,290,505
	<u>141,638,121</u>	<u>0</u>	<u>0</u>	<u>141,638,121</u>
Mutual Funds				
Domestic equities	108,841,286			108,841,286
International equities	73,504,550			73,504,550
Commodities	4,599,654			4,599,654
Absolute return	8,607,064			8,607,064
Preferred equity	12,449,363			12,449,363
Short term fixed income	26,141,681			26,141,681
Unconstrained fixed Income	13,045,473			13,045,473
	<u>247,189,071</u>	<u>0</u>	<u>0</u>	<u>247,189,071</u>
Total investments measured by fair value level	\$ 413,518,705	\$ 89,500,618	\$	503,019,323
			0	
Investments measured at the net asset value (NAV)				
International long/short hedge fund				32,614,076
Risk arbitrage hedge fund				14,582,099
CEF lending fund				16,645,599
LEM multifamily fund V, L.P.				5,665,643
				<u>69,507,417</u>
Total investments measured at fair value				<u>\$ 572,526,740</u>

Custodial Funds

	Level 1	Level 2	Level 3	Total
Mutual Funds				
Domestic equities	\$ 129,618			\$ 29,618
International equities	364,290			364,290
Short term fixed income	161,938			161,938
	<u>655,846</u>	<u>0</u>	<u>0</u>	<u>655,846</u>
Total investments measured at fair value	<u>\$ 655,846</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 655,846</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded commitments	Redemption frequency	Redemption notice period
International long/short hedge fund (1)	\$ 32,614,076	N/A	Quarterly	60 days
Risk arbitrage hedge fund (2)	14,582,099	N/A	Monthly	30 days
CEF lending fund (3)	16,645,599	N/A	Semi-annual	90 days
LEM multifamily fund V, L.P. (4)	5,665,643	\$5,000,000	N/A	N/A
Total investments measured at the NAV	<u>\$ 69,507,417</u>			

(1) This classification includes a hedge fund which seeks capital appreciation by investing in international equity positions. The fund's investments include primarily international long and short positions on international equities and long positions on absolute return investments. The fair value of the investments has been determined using the NAV per share (or its equivalent) of the investments. The fund has a lock-up period of one year which has been waived by the general partner. The fund manager may impose a gate of up to 15% of capital per quarter.

(2) This classification includes a hedge fund which seeks capital appreciation by investing in risk arbitrage transactions in connection with mergers, consolidations, acquisitions and similar transactions. The fund's investments include primarily US Government bonds, long and short position on domestic equities. The fair value of the investments has been determined using the NAV per share (or its equivalent) of the investments. In addition to the stated redemption notice and frequency period, the fund may levy a 2% fee on shareholder redemption who has been shareholder for less than twelve months.

(3) This classification includes a closed end lending fund which seeks intermediate to long term capital appreciation by pursuing a specialized investment strategy by taking long positions in debt and equity securities issued by companies registered under the Investment Company Act, typically “closed end fund” companies (“CEFs”) and “business development companies” (“BDCs”). While the Fund expects to invest primarily in debt and equity securities issued by CEFs and BDCs, the Fund may also invest in securities issued by other registered investment companies such as exchange traded funds and mutual funds as well as other cash equivalent instruments. The fund anticipates the use of leverage, potentially through investments that include significant embedded leverage and also through direct borrowings via a prime broker, repo agreement or other lending facility. The fair value of the investments has been determined using the NAV per share (or its equivalent) of the investments.

(4) This classification includes a private real estate fund which seeks to generate income and appreciation by investing exclusively in suburban Class A- and B value-add multifamily properties in primary and secondary US markets. The fund will invest in properties located in infill locations in markets and submarkets where diverse employment drivers, strong demographics, solid public schools, good highway access and other factors should create strong dynamics for potential growth in revenues and property values during the fund’s anticipated investment period. The fund expects to leverage its investments with debt financing at the property or operating company level and will not exceed 75% of total acquisition cost as of the time indebtedness is incurred. The fair value of the investments has been determined using the NAV per share (or its equivalent) of the investments.

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, 2020:

	Balance at January 1, 2020	Additions	Retirement s	Balance at December 31, 2020	Amount due within one year
Accrued vacation and other compensation	\$ 15,690,195	\$ 1,521,842		\$ 17,212,037	
Accrued worker’s compensation	4,037,705	795,357	\$ (1,347,994)	3,485,068	
General obligation bonds payable	116,575,000		(460,000)	116,115,000	\$ 410,000
Note payable	43,849,584		(14,742,300)	29,107,284	13,446,280
Unamortized bond premium/discount	6,367,006		(478,244)	5,888,762	478,244
	<u>\$ 186,519,490</u>	<u>\$ 2,317,199</u>	<u>\$ (17,028,538)</u>	<u>\$ 171,808,151</u>	<u>\$ 14,334,524</u>

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

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, 2020:

		<u>Amount Due Within One Year</u>
\$16,690,000 2016 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$5,995,000 through November 15, 2025, interest rate of 4%	\$ 16,580,000	\$ 5,000
\$16,230,000 2016 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$380,000 to \$900,000 through December 15, 2045, interest rates vary from 2.65% to 4%	15,470,000	395,000
\$13,120,000 2017 Guaranteed Authority Bonds, serial bonds due in annual installments of \$5,000 to \$1,600,000 through December 15, 2037, interest rates vary from 2% to 5%	13,105,000	5,000
\$70,960,000 2019 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$3,995,000 through November 15, 2049, interest rates vary from 1.15% to 2.7%.	<u>70,960,000</u>	<u>5,000</u>
Total general obligation bonds payable	<u>116,115,000</u>	<u>410,000</u>
\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$92,000 to \$109,000 through September 1, 2024, interest rate of 3.73%	1,533,000	389,000
\$4,768,538 2010 General Obligation Note, due in annual installments of \$333,300 to \$381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	1,809,284	342,280
\$67,280,000 2017 General Obligation Note, due in annual installments of \$12,715,000 to \$14,035,000 through November 15, 2022, interest rate of 1.68%	<u>25,765,000</u>	<u>12,715,000</u>
Total notes payable	<u>29,107,284</u>	<u>13,446,280</u>
Total general obligation bonds and notes payable	<u>\$ 145,222,284</u>	<u>\$ 13,856,280</u>

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2020 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>	
2021	\$ 13,761,468	\$ 4,505,157	\$ 94,812	\$ 14,648	\$ 13,856,280	\$ 4,519,805	\$ 18,376,085
2022	14,136,723	4,253,325	97,591	11,893	14,234,314	4,265,218	18,499,532
2023	6,644,293	3,994,290	100,108	9,047	6,744,401	4,003,337	10,747,738
2024	7,277,627	3,728,190	102,918	6,122	7,380,545	3,734,312	11,114,857
2025	7,611,002	3,438,907	105,742	3,107	7,716,744	3,442,014	11,158,758
2026-2030	16,400,000	14,211,886			16,400,000	14,211,886	30,611,886
2031-2035	21,470,000	10,618,589			21,470,000	10,618,589	32,088,589
2036-2040	21,155,000	7,341,060			21,155,000	7,341,060	28,496,060
2041-2045	20,960,000	4,297,588			20,960,000	4,297,588	25,257,588
2046-2049	15,305,000	1,164,600			15,305,000	1,164,600	16,469,600
	<u>\$144,721,113</u>	<u>\$57,553,592</u>	<u>\$ 501,171</u>	<u>\$ 44,817</u>	<u>\$145,222,284</u>	<u>\$ 57,598,409</u>	<u>\$202,820,693</u>

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 each individual fund for the year ended December 31, 2020 are as follows:

Transfer In:

	<u>General Fund</u>	<u>Mental Health Fund</u>	<u>Children and Youth Fund</u>	<u>Cedarbrook Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
<u>Transfer Out:</u>							
General Fund		\$ 466,833	\$ 4,048,778		\$ 20,742,121	\$ 39,503	\$ 25,297,235
Mental Health Fund	\$ 142,700				191,957		334,657
Health Choices Fund	161,200	52,462			636,621		850,283
Children and Youth Fund	142,700				632,579		775,279
Cedarbrook Fund					1,493,294		1,493,294
Other Governmental Funds	369,096			\$ 183,025			552,121
Enterprise Fund					119,456		119,456
Internal Service Fund	128,900				23,213		152,113
	<u>\$ 944,596</u>	<u>\$ 519,295</u>	<u>\$ 4,048,778</u>	<u>\$ 183,025</u>	<u>\$ 23,839,241</u>	<u>\$ 39,503</u>	<u>\$ 29,574,438</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 12,310,981			\$ 12,310,981
Easements	26,089,610	\$ 1,552,956		27,642,566
Total capital assets, not being depreciated	<u>38,400,591</u>	<u>1,552,956</u>	<u>-</u>	<u>39,953,547</u>
Capital assets, being depreciated:				
Buildings and improvements	299,773,436	2,788,832		302,562,268
Machinery and equipment	73,196,844	4,975,214	\$ (2,398,516)	75,773,542
Furniture and fixtures	8,633,533	131,349		8,764,882
Infrastructure	71,988,653	3,132,388		75,121,041
Total capital assets, being depreciated	<u>453,592,466</u>	<u>11,027,783</u>	<u>(2,398,516)</u>	<u>462,221,733</u>
Total capital assets, historical cost	<u>491,993,057</u>	<u>12,580,739</u>	<u>(2,398,516)</u>	<u>502,175,280</u>
Less accumulated depreciation for:				
Buildings and improvements	(147,907,121)	(7,189,089)		(155,096,210)
Machinery and equipment	(57,955,126)	(4,826,629)	2,398,516	(60,383,239)
Furniture and fixtures	(8,056,926)	(128,880)		(8,185,806)
Infrastructure	(11,399,141)	(1,797,498)		(13,196,639)
Total accumulated depreciation	<u>(225,318,314)</u>	<u>(13,942,096)</u>	<u>2,398,516</u>	<u>(236,861,894)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 266,674,743</u>	<u>\$ (1,361,357)</u>	<u>\$ 0</u>	<u>\$ 265,313,386</u>
Business-type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 236,533			\$ 236,533
Capital assets, being depreciated:				
Buildings and improvements	6,679,575	\$ 146,791		6,826,366
Machinery and equipment	401,793			401,793
Furniture and fixtures	71,987			71,987
Total capital assets, being depreciated	<u>7,153,355</u>	<u>146,791</u>	<u>-</u>	<u>7,300,146</u>
Total capital assets, historical cost	<u>7,389,888</u>	<u>146,791</u>	<u>-</u>	<u>7,536,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,527,839)	(58,284)		(6,586,123)
Machinery and equipment	(394,304)	(2,140)		(396,444)
Furniture and fixtures	(49,403)	(3,100)		(52,503)
Total accumulated depreciation	<u>(6,971,546)</u>	<u>(63,524)</u>	<u>-</u>	<u>(7,035,070)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 418,342</u>	<u>\$ 83,267</u>	<u>-</u>	<u>\$ 501,609</u>

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

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 306,231
County executive	363,797
Administration	2,986,597
Human services	100,388
General services	6,428,875
Nursing homes	1,529,823
Corrections	2,207,827
Courts	10,636
Development	<u>7,922</u>
 Total depreciation expense-governmental activities	 <u>\$13,942,096</u>
 Total depreciation expense - business-type activities - enterprise funds	 <u>\$ 63,524</u>

NOTE 6 EMPLOYEES' RETIREMENT FUND

Plan 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.

The Retirement Board of Trustees administers the Lehigh County Employees' Pension Plan. Management of the Plan is vested in the Board, which consists of seven members – the County Executive, Executive Appointee, Chairman of Commissioners, Commissioners Representative, the County Controller, the Employee Representative, and the Retiree Representative.

Plan membership. For the 2020 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,789
Inactive plan members entitled to but not yet receiving benefits	95
Active plan members	<u>1,968</u>
	<u>3,852</u>

Benefits provided. Lehigh County Employees' Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's highest 3-year average salary times the member's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of final average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

On an ad hoc basis, cost of living adjustments to each member's retirement allowance shall be reviewed at least once in every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware, and Maryland area for the 12 month period ending August 31.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2020 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4-6.4%
International equity	5.5-6.5
Fixed income	1.3-3.3
Alternatives	4.5-5.5
Cash	0.0-1.0

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (i.e. no depletion date is projected to occur).

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.25 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount <u>Rate (7.25%)</u>	1% Increase <u>(8.25%)</u>
County's net pension liability	\$166,351,967	\$82,611,649	\$21,673,523

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report.

Contributions. An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2020 measurement period, the active member contribution rate was 5.0 percent of annual pay, and the County average contribution rate was 12.71 percent of annual payroll.

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's assets are invested with the following investment advisors based on recommendations from Cornerstone Advisor's Assets Management Inc., the Plan's consultant: Agincourt Capital Management, LLC, American EuroPacific Growth Fund, AQR Alternative Risk Premia Fund, CBRE Clarion Securities, LLC, CoreCommodity Management CompleteCommodities Strategy Fund, C. S. McKee, LP, Edgar Lomax Company, Emerald Advisers, Inc., Gabelli Associates Limited II E, HCM Cayman Feeder, Ltd., Invesco Equally-Weighted S&P 500 Fund, LEM Multifamily Fund V, L.P., Nuveen Preferred Securities Fund, Payden Limited Maturity Fund, Sustainable Growth Advisors, LP, Vanguard Developed Markets Index Fund, Vanguard Inflation-Protected Securities Fund Admiral Shares, Vanguard Short Term Investment Grade Admiral Fund, Vanguard SCV Index Fund, Vanguard Institutional Index Fund, and Vittoria Offshore Fund, Ltd.

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy for the 2020 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	25-45%
International equity	5-25
Fixed income	20-45
Alternatives	0-20
Cash	0-15
Total	<u>100%</u>

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2019	\$ 602,345,999	\$ 544,169,320	\$ 58,176,679
Changes for the Year:			
Service cost	9,981,889		9,981,889
Interest	46,744,925		46,744,925
Differences between expected and actual experience	3,008,555		3,008,555
Changes of assumptions	48,130,058		48,130,058
Contributions-employer		14,787,937	(14,787,937)
Contributions-member		7,245,394	(7,245,394)
Net investment income		61,437,329	(61,437,329)
Benefit payments, including refunds of member contributions	(38,084,169)	(38,084,169)	-
Plan administrative expenses		(41,891)	41,891
Other changes		1,688	(1,688)
Net changes	69,781,258	45,346,288	24,434,970
Balances as of December 31, 2020	\$ 672,127,257	\$ 589,515,608	\$ 82,611,649

Net Pension Liability

The County's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation for the 2020 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubG-2010 Mortality Table for males and females with generational mortality improvement using MP19.

The actuarial assumptions used in the valuation for the 2020 measurement period were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan. Effective January, 2020, the accumulated deduction valuation method and the investment return assumption (from 7.5% to 7.25%) have been changed and the Pub-2010 mortality table has been adopted. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the 2020 measurement period, the County recognized pension expense of \$15,286,086 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,823,962	\$ 692,636
Net difference between projected and actual earnings on pension plan investments	-	30,956,028
Changes in assumptions	37,434,490	-
Total	<u>\$ 41,258,452</u>	<u>\$ 31,648,664</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2020	\$ 3,342,255
2021	8,851,087
2022	(3,753,983)
2023	1,170,429

For the 2020 measurement period, the County had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2020.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND

Plan Description

Plan Administration: 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

Plan Membership: At December 31, 2020, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	647
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>24</u>
	<u>671</u>

Benefits Provided: The County provides medical, prescription, and life insurance benefits for eligible retirees and their dependents. Dependent coverage ceases with the death of the retiree.

Contributions: The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently do not contribute towards the plan's costs.

Net OPEB Liability and Assumptions

The components of the net OPEB liability were as follows:

Total OPEB liability	\$ 148,605,945
Plan fiduciary net position	<u>0</u>
County's net OPEB liability	<u>\$ 148,605,945</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%

Actuarial assumptions:

Inflation	2.5 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	
Municipal bond rate	2.12%
Healthcare cost trend rates	5.7% for January 1, 2020 valuation, decreasing to an ultimate rate of 4.04% by 2075

Discount rate: The discount rate used to measure the total OPEB liability was 2.12%. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index rate which is the plan's default long-term expected rate of return as the plan has no fiduciary net position available to make projected future benefit payments of plan members.

Mortality rates were based on the Pub-2010 General Employees (pre-decrement) / Retirees (post-decrement) Headcount-Weighted Mortality Table projected fully generationally using MP-2020 mortality improvement scale.

Changes in the Total OPEB Liability

	Total OPEB Liability <u>Increase/(Decrease)</u>
Balances as of December 31, 2019	\$ 132,161,202
Changes for the Year:	
Service Cost	141,357
Interest	3,514,337
Differences Between Expected and Actual Experience	(3,269,346)
Changes of Assumptions	24,197,558
Benefit Payments	<u>(8,139,163)</u>
Net Changes	<u>16,444,743</u>
Balances as of December 31, 2020	<u>\$ 148,605,945</u>

Changes of assumptions. The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. This amount represents the recognition of the change in the discount rate from 2.74% in the prior measurement date (12/31/19) to 2.12% in the current measurement date (12/31/20). This rate will be reset each measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, calculated using the discount rate of 2.12 percent, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12 percent) or 1 percentage point higher (3.12 percent) than the current rate:

	1% Decrease <u>(1.12%)</u>	Current Discount Rate <u>(2.12%)</u>	1% Increase <u>(3.12%)</u>
Total OPEB liability	\$169,871,374	\$148,605,945	\$131,317,321

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, calculated using the healthcare cost trend rate of 5.7 percent, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.7 percent) or 1 percentage point higher (6.7 percent) than the current rate:

	1% Decrease <u>(4.7%)</u>	Current Discount Rate <u>(5.7%)</u>	1% Increase <u>(6.7%)</u>
Total OPEB liability	\$131,315,694	\$148,605,945	\$169,492,849

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the County recognized OPEB expense, net of changes of assumptions, of \$3,269,346. At December 31, 2020, there are no reported deferred outflows of resources and deferred inflows of resources related to OPEB.

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 for each occurrence during the policy term. General liability losses are covered in excess of \$100,000 applicable to each occurrence.

Healthcare

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

Worker's Compensation

The County is self-insured for worker's compensation losses. Excessive losses are covered by commercial insurance with a \$750,000 maximum retention per accident or employee.

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

	<u>Change In</u> <u>Incurred Claims</u>			<u>Payments</u>		
	<u>January 1</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>December 31</u>
2019	\$ 4,330,320	\$ 700,416	\$ (213,237)	\$ (196,388)	\$ (583,406)	\$ 4,037,705
2020	4,037,705	795,357	(282,748)	(215,738)	(849,508)	3,485,068

During 2020, there has not been a significant reduction in any insurance coverage and the amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

NOTE 9 RESTRICTED ASSETS

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

General Fund

Cash restricted for temporarily held balances that are due other parties. \$ 421,460

Health Choices Fund

Cash restricted for claims payable. 8,200,000

Other Governmental Funds

Cash restricted for temporarily held balances that are due to other parties. 153,526

Total Restricted Assets \$ 8,774,986

NOTE 10 FUND BALANCE / NET POSITION

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

Health Choices Fund

Restricted fund balance

Amounts restricted for the payment of specific grant program expenditures. \$ 26,877,698

Cedarbrook Fund

Committed fund balance

Amounts committed for the payment of nursing home expenditures. \$ 10,036,805

Bond Fund 2019

Restricted fund balance

Amounts restricted for capital asset construction and purchase. \$ 63,868,335

Other Governmental Funds

Restricted fund balance amounts for:

The payment of specific grant and fee program expenditures. \$ 12,007,962
The payment of capital project expenditures. 11,246,321
The required worker's compensation self-insurance reserve. 5,220,840
Debt service payments. 752,519
\$ 29,227,642

Committed fund balance amounts for:

The payment of specific program expenditures. \$ 8,107,316
General insurance reserve. 350,000
\$ 8,457,316

Fiduciary Fund

Held in trust for pension benefits

Amounts restricted to Employee Retirement Plan use for future payment of member benefits. \$ 589,515,608

NOTE 11 CONSTRUCTION COMMITMENTS

The County has entered into a variety of construction commitments for bridge replacement and repair for the Coplay/Northampton Bridge. These commitments totaled \$2,574,712 at December 31, 2020 and are significantly funded by federal and state grants.

NOTE 12 OPERATING LEASE

The County has entered into a lease agreement with the Allentown Parking Authority to lease up to 326 parking spaces in a parking deck for a period of 50 years. In an effort to better serve the parking needs of the citizens of Lehigh County as well as business and government owned enterprises located near the site, the County has contributed \$3,750,000 towards the construction costs of the parking deck. In return, the County received 162 parking spaces. The County will rent at market rate the balance of the parking spaces as needed up to 326 spaces. The \$3,750,000 is treated as an asset that will be amortized over the length of the lease. The unamortized balance at December 31, 2020 was \$2,775,000.

NOTE 13 STABILIZATION FUND

A Stabilization Fund was established by the Board of Commissioners through Ordinance 2003-168 as a prudent budgetary practice to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures. All transfers into or transfers from the Stabilization Fund shall be established during the County's budget process or upon approval of a subsequent ordinance of the Board of Commissioners. The balance of the Fund at December 31, 2020 was \$25,000,000 and is included in unassigned fund balance in the Governmental Funds Balance Sheet and unrestricted net position in the Statement of Net Position.

NOTE 14 TAX ABATEMENTS

The County of Lehigh provides tax abatements under the following five programs:

KOZ (Keystone Opportunity Zone) / SDA (Strategic Development Area) provides tax abatements giving property owners 100% exemption from real estate taxes for 10 years in order to foster economic opportunities, stimulate industrial, commercial and residential improvements, and prevent physical and infrastructure deterioration within the designated areas, as well as creating new employment and diminishing blight. Abatements are obtained through application by the property owner each year.

TIF (Tax Increment Financing Act) authorizes local taxing bodies to cooperate in providing financing for public facilities and residential, commercial, and industrial development and revitalization in order to eliminate or prevent the development or spread of blight within the respective jurisdictions. The taxing authority retains the base amount and the remainder is submitted to the authority managing the TIF for the period of the agreement.

Clean and Green (Pennsylvania Farmland and Forest Land Assessment Act, Act 319) is a state law, authorized by the state constitution, which allows qualifying land that is devoted to agricultural use, agricultural reserve, and forest land use to be assessed at a value for that use rather than Fair Market Value. The intent of the program is to encourage property owners to retain their land in agricultural, open space, or forest land use by providing some real estate tax relief.

Act 515 (County program) requires that land be designated as farm, forest, water supply, or open space to be assessed at a value for that use rather than Fair Market Value. The intent of the program is to encourage property owners to preserve the land within the county.

Act 4 authorizes a real estate tax millage rate freeze for eligible open space property in the County of Lehigh. The following categories of real property are exempt from further millage increases:

- a. Real property in which the open space property interests have been acquired by a local government unit in accordance with the Open Space Lands legislation;
- b. Real property that is subject to an easement acquired in accordance with the Act of June 30, 1981 known as the “Agricultural Area Security Law”; and
- c. Real property from which the transferable development rights (TDR’s) have been transferred and retired by a local government unit without their development potential having occurred on other lands.

Information relevant to these programs for the year ended December 31, 2020 is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Year</u>
KOZ/SDA	\$ 111,351
TIF	201,138
Clean and Green	2,398,577
Act 515	663,349
Act 4	11,871

NOTE 15 LITIGATION

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

NOTE 16 RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the County’s operations and financial results are uncertain at this time.

NOTE 17 SUBSEQUENT EVENTS

The County evaluated subsequent events through June 23, 2021. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2020 were noted.

COUNTY OF LEHIGH, PENNSYLVANIA
Schedule of County Contributions - Pension
Last 10 Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 10,428,623	\$ 11,076,512	\$ 12,372,805	\$ 10,265,444	\$ 10,711,406	\$ 11,156,406	\$ 12,078,974	\$ 12,378,575	\$ 13,904,933	\$ 14,787,937
Contributions in relation to the actuarially determined contribution	<u>10,428,623</u>	<u>11,076,512</u>	<u>12,372,805</u>	<u>10,265,444</u>	<u>10,711,406</u>	<u>11,156,406</u>	<u>12,078,974</u>	<u>12,378,575</u>	<u>13,904,933</u>	<u>14,787,937</u>
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$ 109,572,720	\$ 109,197,576	\$ 108,693,112	\$ 108,186,851	\$ 102,995,368	\$ 103,664,965	\$ 107,362,273	\$ 108,523,831	\$ 111,184,732	\$ 116,386,733
Contributions as a percentage of covered-employee payroll	9.52%	10.14%	11.38%	9.49%	10.40%	10.76%	11.25%	11.41%	12.51%	12.71%

Notes to Schedule

Valuation date: January 1, 2011 January 1, 2012 January 1, 2013 January 1, 2014 January 1, 2015 January 1, 2016 January 1, 2017 January 1, 2018 January 1, 2019 January 1, 2020

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	25 years
Asset valuation method	Market value adjusted for unrecognized gains and losses from prior years
Inflation	3%
Salary increases	4.0% average, including inflation
Investment rate of return	7.25% net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years service
Mortality	PubG-2010 Mortality table for males and females with generational mortality improvement using MP19

COUNTY OF LEHIGH, PENNSYLVANIA
Schedule of Changes in the County's Net
Pension Liability and Related Ratios

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total pension liability							
Service cost	\$ 11,310,997	\$ 10,790,875	\$ 10,874,331	\$ 11,111,378	\$ 10,183,476	\$ 10,701,663	\$ 9,981,889
Interest	35,900,234	37,573,900	38,883,632	40,358,181	42,015,619	43,285,669	46,744,925
Differences between expected and actual experience	385,509	3,615,214	(629,408)	2,368,139	1,979,167	(1,225,450)	3,008,555
Changes of assumptions	0	0	0	0	0	0	48,130,058
Benefit payments, including refunds of member contributions	<u>(27,050,997)</u>	<u>(29,127,092)</u>	<u>(31,495,895)</u>	<u>(33,771,831)</u>	<u>(33,628,192)</u>	<u>(35,521,690)</u>	<u>(38,084,169)</u>
Net change in total pension liability	20,545,743	22,852,897	17,632,660	20,065,867	20,550,070	17,240,192	69,781,258
Total pension liability - beginning	<u>483,458,570</u>	<u>504,004,313</u>	<u>526,857,210</u>	<u>544,489,870</u>	<u>564,555,737</u>	<u>585,105,807</u>	<u>602,345,999</u>
Total pension liability - ending (a)	<u>\$ 504,004,313</u>	<u>\$ 526,857,210</u>	<u>\$ 544,489,870</u>	<u>\$ 564,555,737</u>	<u>\$ 585,105,807</u>	<u>\$ 602,345,999</u>	<u>\$ 672,127,257</u>
Plan fiduciary net position							
Contributions - employer	\$ 10,265,444	\$ 10,711,406	\$ 11,156,406	\$ 12,078,974	\$ 12,378,575	\$ 13,904,933	\$ 14,787,937
Contributions - member	6,294,826	6,138,640	6,267,603	6,442,846	6,683,134	7,066,540	7,245,394
Net investment income	25,991,473	(1,731,653)	27,008,272	66,562,661	(24,971,254)	87,297,937	61,437,329
Benefit payments, including refunds of member contributions	(27,050,997)	(29,127,092)	(31,495,895)	(33,771,831)	(33,628,192)	(35,521,690)	(38,084,169)
Administrative expense	(46,798)	(57,934)	(36,875)	(41,375)	(39,414)	(51,197)	(41,891)
Other	<u>23,158</u>	<u>23,903</u>	<u>180,093</u>	<u>9,749</u>	<u>8,578</u>	<u>2,872</u>	<u>1,688</u>
Net change in plan fiduciary net position	15,477,106	(14,042,730)	13,079,604	51,281,024	(39,568,573)	72,699,395	45,346,288
Plan fiduciary net position - beginning	<u>\$ 445,243,494</u>	<u>\$ 460,720,600</u>	<u>\$ 446,677,870</u>	<u>\$ 459,757,474</u>	<u>\$ 511,038,498</u>	<u>\$ 471,469,925</u>	<u>\$ 544,169,320</u>
Plan fiduciary net position - ending (b)	<u>\$ 460,720,600</u>	<u>\$ 446,677,870</u>	<u>\$ 459,757,474</u>	<u>\$ 511,038,498</u>	<u>\$ 471,469,925</u>	<u>\$ 544,169,320</u>	<u>\$ 589,515,608</u>
County's net pension liability - ending (a) - (b)	<u>\$ 43,283,713</u>	<u>\$ 80,179,340</u>	<u>\$ 84,732,396</u>	<u>\$ 53,517,239</u>	<u>\$ 113,635,882</u>	<u>\$ 58,176,679</u>	<u>\$ 82,611,649</u>
Plan fiduciary net position as a percentage of the total pension liability	91.41%	84.78%	84.44%	90.52%	80.58%	90.34%	87.71%
Covered-employee payroll	\$ 108,186,851	\$ 102,995,368	\$ 103,664,965	\$ 107,362,273	\$ 108,523,831	\$ 111,184,732	\$ 116,386,733
County's net pension liability as a percentage of covered-employee payroll	40.01%	77.85%	81.74%	49.85%	104.71%	52.32%	70.98%

Data prior to 2014 is not available.

COUNTY OF LEHIGH, PENNSYLVANIA
Schedule of Changes in the County's Total
OPEB Liability and Related Ratios

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability				
Service cost	\$ 88,566	\$ 85,538	\$ 90,051	\$ 141,357
Interest	5,686,611	5,289,675	5,147,814	3,514,337
Differences between expected and actual experience	0	(25,744,240)	(11,805,829)	(3,269,346)
Changes of assumptions	7,003,028	1,326,685	18,313,136	24,197,558
Benefit payments, including refunds of member contributions	<u>(9,568,018)</u>	<u>(9,580,129)</u>	<u>(9,395,139)</u>	<u>(8,139,163)</u>
Net change in total OPEB liability	3,210,187	(28,622,471)	2,350,033	16,444,743
Total OPEB liability - beginning	<u>155,223,453</u>	<u>158,433,640</u>	<u>129,811,169</u>	<u>132,161,202</u>
Total OPEB liability - ending (a)	<u>\$ 158,433,640</u>	<u>\$ 129,811,169</u>	<u>\$ 132,161,202</u>	<u>\$ 148,605,945</u>
Covered-employee payroll	*	\$ 2,214,640	\$ 1,863,905	\$ 1,731,832
County's total OPEB liability as a percentage of covered-employee payroll	*	5861.50%	7090.55%	8580.85%

Data prior to 2017 is not available.

* Data was not available in the initial year of valuation.

Changes of assumptions. The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. This amount represents the recognition of the change in the discount rate from 2.74% in the prior measurement date (12/31/19) to 2.12% in the current measurement date (12/31/20). This rate will be reset each measurement period.

COUNTY OF LEHIGH, PENNSYLVANIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 113,090,945	\$ 113,090,945	\$ 113,228,333	\$ 137,388
Grants and reimbursements	5,938,901	40,689,227	43,595,104	2,905,877
Departmental earnings	13,414,882	13,415,032	12,761,884	(653,148)
Costs and fines	4,226,952	4,226,952	3,130,126	(1,096,826)
Investment income	1,400,002	1,400,002	177,515	(1,222,487)
Rents	431,531	461,355	366,341	(95,014)
Payments in lieu of taxes	174,000	174,000	214,180	40,180
Other revenues	148,492	148,492	93,328	(55,164)
Total revenues	<u>138,825,705</u>	<u>173,606,005</u>	<u>173,566,811</u>	<u>(39,194)</u>
EXPENDITURES				
Current:				
Elected officials	25,188,965	25,452,844	23,595,059	(1,857,785)
County executive	4,641,803	5,988,211	4,775,144	(1,213,067)
Administration	25,133,876	27,665,419	24,573,975	(3,091,444)
Human services	236,367	2,021,833	1,987,186	(34,647)
General services	8,504,746	8,781,704	7,629,154	(1,152,550)
Corrections	32,248,401	32,719,148	29,824,082	(2,895,066)
Department of law	1,207,203	1,207,625	1,194,499	(13,126)
Courts	28,336,967	28,755,039	26,559,234	(2,195,805)
Development	847,375	29,623,106	28,675,248	(947,858)
Total expenditures	<u>126,345,703</u>	<u>162,214,929</u>	<u>148,813,581</u>	<u>(13,401,348)</u>
Excess of revenues over expenditures	<u>12,480,002</u>	<u>11,391,076</u>	<u>24,753,230</u>	<u>13,362,154</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	7,367,217	7,407,292	1,071,002	(6,336,290)
Indirect cost allocation in	16,106,524	16,106,524	16,106,524	0
Operating transfers out	(30,970,486)	(35,533,089)	(25,423,641)	10,109,448
Indirect cost allocation out	(5,874,193)	(5,874,193)	(5,874,193)	0
Total other financing sources (uses)	<u>(13,370,938)</u>	<u>(17,893,466)</u>	<u>(14,120,308)</u>	<u>3,773,158</u>
Net change in fund balances	(890,936)	(6,502,390)	10,632,922	17,135,312
Fund balance, January 1	27,800,000	33,350,353	36,119,393	2,769,040
Fund balance, December 31	<u>\$ 26,909,064</u>	<u>\$ 26,847,963</u>	<u>\$ 46,752,315</u>	<u>\$ 19,904,352</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - General Fund
For the Year Ended December 31, 2020

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 8,770,381	\$ 43,681,347
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2019	3,262,427	
Accrued as receivables (net of unearned revenues) at December 31, 2020 but not recognized in budget	(2,153,421)	(2,153,421)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2019	(4,470,854)	
Accrued as liabilities at December 31, 2020 but not recognized in budget	5,224,389	5,224,389
Budgetary Basis	\$ 10,632,922	\$ 46,752,315

COUNTY OF LEHIGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Mental Health Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 16,204,751	\$ 18,564,751	\$ 19,031,524	\$ 466,773
Departmental earnings	10,002	10,002	5,154	(4,848)
Costs and fines				
Investment income	15,001	15,001	11,150	(3,851)
Rents				
Payments in lieu of taxes				
Other revenues	2	2		(2)
Total revenues	<u>16,229,756</u>	<u>18,589,756</u>	<u>19,047,828</u>	<u>458,072</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	16,160,624	16,162,152	15,877,238	(284,914)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>16,160,624</u>	<u>16,162,152</u>	<u>15,877,238</u>	<u>(284,914)</u>
Excess of revenues over (under) expenditures	<u>69,132</u>	<u>2,427,604</u>	<u>3,170,590</u>	<u>742,986</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	668,823	668,823	519,295	(149,528)
Operating transfers out	(375,905)	(375,905)	(334,657)	41,248
Indirect cost allocation out	(362,050)	(362,050)	(362,050)	0
Total other financing sources (uses)	<u>(69,132)</u>	<u>(69,132)</u>	<u>(177,412)</u>	<u>(108,280)</u>
Net change in fund balances	0	2,358,472	2,993,178	634,706
Fund balance, January 1	0	1,528	1,698,950	1,697,422
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 2,360,000</u>	<u>\$ 4,692,128</u>	<u>\$ 2,332,128</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Mental Health Fund
For the Year Ended December 31, 2020

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>Fund Balance at End of Year</u>
GAAP Basis	\$ 0	\$ 0
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2019	1,210,191	
Accrued as receivables (net of unearned revenues) at December 31, 2020 but not recognized in budget	3,075,200	3,075,200
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2019	(2,909,141)	
Accrued as liabilities at December 31, 2020 but not recognized in budget	<u>1,616,928</u>	<u>1,616,928</u>
Budgetary Basis	<u>\$ 2,993,178</u>	<u>\$ 4,692,128</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Health Choices Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 114,883,216	\$ 114,883,216	\$ 122,679,864	\$ 7,796,648
Departmental earnings				
Costs and fines				
Investment income	650,000	650,000	161,001	(488,999)
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>115,533,216</u>	<u>115,533,216</u>	<u>122,840,865</u>	<u>7,307,649</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	116,715,054	122,345,196	119,372,501	(2,972,695)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>116,715,054</u>	<u>122,345,196</u>	<u>119,372,501</u>	<u>(2,972,695)</u>
Excess of revenues over (under) expenditures	<u>(1,181,838)</u>	<u>(6,811,980)</u>	<u>3,468,364</u>	<u>10,280,344</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(1,016,039)	(1,016,039)	(850,283)	165,756
Indirect cost allocation out	(167,122)	(167,122)	(167,122)	0
Total other financing sources (uses)	<u>(1,183,161)</u>	<u>(1,183,161)</u>	<u>(1,017,405)</u>	<u>165,756</u>
Net change in fund balances	(2,364,999)	(7,995,141)	2,450,959	10,446,100
Fund balance, January 1	34,580,000	34,933,199	22,434,193	(12,499,006)
Fund balance, December 31	<u>\$ 32,215,001</u>	<u>\$ 26,938,058</u>	<u>\$ 24,885,152</u>	<u>\$ (2,052,906)</u>

COUNTY OF LEHIGH, PENNSYLVANIA
 Adjustments to Reconcile GAAP Basis to Budgetary Basis - Health Choices Fund
 For the Year Ended December 31, 2020

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 850,536	\$ 26,877,698
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2019	9,547,044	
Accrued as receivables (net of unearned revenues) at December 31, 2020 but not recognized in budget	(11,102,390)	(11,102,390)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2019	(5,954,075)	
Accrued as liabilities at December 31, 2020 but not recognized in budget	9,109,844	9,109,844
Budgetary Basis	\$ 2,450,959	\$ 24,885,152

COUNTY OF LEHIGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Children and Youth Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 29,146,788	\$ 29,146,788	\$ 28,873,761	\$ (273,027)
Departmental earnings	2,000	2,000		(2,000)
Costs and fines				
Investment income	501	501	1,801	1,300
Rents				
Payments in lieu of taxes				
Other revenues	2,000	2,000	847	(1,153)
Total revenues	<u>29,151,289</u>	<u>29,151,289</u>	<u>28,876,409</u>	<u>(274,880)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	31,433,748	31,438,083	31,027,507	(410,576)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>31,433,748</u>	<u>31,438,083</u>	<u>31,027,507</u>	<u>(410,576)</u>
Excess of revenues over (under) expenditures	<u>(2,282,459)</u>	<u>(2,286,794)</u>	<u>(2,151,098)</u>	<u>135,696</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,048,778	4,048,778	4,048,778	0
Operating transfers out	(803,161)	(819,001)	(775,279)	43,722
Indirect cost allocation out	(963,158)	(963,158)	(963,158)	0
Total other financing sources (uses)	<u>2,282,459</u>	<u>2,266,619</u>	<u>2,310,341</u>	<u>43,722</u>
Net change in fund balances	0	(20,175)	159,243	179,418
Fund balance, January 1	0	20,175	(4,689,406)	(4,709,581)
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,530,163)</u>	<u>\$ (4,530,163)</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Children and Youth Fund
For the Year Ended December 31, 2020

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 0	\$ 0
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2019	9,408,373	
Accrued as receivables (net of unearned revenues) at December 31, 2020 but not recognized in budget	(7,180,757)	(7,180,757)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2019	(4,718,967)	
Accrued as liabilities at December 31, 2020 but not recognized in budget	2,650,594	2,650,594
Budgetary Basis	\$ 159,243	\$ (4,530,163)

COUNTY OF LEHIGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Cedarbrook Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 77,376,381	\$ 80,562,679	\$ 83,947,749	\$ 3,385,070
Departmental earnings	7,977,893	7,977,893	6,868,901	(1,108,992)
Costs and fines				
Investment income	10,000	10,000	10,922	922
Rents		1	4,500	4,499
Payments in lieu of taxes				
Other revenues	5,402	5,402	6,655	1,253
Total revenues	<u>85,369,676</u>	<u>88,555,975</u>	<u>90,838,727</u>	<u>2,282,752</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services				
General services				
Nursing homes	77,981,650	81,727,059	76,176,955	(5,550,104)
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>77,981,650</u>	<u>81,727,059</u>	<u>76,176,955</u>	<u>(5,550,104)</u>
Excess of revenues over (under) expenditures	<u>7,388,026</u>	<u>6,828,916</u>	<u>14,661,772</u>	<u>7,832,856</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,620,854	1,683,879	183,025	(1,500,854)
Operating transfers out	(2,935,228)	(3,648,608)	(1,493,294)	2,155,314
Indirect cost allocation out	(6,073,651)	(6,073,651)	(6,073,651)	0
Total other financing sources (uses)	<u>(7,388,025)</u>	<u>(8,038,380)</u>	<u>(7,383,920)</u>	<u>654,460</u>
Net change in fund balances	1	(1,209,464)	7,277,852	8,487,316
Fund balance, January 1	0	1,272,490	1,272,490	0
Fund balance, December 31	<u>\$ 1</u>	<u>\$ 63,026</u>	<u>\$ 8,550,342</u>	<u>\$ 8,487,316</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Cedarbrook Fund
For the Year Ended December 31, 2020

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 2,995,697	\$ 10,036,805
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2019	9,169,363	
Accrued as receivables (net of unearned revenues) at December 31, 2020 but not recognized in budget	(6,423,556)	(6,423,556)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2019	(3,400,745)	
Accrued as liabilities at December 31, 2020 but not recognized in budget	4,937,093	4,937,093
Budgetary Basis	\$ 7,277,852	\$ 8,550,342