

*County of Lehigh,
Pennsylvania*

December 31, 2005

*Financial Statements
and Independent Auditors' Report*

County of Lehigh

Year Ended December 31, 2005

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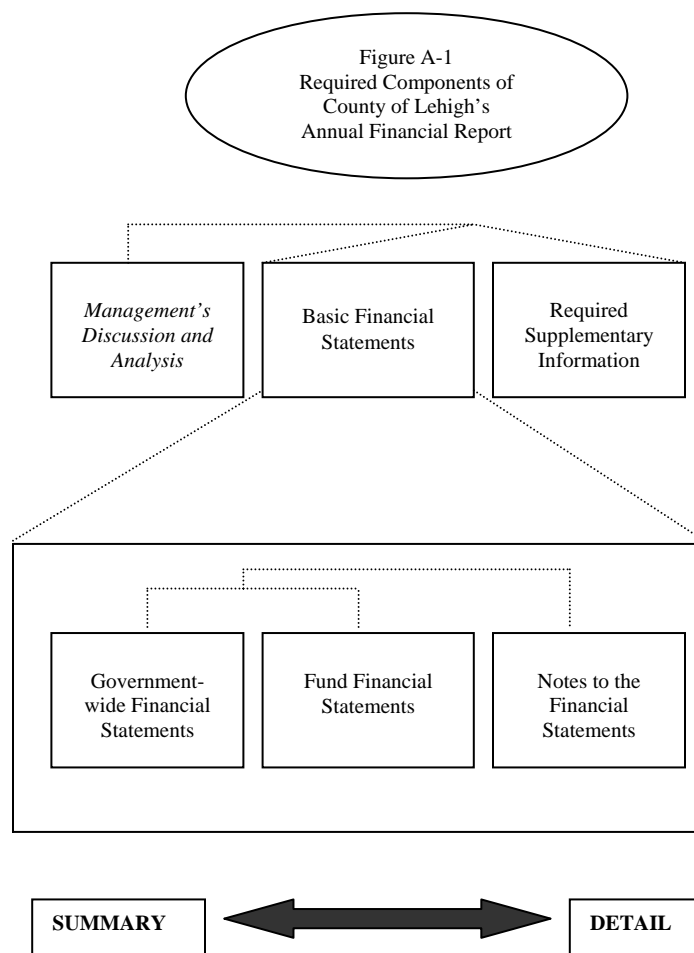
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. Please read it in conjunction with the County's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

Figure A-2 Major Features of County of Lehigh’s Government-wide and Fund Financial Statements				
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Fund Statements Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire County Government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as general governmental operations, courts, human services and public works	Activities the County operates similar to private businesses, such as Cedar View Apartments	Instances in which the County is the trustee or agent for someone else’s resources, such as the retirement plan for County employees
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flow	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year regardless of when cash is received or paid

Government-wide Statements

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

Government-wide financial statements display information about the reporting government as a whole, except for fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *governmental activities* include most of the County’s basic services, such as operation of general government, human services, corrections, and court system.

Fund Financial Statements

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

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

The County has three kinds of funds:

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

Government-wide Financial Analysis

The County’s assets exceeded liabilities by approximately \$140.6 million at the close of the 2005 fiscal year. The following is a condensed summary of net assets for the years 2004 and 2005.

County of Lehigh’s Net Assets

	Total Governmental Activities		Total Business - Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 146,099,640	\$ 162,272,872	\$ 665,161	\$ 811,233	\$ 146,764,801	\$ 163,084,105
Capital assets	147,056,334	148,877,745	1,444,862	1,290,891	148,501,196	150,168,636
Total Assets	293,155,974	311,150,617	2,110,023	2,102,124	295,265,997	313,252,741
General obligation bonds payable	127,974,054	120,625,000			127,974,054	120,625,000
Other liabilities	48,760,603	51,950,069	38,504	43,085	48,799,107	51,993,154
Total liabilities	176,734,657	172,575,069	38,504	43,085	176,773,161	172,618,154
Net assets:						
Invested in capital assets, net of related debt	18,162,643	27,403,849	1,444,862	1,290,891	19,607,505	28,694,740
Restricted	51,022,247	45,453,838			51,022,247	45,453,838
Unrestricted	47,236,427	65,717,861	626,657	768,148	47,863,084	66,486,009
Total net assets	\$ 116,421,317	\$ 138,575,548	\$ 2,071,519	\$ 2,059,039	\$ 118,492,836	\$ 140,634,587

Current and other assets increased approximately \$16.3 million largely due to a net increase in cash and investments of \$20.4 million and a decrease in grants receivable of \$3.6 million. Total restricted and unrestricted net assets increased approximately \$13.1 million.

Overall cash and investments increased due to increases in the following individual funds (the corresponding net asset category that is affected is in parentheses):

- Increase in General Fund of \$15.6 million (Unrestricted) due to:
 - Increase in Operating Fund of \$10.3 million due to favorable budgetary variations in workforce and improved operational procedures as well as overall net favorable financing transfers to other funds. For example, a \$2.7 million budgeted transfer to the Cedarbrook Fund was not necessary due to favorable budgetary variations in workforce and improved operational procedures and a \$2.6 million budgeted transfer to the Debt Service Fund was not necessary as a budgeted issuance of general obligation bonds in 2005 did not occur.
 - Increase in 911 Fund of \$2.2 million due to Act 56 – Wireless revenues received for future capital projects.
 - Increase in insurance reserves of \$.4 million.
- Increase in Health Choices Fund of \$2.8 million due to a change in state capitation rates (Restricted).
- Increase in Children and Youth Fund of \$3.5 million due to an advance receipt of \$2.2 million in state funding that has been deferred as a liability. Also a continued emphasis on timely reporting/filing efforts has increased cash flow and decreased year-end receivable balances (Restricted).
- Increase in reserves in anticipation of establishing the Tax Relief Fund in 2006 (Unrestricted).
- Decrease in Bond Fund 2001 of \$1.6 million and decrease in Bond Fund 2004 of \$2.6 million resulting from capital asset purchases. See page 9 for additional highlighted capital asset projects. (Restricted)

General obligation bonds payable decreased \$7.3 million due to current year principal payments. More detailed information about the County's long-term debt is presented in Note 3 on Page 32.

Changes in Net Assets:

The following is a summary of the key elements comprising the changes in net assets for the years 2004 and 2005.

County of Lehigh's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues:						
Program revenue:						
Charges for services	\$ 28,080,944	\$ 27,612,114	\$ 739,497	\$ 774,086	\$ 28,820,441	\$ 28,386,200
Operating grants and contributions	202,650,495	214,146,779			202,650,495	214,146,779
General revenues:						
Property taxes	88,624,332	90,762,069			88,624,332	90,762,069
Unrestricted investment earnings	<u>2,878,254</u>	<u>5,224,573</u>	<u>12,369</u>	<u>26,010</u>	<u>2,890,623</u>	<u>5,250,583</u>
Total revenues	322,234,025	337,745,535	751,866	800,096	322,985,891	338,545,631
Expenses:						
Elected officials	14,841,335	14,965,533			14,841,335	14,965,533
County executive	2,819,940	2,986,333			2,819,940	2,986,333
Administration	12,494,223	9,604,686			12,494,223	9,604,686
Planning	2,941,912	2,824,767			2,941,912	2,824,767
Human services	138,938,519	153,804,184	738,812	812,576	139,677,331	154,616,760
General services	10,361,222	12,200,093			10,361,222	12,200,093
Nursing homes	50,359,009	52,155,874			50,359,009	52,155,874
Corrections	26,113,877	28,299,867			26,113,877	28,299,867
Department of law	97,855	210,629			97,855	210,629
Courts	27,887,526	29,625,715			27,887,526	29,625,715
Development	6,819,640	3,091,029			6,819,640	3,091,029
Human resources	159,275	43,747			159,275	43,747
Interest on long-term debt	<u>6,507,248</u>	<u>5,778,847</u>			<u>6,507,248</u>	<u>5,778,847</u>
Total expenses	300,341,581	315,591,304	738,812	812,576	301,080,393	316,403,880
Increase in net assets before transfers	21,892,444	22,154,231	13,054	(12,480)	21,905,498	22,141,751
Transfers	<u>167,371</u>		<u>(167,371)</u>			
Changes in net assets	22,059,815	22,154,231	(154,317)	(12,480)	21,905,498	22,141,751
Ending net assets	<u>\$116,421,317</u>	<u>\$138,575,548</u>	<u>\$ 2,071,519</u>	<u>\$ 2,059,039</u>	<u>\$118,492,836</u>	<u>\$140,634,587</u>

The County's total revenues increased \$15.6 million to \$338.5 million due to an increase in operating grants and contributions of \$11.5 million, an increase in property tax revenue of \$2.1 million, and an increase in investment earnings of \$2.4 million. Approximately 27% of total revenues are from property tax revenue.

The County's expenditures totaled \$316.4 million. The Human Services and Nursing Homes functions comprise 65% of the total expenditures. The Corrections and Courts functions comprise 18% of the total expenditures.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$118.2 million, which is a \$11.9 million increase from the prior year. The primary reasons for this increase in fund balances were:

- The General Fund increased \$11.2 million largely due to the favorable budgetary variations in workforce and improved operational procedures as well as overall net favorable financing transfers to other funds as noted on page 6.
- The Health Choices Fund increased \$2.8 million due to changes in state capitation rates.
- The Other Governmental Funds decreased \$1.3 million largely due to the net of an increase in Other Capital Projects Fund of \$2.7 million, a decrease in Bond Fund 2001 of \$.5 million, and a decrease in Bond Fund 2004 of \$2.6 million.

General Fund Budgetary Highlights

Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$3.7 million, or 2.5 percent. This increase is largely due to an increase in the Development expenditure budget from \$1.9 million to \$4 million which is the result of revisions of \$.5 million for the state funded Redevelopment Assistance Capital Program (RACP) and \$1.9 million of total other community development block grant projects. These projects were not originally budgeted and are funded by state grant revenues. Also, the Courts expenditures budget increased from \$21.7 million to \$22.9 million largely due to revisions for juvenile placement costs.

Final Budget vs. Actual

- \$1.3 million favorable variance in property tax revenues.
- \$1.5 million favorable variance in departmental earnings due to favorable waste hauler fee activity at the Pretreatment Plant, prison holding fee activity, and fees related to issuance of general purpose authority debt that are used for economic development.
- \$1.6 million favorable variance in Nursing Home expenditures due to favorable budgetary variations in workforce and improved operational procedures.
- \$1.4 million favorable variance in Development expenditures due to various budgeted community development block grant projects that have not been completed.
- Overall net favorable other financing sources / (uses) variance of \$11 million largely due to anticipated capital asset activity that did not occur. Funding of these projects, which totaled \$7.6 million, is achieved through transfers from individual funds to the Other Capital Projects Fund. For instance, the Green Futures Fund did not transfer \$3.9 million that was budgeted for open space land purchases and park improvements that did not occur. Also, \$3 million General Fund transfer to the Debt Service Fund was not necessary as a budgeted issuance of general obligation bonds in 2005 did not occur.

Capital Assets

The following is a schedule of the County's capital assets as of December 31, 2004 and December 31, 2005:

County of Lehigh's Capital Assets

	<u>Total Governmental Activities</u>		<u>Total Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 9,986,187	\$ 10,520,870	\$ 236,533	\$ 236,533	\$ 10,222,720	\$ 10,757,403
Buildings and improvements	116,799,959	116,295,977	1,199,226	1,051,509	117,999,185	117,347,486
Machinery and equipment	6,748,869	7,435,822	9,103	2,849	6,757,972	7,438,671
Furniture and Fixtures	1,281,490	1,034,365			1,281,490	1,034,365
Easements	7,124,981	7,927,772			7,124,981	7,927,772
Infrastructure	5,114,848	5,662,939			5,114,848	5,662,939
Total	\$ 147,056,334	\$ 148,877,745	\$ 1,444,862	\$ 1,290,891	\$ 148,501,196	\$ 150,168,636

Noteworthy capital asset purchases/projects that took place in 2005 were as follows:

- Purchased additional land easements for agricultural land preservation
- Continuation of the courthouse renovation project
- Continuation and completion of a new juvenile detention center
- Continuation of Courts department software conversion project

Additional information of the County's Capital Assets can be found in Note 6 on page 34.

Debt Administration

At year-end the County had \$120.6 million in general obligation bonds outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 32.

The County maintains an Aa3 rating from Moody's Investor Services and AA- from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is \$524 million as stated within the official statement of the County's most recent bond issuance, which is significantly in excess of the County's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in the Allentown-Bethlehem-Easton metropolitan area now stands at 4.6 percent versus 5.0 percent a year ago. This is slightly lower than the state's rate of 4.7 percent and the national rate of 4.7 percent.
- Inflation in the Lehigh Valley (Lehigh and Northampton counties) is higher than the national consumer price index data due to increased food, shelter, transportation, and medical costs.
 - County inflation was 4.7 percent for year-end 2005.
 - The national rate was 3.4 percent.

These indicators were taken into account when adopting the general fund budget for 2006.

Property tax millage for 2006 is 10.25 mills which is a .5 mill decrease from 2005.

Request for Information

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

COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Net Assets

December 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 122,236,930	\$ 811,023	\$ 123,047,953
Investments	3,863,561		3,863,561
Receivables:			
Grants	19,338,302		19,338,302
Real estate taxes	3,610,378		3,610,378
Interest and dividends	27,220		27,220
Mortgage	1,246,624		1,246,624
Other	4,153,641	210	4,153,851
Unamortized bond issuance costs	348,111		348,111
Other	399,895		399,895
Cash and cash equivalents - restricted	7,048,210		7,048,210
Capital assets (net of accumulated depreciation)	<u>148,877,745</u>	<u>1,290,891</u>	<u>150,168,636</u>
Total assets	<u>311,150,617</u>	<u>2,102,124</u>	<u>313,252,741</u>
LIABILITIES			
Accounts payable	18,489,189	40,321	18,529,510
Deposits and agency amounts payable	7,048,210		7,048,210
Accrued payroll and payroll taxes	3,180,727	2,764	3,183,491
Due to other governmental units	268,383		268,383
Deferred revenues:			
Grants	6,194,625		6,194,625
Other	1,980,456		1,980,456
Current portions of long term liabilities:			
General obligation bonds payable	8,775,000		8,775,000
Unamortized bond premium	70,741		70,741
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	9,836,722		9,836,722
Accrued worker's compensation	4,102,861		4,102,861
General obligation bonds payable	111,850,000		111,850,000
Unamortized bond premium	<u>778,155</u>		<u>778,155</u>
Total liabilities	<u>172,575,069</u>	<u>43,085</u>	<u>172,618,154</u>
NET ASSETS			
Invested in capital assets (net of related debt)	27,403,849	1,290,891	28,694,740
Restricted for:			
Program expenditures	35,262,847		35,262,847
Bond financed improvements	10,190,991		10,190,991
Unrestricted	<u>65,717,861</u>	<u>768,148</u>	<u>66,486,009</u>
Total net assets	<u>\$ 138,575,548</u>	<u>\$ 2,059,039</u>	<u>\$ 140,634,587</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, 2005

Function	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 13,549,377	\$ 1,416,156	\$ 5,134,889	\$ 1,382,058	\$ (8,448,586)		\$ (8,448,586)
County executive	2,434,449	551,884	8,602	102,258	(2,875,473)		(2,875,473)
Administration	18,761,319	(9,156,633)	3,588,817	658,688	(5,357,181)		(5,357,181)
Planning	2,603,015	221,752	668,534	426,573	(1,729,660)		(1,729,660)
Human services	152,217,956	1,586,228	214,283	147,509,834	(6,080,067)		(6,080,067)
General services	12,784,022	(583,929)	4,867,015	4,991,375	(2,341,703)		(2,341,703)
Nursing homes	48,576,482	3,579,392	6,105,659	47,925,226	1,875,011		1,875,011
Corrections	27,021,032	1,278,835	2,276,521	1,791,203	(24,232,143)		(24,232,143)
Department of law	1,187,608	(976,979)	146,150		(64,479)		(64,479)
Courts	26,771,696	2,854,019	3,734,602	6,641,984	(19,249,129)		(19,249,129)
Development	2,968,608	122,421	867,042	2,717,580	493,593		493,593
Human resources	990,096	(946,349)			(43,747)		(43,747)
Interest on long-term debt	5,778,847				(5,778,847)		(5,778,847)
Total governmental activities	\$ 315,644,507	\$ (53,203)	\$ 27,612,114	\$ 214,146,779	\$ (73,832,411)		\$ (73,832,411)
Business-type activities:							
Enterprise funds	\$ 759,373	\$ 53,203	\$ 774,086			\$ (38,490)	\$ (38,490)
Total primary government	\$ 316,403,880	\$ 0	\$ 28,386,200	\$ 214,146,779	\$ (73,832,411)	\$ (38,490)	\$ (73,870,901)
General revenues:							
Taxes					90,762,069		90,762,069
Unrestricted investment earnings					5,224,573	26,010	5,250,583
Total general revenues					95,986,642	26,010	96,012,652
Change in net assets					22,154,231	(12,480)	22,141,751
Net assets, January 1					116,421,317	2,071,519	118,492,836
Net assets, December 31					\$ 138,575,548	\$ 2,059,039	\$ 140,634,587

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

COUNTY OF LEHIGH, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2005

	General	Health Choices	Children and Youth	Mental Retardation	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 55,455,138	\$ 34,647,822	\$ 3,470,754	\$ 2,367,629	\$ 22,456,019	\$ 118,397,362
Investments	3,863,561					3,863,561
Receivables:						
Grants	10,013,291	743,404	4,062,154	1,400,365	3,119,088	19,338,302
Real estate taxes	3,610,378					3,610,378
Interest and dividends	27,220					27,220
Mortgage	1,246,624					1,246,624
Other	2,545,505	31	3,250	4,080	1,600,775	4,153,641
Other	188,822			186,733	24,340	399,895
Cash and cash equivalents - restricted	1,748,210	5,300,000				7,048,210
Total assets	<u>\$ 78,698,749</u>	<u>\$ 40,691,257</u>	<u>\$ 7,536,158</u>	<u>\$ 3,958,807</u>	<u>\$ 27,200,222</u>	<u>\$ 158,085,193</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	3,600,614	2,178,563	3,085,590	3,905,410	5,680,123	18,450,300
Deposits and agency amounts payable	1,748,210	5,300,000				7,048,210
Payroll and payroll taxes	2,672,982	10,587	190,950	53,397	236,412	3,164,328
Due to other governmental units	234,283				34,100	268,383
Deferred revenues:						
Grants	2,409,165		2,198,878		1,586,582	6,194,625
Real estate taxes	2,750,245					2,750,245
Other	420,427				1,560,029	1,980,456
Total liabilities	<u>13,835,926</u>	<u>7,489,150</u>	<u>5,475,418</u>	<u>3,958,807</u>	<u>9,097,246</u>	<u>39,856,547</u>
Fund balances:						
Reserved for:						
Program expenditures		33,202,107	2,060,740			35,262,847
Bond financed improvements					10,190,991	10,190,991
Unreserved	64,862,823				7,911,985	72,774,808
Total fund balances	<u>64,862,823</u>	<u>33,202,107</u>	<u>2,060,740</u>	<u>0</u>	<u>18,102,976</u>	<u>118,228,646</u>
Total liabilities and fund balances	<u>\$ 78,698,749</u>	<u>\$ 40,691,257</u>	<u>\$ 7,536,158</u>	<u>\$ 3,958,807</u>	<u>\$ 27,200,222</u>	<u>\$ 158,085,193</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2005

Total *fund balances* for governmental funds \$ 118,228,646

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

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

Land	10,520,870	
Buildings and improvements, net of \$75,568,448 accumulated depreciation	116,295,977	
Machinery and equipment, net of \$32,900,887 accumulated depreciation	7,435,822	
Furniture and fixtures, net of \$2,736,048 accumulated depreciation	1,034,365	
Easements, net of \$1,318,970 accumulated depreciation	7,927,772	
Infrastructure, net of \$1,307,365 accumulated depreciation	<u>5,662,939</u>	

Total capital assets 148,877,745

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

3,784,280

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

348,111

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

2,750,245

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

Balances at December 31, 2005 are:

Accrued vacation and other compensation	(9,836,722)	
Accrued worker's compensation	(4,102,861)	
Bonds and notes payable	(120,625,000)	
Unamortized bond premium	<u>(848,896)</u>	<u>(135,413,479)</u>

Total net assets of governmental activities \$ 138,575,548

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, 2005

	General	Health Choices	Children and Youth	Mental Retardation	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 90,755,789					\$ 90,755,789
Grants and reimbursements	62,351,306	\$ 49,441,300	\$ 22,544,833	\$ 32,500,555	\$ 47,308,785	214,146,779
Departmental earnings	23,053,466		2,208	15,216	451,300	23,522,190
Judicial costs and fines	3,192,894				45,346	3,238,240
Investment income	2,998,740	1,297,085	19,816	186,015	722,917	5,224,573
Rents	154,926				515	155,441
Other	587,557		1,054		36,891	625,502
Total revenues	<u>183,094,678</u>	<u>50,738,385</u>	<u>22,567,911</u>	<u>32,701,786</u>	<u>48,565,754</u>	<u>337,668,514</u>
EXPENDITURES						
Elected officials	13,273,840				475,231	13,749,071
County executive	2,446,304					2,446,304
Administration	16,573,606				2,231,248	18,804,854
Planning	2,053,596				1,167,329	3,220,925
Human services	465,595	48,093,632	26,646,833	33,287,403	44,326,363	152,819,826
General services	11,253,837				2,521,640	13,775,477
Nursing homes	47,541,532				499,429	48,040,961
Corrections	25,495,911				2,333,755	27,829,666
Department of law	1,187,299					1,187,299
Courts	22,370,097				4,878,547	27,248,644
Development	2,886,722					2,886,722
Human resources	991,328					991,328
Indirect cost allocation charges	(2,008,807)	54,763	553,045	192,831	1,154,965	(53,203)
Debt Service:						
Principal retirement					7,349,054	7,349,054
Interest					6,828,381	6,828,381
Total expenditures	<u>144,530,860</u>	<u>48,148,395</u>	<u>27,199,878</u>	<u>33,480,234</u>	<u>73,765,942</u>	<u>327,125,309</u>
Excess of revenues over (under) expenditures	<u>38,563,818</u>	<u>2,589,990</u>	<u>(4,631,967)</u>	<u>(778,448)</u>	<u>(25,200,188)</u>	<u>10,543,205</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	588,760	445,600	4,085,840	822,556	25,055,243	30,997,999
Operating transfers out	(27,939,204)	(190,258)	(290,761)	(44,108)	(1,180,503)	(29,644,834)
Total other financing sources / (uses)	<u>(27,350,444)</u>	<u>255,342</u>	<u>3,795,079</u>	<u>778,448</u>	<u>23,874,740</u>	<u>1,353,165</u>
Net change in fund balances	11,213,374	2,845,332	(836,888)	0	(1,325,448)	11,896,370
Fund balances, January 1	53,649,449	30,356,775	2,897,628	0	19,428,424	106,332,276
Fund balances, December 31	<u>\$ 64,862,823</u>	<u>\$ 33,202,107</u>	<u>\$ 2,060,740</u>	<u>\$ 0</u>	<u>\$ 18,102,976</u>	<u>\$ 118,228,646</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, 2005

Net change in *fund balances* – total governmental funds \$ 11,896,370

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded net depreciation in the current period. 1,821,411

The repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 7,390,786

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of four balances.

Accrued worker's compensation	(158,940)	
Accrued vacation and other compensation	(470,359)	
Accrued interest on bonds	1,049,534	
Deferred real estate tax revenue	<u>6,280</u>	
		426,515

An internal service fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals. The net income of the internal service fund (net of \$660,781 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 619,149

Change in net assets of governmental activities \$ 22,154,231

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Assets
Proprietary Funds
December 31, 2005

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 811,023	\$ 3,839,568
Other receivables	210	
Total current assets	811,233	3,839,568
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	5,405,466	21,013,271
Equipment	80,727	1,391,270
Furniture and fixtures	20,482	1,070,146
Less accumulated depreciation	(4,452,317)	(6,142,737)
Total capital assets (net of accumulated depreciation)	1,290,891	17,331,950
TOTAL ASSETS	\$ 2,102,124	\$ 21,171,518
LIABILITIES		
Current liabilities:		
Accounts payable	40,321	38,889
Accrued payroll and payroll taxes	2,764	16,399
Current portion of general obligation bonds payable	43,085	266,125
Total current liabilities	43,085	321,413
Noncurrent liabilities:		
General obligation bonds payable	22,696,011	22,696,011
TOTAL LIABILITIES	\$ 43,085	\$ 23,017,424
NET ASSETS		
Invested in capital assets, net of related debt	1,290,891	(5,630,186)
Unrestricted	768,148	3,784,280
TOTAL NET ASSETS	\$ 2,059,039	\$ (1,845,906)

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 774,086	
Government Center revenues		\$ 3,105,066
Total operating revenues	<u>774,086</u>	<u>3,105,066</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	605,402	
Government Center		1,268,830
Depreciation	153,414	660,781
Indirect cost allocation charges	53,203	
Total operating expenses	<u>812,019</u>	<u>1,929,611</u>
OPERATING INCOME (LOSS)	<u>(37,933)</u>	<u>1,175,455</u>
NONOPERATING REVENUES	<u>25,453</u>	<u>136,078</u>
OTHER FINANCING USES		
Transfers out		<u>(1,353,165)</u>
		(1,353,165)
Change in net assets	(12,480)	(41,632)
Total net assets (deficit), January 1, as restated (Note 9)	<u>2,071,519</u>	<u>(1,804,274)</u>
Total net assets (deficit), December 31	<u>\$ 2,059,039</u>	<u>\$ (1,845,906)</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, 2005

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 774,241	\$ 3,105,066
Payments to suppliers	(432,237)	(444,224)
Payments to employees	(127,248)	(624,158)
Payments of benefits on behalf of employees	(41,336)	(189,061)
Indirect cost allocation charges	(53,203)	
Net cash provided by operating activities	120,217	1,847,623
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds		(1,353,165)
Net cash used for noncapital financing activities		(1,353,165)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	26,010	136,078
Net cash provided by investing activities	26,010	136,078
 Net increase in cash and cash equivalents	 146,227	 630,536
Cash and cash equivalents, January 1	664,796	3,209,032
Cash and cash equivalents, December 31	\$ 811,023	\$ 3,839,568
 Reconciliation of operating income / (loss) to net cash provided by operating activities:		
Operating income / (loss)	\$ (37,933)	\$ 1,175,455
Adjustments to reconcile operating income / (loss) to net cash provided by operating activities:		
Depreciation expense	153,414	660,781
Change in assets and liabilities:		
Decrease in other receivables	155	
Increase in accounts payable	4,529	9,708
Decrease in deposits and agency amounts payable	(225)	
Increase in payroll and payroll taxes payable	277	1,679
Net cash provided by operating activities	\$ 120,217	\$ 1,847,623

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	<u>Employee Retirement Plan</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 7,520,837	\$ 15,972,357
Investments, at fair value:		
United States government and municipal obligations	32,306,316	39,620
Corporate and foreign bonds	12,520,333	64,284
Collateralized mortgages	520,059	
Common stock	118,224,853	332,536
Mutual fund - United States government obligations	12,415,647	
Mutual fund - corporate bonds	38,586,998	
Mutual fund - common stock	52,727,587	
Mutual fund - foreign stock	37,444,717	
Total investments	<u>304,746,510</u>	<u>436,440</u>
Receivables:		
Interest and dividends	629,397	
Employee contributions	130,128	
Other		34,655
Total receivables	<u>759,525</u>	<u>34,655</u>
 Total assets	 <u>313,026,872</u>	 <u>\$ 16,443,452</u>
LIABILITIES		
Accounts payable	191,755	486,940
Deposits and agency amounts payable		12,165,899
Due to other governmental units		3,790,613
Withdrawals payable	63,584	
Pension benefits payable	152,436	
Due to broker	1,099,851	
Total liabilities	<u>1,507,626</u>	<u>\$ 16,443,452</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 311,519,246</u>	

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2005

	Employee Retirement Plan
ADDITIONS	
Contributions:	
Employee	\$ 5,013,656
Employer	5,572,091
Total contributions	10,585,747
Investment income:	
Interest and dividend income	6,317,550
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	(194,220)
Corporate and foreign bonds	(174,743)
Collateralized mortgages	(43,641)
Common stock	6,473,674
Mutual fund - United States government obligations	(244,087)
Mutual fund - corporate bonds	908,665
Mutual fund - common stock	3,017,053
Mutual fund - foreign stock	3,343,156
	13,085,857
Less investment expenses	(955,354)
Net investment income	18,448,053
Total additions	29,033,800
DEDUCTIONS	
Employee contributions refunded	849,598
Retirement benefits paid	11,950,648
Death benefits paid	218,867
Administrative expense	35,416
Total deductions	13,054,529
Change in net assets	15,979,271
Net assets, January 1	295,539,975
Net assets, December 31	\$ 311,519,246

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, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

For financial reporting purposes, the County's financial statements include all funds, departments, agencies, boards, commissions and other organizations for which County officials are financially accountable.

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

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

As required by Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations are Component Units", an amendment of Statement No. 14, "The Financial Reporting Entity", these entities have been placed in one of the following categories:

1. Component Unit - A legally separate organization for which elected officials of the County are financially accountable. This type of entity may then be reported in one of the two following manners:
 - Discrete presentation - Financial data for the component unit is presented in a column separate from that of the County's financial data. There is no such presentation for the County's financial statements.
 - Blended presentation - Financial data for the component unit is presented in the same manner as that of the County's financial data and is reported as part of the County's financial operations. There is no such presentation for the County's financial statements.

2. Joint Venture - A legal entity or other organization that results from a contractual arrangement is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. There are no such entities included in the County's reporting entity.
3. Related Organization - An organization for which the County is not financially accountable even though the County appoints a voting majority of the organization's governing board.

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

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

In addition, the County supports the Lehigh Valley Planning Commission which is engaged in general, regional, environmental, transportation, housing and other studies. In 2005, the County paid \$375,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2005, the County provided \$309,000 in subsidies to this Authority. The County Executive appoints, and the County Board of Commissioners approves, one half of the governing board for each organization. These two organizations have been determined to be related organizations.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, retirement trust fund, and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and financial Reporting for Non-Exchange Transactions*.

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

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

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

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund financial statements for the governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate. The determination of major funds is based on minimum criteria set forth in GASB Statement Number 34. When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted sources, and then from unrestricted sources. The following funds are used to account for the activities of the County:

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, except taxes, to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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

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

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

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

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

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

Proprietary Funds

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

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

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

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

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Funds

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

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

Cash and Cash Equivalents

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

Investments

The County accounts for its investments at fair value.

Real Estate Taxes

Substantially all real estate taxes are levied annually on April 1 with the face amount due by July 31. Unpaid taxes become delinquent on December 31 in the year of levy. Current year and delinquent tax payments are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenue as of December 31. The 2005 real estate taxes assessed equaled \$90,543,015 based on a total County valuation of \$8,422,606,100. Based on the 2005 levy of 10.75 mills, a property owner would pay \$10.75 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2005 real estate taxes are as follows:

July 31, 2006	Notices of unpaid delinquent taxes must be mailed by the County.
August 31, 2007	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 10, 2007	This is the earliest date on which the County may conduct the tax sale (upset sale) to recover unpaid delinquent taxes, penalties, costs, and interest.
January 1, 2008	This is the earliest date on which the County would conduct the judicial tax sale for parcels remaining unsold at the previous upset sale to recover all costs incurred by the County in its attempt to collect unpaid taxes on a particular parcel (actual taxes, interest, and penalties are waived). Parcels remaining unsold after the judicial tax sale are placed in a repository for unsold properties.

Capital Assets

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

Depreciation is 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
Equipment	5-15 years
Furniture and fixtures	8-15 years
Easements	40 years
Infrastructure	40 years

Accrued Vacation and Other Compensation

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

Long-term Obligations

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

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

Interfund Transactions

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

Adoption of Governmental Accounting Standards Board Statement

The County adopted the provisions of GASB Statement No. 40 "*Deposit and Investment Risk Disclosure*". The adoption of this statement resulted in a modification of the financial reporting disclosure information required by the County.

The County adopted the provisions of GASB Statement No. 42 "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*". The adoption of this statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". The County is required to adopt Statement No. 45 for its calendar year 2007 financial statements.

GASB has also issued Statement No. 46, "Net Assets Restricted by Enabling Legislation". The County is required to adopt Statement No. 46 for its calendar year 2006 financial statements.

GASB has also issued Statement No. 47, "Accounting for Termination Benefits". The County is required to adopt Statement No. 47 for its calendar year 2006 financial statements.

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

NOTE 2 DEPOSIT AND INVESTMENT RISK

As of December 31, 2005, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Cash and cash equivalents	\$ 146,068,520	\$ 146,068,520	-	-	-
U.S. government treasuries	3,863,561	714,889	3,148,672	-	-
Total	\$ 149,932,081	\$ 146,783,409	\$ 3,148,672	-	-

As of December 31, 2005, the County had the following debt investments and maturities within its Employee Retirement Plan Fund:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Cash and cash equivalents	\$ 7,520,837	\$ 7,520,837			
U.S. government treasuries	7,880,885	2,946,089	\$ 407,303	\$ 1,927,470	\$ 2,600,023
U.S. government agencies	24,425,431	1,002,106	8,849,819	7,119,329	7,454,177
Corporate bonds	12,520,333	313,271	4,939,461	3,099,477	4,168,124
Total	\$ 52,347,486	\$ 11,782,303	\$ 14,196,583	\$ 12,146,276	\$ 14,222,324

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

The County’s Retirement Plan Investment Policy states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 34% (with an allowable range of +/- 5%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

Credit Risk – The County’s investment policy limits operating fund’s investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The County’s governmental activities investments of \$3,863,561 were comprised of various U.S. Treasury Bills, all of which will mature within one year or one to five years, as noted above.

The County’s Retirement Investment Policy states that the overall rating of the fixed income assets shall be at least “A”. In cases where the yield spread adequately compensates for additional risk, “BAA” or “BBB” ratings can be purchased up to a maximum of 15% of the total market value of fixed income securities. The County is in compliance with the Retirement Investment Policy. Fixed income securities invested in mutual funds are excluded from the table below.

As of December 31, 2005, the County’s retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Cash Equivalent	Aaa	100%
U.S. Government Treasuries	Aaa	100%
U.S. Government Agencies	Aaa	100%
Corporate Bonds	Aaa	18%
Corporate Bonds	A1	5%
Corporate Bonds	A2	6%
Corporate Bonds	A3	11%
Corporate Bonds	Aa1	3%
Corporate Bonds	Aa2	15%
Corporate Bonds	Aa3	9%
Corporate Bonds	Baa1	13%
Corporate Bonds	Baa2	16%
Corporate Bonds	Baa3	4%

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, 2005, the County’s cash and restricted cash balances for its governmental activities, business-type activities and agency funds were \$146,068,520 and its bank balances were \$152,925,934. The entire bank balance was either insured or collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County’s name. The entire cash and cash equivalent balance in the Employee Retirement Plan Fund was either insured collateralized with securities held by the pledging financial institutions, or their trust departments or agents, but not in the County’s name.

NOTE 3 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2005:

	Balance at January 1, 2005	Additions	Retirement s	Balance at December 31, 2005	Amount due within one year
Accrued vacation and other compensation	\$ 9,366,363	\$ 470,359		\$ 9,836,722	
Accrued worker's compensation	3,943,921	1,455,221	\$ (1,296,281)	4,102,861	
General obligation bonds payable	127,974,054		(7,349,054)	120,625,000	\$ 8,775,000
Unamortized bond premium	919,637		(70,741)	848,896	70,741
Accreted interest obligation on capital appreciation bonds	1,049,534		(1,049,534)	0	
	<u>\$ 143,253,509</u>	<u>\$ 1,925,580</u>	<u>\$ (9,765,610)</u>	<u>\$ 135,413,479</u>	<u>\$ 8,845,741</u>

General Obligation Bonds Payable

The following is a summary of general obligation bonds payable of the County for the year ended December 31, 2005:

\$88,210,000 2001 General Obligation Bonds, serial bonds due in annual installments of \$4,295,000 to \$12,150,000 through November 15, 2016, interest rates vary from 3.25% to 5.00%	\$ 82,150,000
\$47,425,000 2004 General Obligation Bonds, serial bonds due in annual installments of \$130,000 to \$5,970,000 through November 15, 2017, interest rates vary from 3.00% to 5.00%	<u>38,475,000</u>
	<u>\$ 120,625,000</u>

The annual requirements to amortize all general obligation bonds payable as of December 31, 2005 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 8,775,000	\$ 5,402,985	\$ 14,177,985
2007	9,050,000	5,128,997	14,178,997
2008	9,410,000	4,769,198	14,179,198
2009	9,760,000	4,418,197	14,178,197
2010	10,160,000	4,018,135	14,178,135
2011 – 2015	58,715,000	12,166,515	70,881,515
2016 – 2017	14,755,000	717,890	15,472,890
	<u>\$ 120,625,000</u>	<u>\$ 36,621,917</u>	<u>\$ 157,246,917</u>

NOTE 4 DEFEASED DEBT

Details of debt defeased by the County of Lehigh in prior years for which bonds remain outstanding at December 31, 2005 are as follows:

<u>General Obligation Bond Issue and Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding at December 31, 2005</u>
Series of 1996	5.10% - 5.70%	\$36,905,000

These bonds, which were previously issued by the County, are now payable, as to principal and interest thereon, from proceeds of irrevocably pledged assets, primarily U.S. Government investments. The investments are held by the Refunded Bond Trustee, and principal and interest payments are scheduled to coincide with Trustee cash requirements for debt service.

Under the defeasance indenture, the principal and interest on the defeased bonds are to be paid as such become due, to and including their final maturity date or call date.

The bonds described above and the investments pledged for their redemption are not recognized on the County's balance sheet in accordance with the terms of the Indentures of Defeasance.

NOTE 5 INTERFUND TRANSFERS

Certain interfund transfers are executed as a result of the General Fund's requirement to match a portion of another fund's expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. Interfund transfers to and transfers from of each individual fund for the year ended December 31, 2005 are as follows:

	Transfer In:					<u>Total</u>
	<u>General Fund</u>	<u>Healthchoices Fund</u>	<u>Children and Youth Fund</u>	<u>Mental Retardation Fund</u>	<u>Other Governmental Funds</u>	
<u>Transfer Out:</u>						
General Fund			\$3,942,542	\$ 728,444	\$ 23,268,218	\$27,939,204
Health Choices Fund					190,258	\$ 190,258
Children and Youth Fund	\$ 48,599				242,162	\$ 290,761
Mental Retardation Fund					44,108	\$ 44,108
Other Governmental Funds	497,493	\$ 445,600	143,298	94,112		\$ 1,180,503
Internal Service Fund	42,668				1,310,497	\$ 1,353,165
	<u>\$ 588,760</u>	<u>\$ 445,600</u>	<u>\$4,085,840</u>	<u>\$ 822,556</u>	<u>\$ 25,055,243</u>	

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 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	\$9,986,187	\$534,683		\$10,520,870
Capital assets, being depreciated:				
Buildings and improvements	187,461,753	4,402,672		191,864,425
Machinery and equipment	37,638,190	3,046,533	(\$348,014)	40,336,709
Furniture and fixtures	3,760,517	9,896		3,770,413
Easements	8,225,547	1,021,195		9,246,742
Infrastructure	6,256,525	713,779		6,970,304
Total capital assets, being depreciated	<u>243,342,532</u>	<u>9,194,075</u>	<u>(348,014)</u>	<u>252,188,593</u>
Total capital assets, historical cost	<u>253,328,719</u>	<u>9,728,758</u>	<u>(348,014)</u>	<u>262,709,463</u>
Less accumulated depreciation for:				
Buildings and improvements	(70,661,794)	(4,906,654)		(75,568,448)
Machinery and equipment	(30,889,321)	(2,343,864)	332,298	(32,900,887)
Furniture and fixtures	(2,479,027)	(257,021)		(2,736,048)
Easements	(1,100,566)	(218,404)		(1,318,970)
Infrastructure	(1,141,677)	(165,688)		(1,307,365)
Total accumulated depreciation	<u>(106,272,385)</u>	<u>(7,891,631)</u>	<u>332,298</u>	<u>(113,831,718)</u>
Total capital assets, net of accumulated depreciation	<u>\$147,056,334</u>	<u>\$1,837,127</u>	<u>(\$15,716)</u>	<u>\$148,877,745</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	5,405,466			5,405,466
Machinery and equipment	86,297		(\$5,570)	80,727
Furniture and fixtures	20,482			20,482
Total capital assets, being depreciated	<u>5,512,245</u>		<u>(5,570)</u>	<u>5,506,675</u>
Total capital assets, historical cost	<u>5,748,778</u>		<u>(5,570)</u>	<u>5,743,208</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,206,240)	(\$147,717)		(4,353,957)
Machinery and equipment	(77,194)	(5,697)	5,013	(77,878)
Furniture and fixtures	(20,482)			(20,482)
Total accumulated depreciation	<u>(4,303,916)</u>	<u>(153,414)</u>	<u>5,013</u>	<u>(4,452,317)</u>
Total capital assets, net of accumulated depreciation	<u>\$1,444,862</u>	<u>(\$153,414)</u>	<u>(\$557)</u>	<u>\$1,290,891</u>

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

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 186,182
Executive	7,471
Administration	3,266,068
Planning	553,248
Human services	34,480
General services	279,983
Nursing homes	1,379,558
Corrections	1,636,778
Department of law	1,385
Courts	462,706
Development	<u>83,772</u>
 Total depreciation expense-governmental activities	 <u>\$ 7,891,631</u>
 Total depreciation expense - business-type activities - enterprise funds	 <u>\$ 153,414</u>

NOTE 7 EMPLOYEES' RETIREMENT FUND AND OTHER POSTEMPLOYMENT BENEFITS

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

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

Contributions to the Plan made by the County and its employees are accumulated and transferred to Wachovia Bank, the Plan's custodian. The Plan is administered by the Retirement Board of Trustees, which invests plan assets based on recommendations from Cooke & Beiler LP, C. S. McKee & Co. Inc., Delaware International Advisers LTD, Emerald Advisers Inc., Mellon Equity Associates LLP, Montag & Caldwell Incorporated, Morgan Stanley LP, and Northern Trust, the Plan's investment advisors.

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

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

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

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

Annual Pension Cost and Net Pension Obligation - The pension benefit obligation was determined as part of an actuarial valuation at January 1, 2005. Significant actuarial assumptions used include:

Actuarial Cost Method	Aggregate **
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return*	7½%
Projected Salary Increases*	3.5% - 4.5%; .25% increments over 4 years
* Includes Inflation at	3%

** Plans that use the aggregate actuarial cost method are not required to present a schedule of funding progress. Separate determination and amortization of the unfunded actuarial liability are not part of the aggregate actuarial cost method and are not required when that method is used.

The annual pension costs were \$5,572,091, \$3,926,297, and \$1,221,325 for each of the fiscal years ended December 31, 2005, 2004, and 2003, respectively. The net pension obligations were \$0 for each of the fiscal years ended December 31, 2005, 2004, and 2003.

In addition to the pension benefits previously described, the County provides other postemployment health care benefits in accordance with County personnel policies to employees and their spouses provided that the employee--

- 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

At December 31, 2005, 738 retirees plus their spouses met these eligibility requirements. Costs for such benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, expenditures of approximately \$4,976,905 were recognized for such postemployment benefits.

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 \$50,000 during the policy term. Losses totaling less than \$50,000 but more than \$2,500 shall apply to an annual aggregate deductible of \$50,000. Once this aggregate of \$50,000 has been reached, the deductible for the next loss shall be \$10,000. General liability losses are covered in excess of \$250,000 applicable to each occurrence.

Healthcare

The County provides several fixed-rated premium based health care plans. The plans offered include point of service, preferred provider organizations, and traditional programs. The traditional programs are insured for the risk of excessive loss associated with major medical costs of active employees and retirees through Capital Blue Cross. This policy permits a \$10,000 annual major medical maximum and a \$50,000 lifetime major medical maximum for employees and a \$10,000 annual major medical maximum and \$25,000 lifetime major medical maximum for retirees.

Worker's Compensation

The County is self-insured for worker's compensation losses. Excessive losses are covered by commercial insurance with a \$500,000 maximum retention per accident or employee.

Reserve balances are based on the requirements of Government Accounting Standards Board Statement Number 10. The County records reported loss claims and claims incurred but not reported for worker's compensation based on estimates of independent actuaries. Such claims and estimates are not discounted. The following provides aggregate information for the current and prior year on worker's compensation liabilities, incurred claims and payments:

		<u>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>
2004	\$ 4,849,020	\$ 963,494	\$ (167,162)	\$ (155,760)	\$ (1,545,671)	\$ 3,943,921
2005	\$ 3,943,921	\$ 985,000	\$ 470,221	\$ (246,896)	\$ (1,049,385)	\$ 4,102,861

During 2005, there has not been a significant reduction in any insurance coverage and the amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

NOTE 9 RESTATEMENT OF NET ASSETS

The Internal Service Fund beginning net assets has been restated as follows:

Net assets, as previously reported	\$ (2,851,062)
Understatement of prior years' asset capitalization	713,050
Overstatement of prior years' depreciation expense	<u>333,738</u>
Net assets, beginning of year, as restated	<u>\$ (1,804,274)</u>

NOTE 10 RESTRICTED ASSETS

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

<u>General Fund</u>	
Cash restricted for temporarily held balances that are due other parties.	\$1,748,210
<u>Health Choices Fund</u>	
Cash restricted for claims payable.	<u>5,300,000</u>
Total Restricted Assets	<u><u>\$7,048,210</u></u>

NOTE 11 RESERVED FUND BALANCES/NET ASSETS

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

Special Revenue Funds

Program expenditures

This reserve represents amounts reserved for the payment of specific program expenditures. \$ 35,262,847

Other Governmental Funds

Reserve for bond financed improvements

This reserve represents the restriction of funds set aside for capital projects. \$ 10,190,991

Fudiciary Fund

Held in trust for pension benefits

This reserve represents funds restricted to Employee Retirement Plan use for future payment of member benefits. \$ 311,519,246

NOTE 12 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 12 SUBSEQUENT EVENT

Effective May 15, 2006, the County transferred full and complete operational and maintenance responsibilities of the wastewater pretreatment plant owned by the County to the Lehigh County Authority (“Authority”) in accordance with a lease / purchase agreement signed June 23, 2005. The County shall lease to the Authority the plant, plant site, and the County’s allocation in the City of Allentown Kline Island Treatment Plant for one dollar per year for a term of five years. At the end of the initial term and each subsequent five-year period, the Authority shall have the option to renew the lease for additional five-year terms, for a maximum of fifteen years total lease term, including the initial term. At any time during the initial seven years of the lease, the Authority shall have the option to take full ownership of the plant site and / or residual property free and clear of all liens, for one dollar.

COUNTY OF LEHIGH, PENNSYLVANIA

Children and Youth Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes				
Grants and reimbursements	\$ 25,142,597	\$ 25,142,597	\$ 29,160,042	\$ 4,017,445
Departmental earnings	2,000	2,000		(2,000)
Costs and fines				
Investment income	2,001	2,001	19,816	17,815
Rents				
Payments in lieu of taxes				
Other revenues	1	1	826	825
Total revenues	<u>25,146,599</u>	<u>25,146,599</u>	<u>29,180,684</u>	<u>4,034,085</u>
EXPENDITURES				
Elected officials				
County executive				
Administration				
Planning				
Human services	28,191,891	28,344,892	25,820,592	2,524,300
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>28,191,891</u>	<u>28,344,892</u>	<u>25,820,592</u>	<u>2,524,300</u>
Excess of revenues over (under) expenditures	<u>(3,045,292)</u>	<u>(3,198,293)</u>	<u>3,360,092</u>	<u>6,558,385</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,942,542	4,085,840	4,085,840	0
Indirect cost allocation in				
Operating transfers out	(344,205)	(349,928)	(290,761)	59,167
Indirect cost allocation out	(553,045)	(553,045)	(553,045)	0
Total other financing sources (uses)	<u>3,045,292</u>	<u>3,182,867</u>	<u>3,242,034</u>	<u>59,167</u>
Net change in fund balances	0	(15,426)	6,602,126	6,617,552
Fund balance, January 1	0	15,426	(3,131,372)	(3,146,798)
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,470,754</u>	<u>\$ 3,470,754</u>