

*County of Lehigh,
Pennsylvania*

December 31, 2015

*Financial Statements
and Independent Auditor's Report*

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County of Lehigh

Year Ended December 31, 2015

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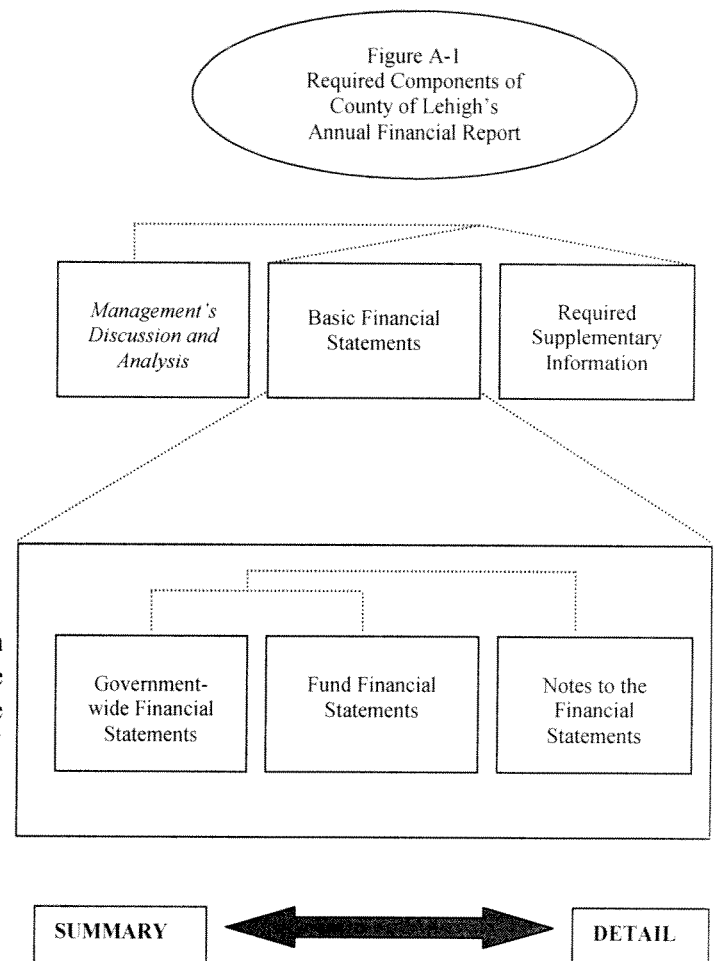
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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.

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

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

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 is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the anticipated level of funding from the federal and state governments.

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

Fund Financial Statements

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

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

The County has three kinds of funds:

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

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Government-wide Financial Analysis

The County's assets and deferred outflows - pension exceeded liabilities by approximately \$119.1 million at the close of the 2015 fiscal year. The following is a condensed summary of net position for the years 2014 and 2015:

County of Lehigh's Net Position

	Total Governmental Activities		Total Business - Type Activities		Total	
	(Restated) 2014	2015	(Restated) 2014	2015	(Restated) 2014	2015
Current and other assets	\$ 154,025,918	\$ 141,424,763	\$ 732,632	\$ 790,642	\$ 154,758,550	\$ 142,215,405
Capital assets	244,147,439	242,609,312	1,176,956	986,979	245,324,395	243,596,291
Total Assets	<u>398,173,357</u>	<u>384,034,075</u>	<u>1,909,588</u>	<u>1,777,621</u>	<u>400,082,945</u>	<u>385,811,696</u>
Deferred outflows of resources – Pension	0	35,969,488	0	60,350	0	36,029,838
General obligation bonds and notes payable	141,813,186	127,596,018			141,813,186	127,596,018
Other liabilities	153,408,304	174,911,677	209,279	258,680	153,617,583	175,170,357
Total Liabilities	<u>295,221,490</u>	<u>302,507,695</u>	<u>209,279</u>	<u>258,680</u>	<u>295,430,769</u>	<u>302,766,375</u>
Net Position:						
Net investment in capital assets	105,523,355	117,986,541	1,176,956	986,979	106,700,311	118,973,520
Restricted	57,667,217	57,352,526			57,667,217	57,352,526
Unrestricted deficit	(60,238,705)	(57,843,199)	523,353	592,312	(59,715,352)	(57,250,887)
Total Net Position	<u>\$ 102,951,867</u>	<u>\$ 117,495,868</u>	<u>\$ 1,700,309</u>	<u>\$ 1,579,291</u>	<u>\$ 104,652,176</u>	<u>\$ 119,075,159</u>

Current and other assets decreased \$12.5 million largely due to the timing of receipt of grant revenues. The 2015/2016 Pennsylvania budget impasse resulted in large fluctuations between cash, grants receivable, and unearned grant revenue liability. Some grant revenues that have been traditionally received in cash at the close of the year, but categorized as unearned grant revenue, were not received in 2015. Net capital assets decreased \$1.7 million due to the net of \$8.8 million in capital asset purchases and \$10.6 million in net current year accumulated depreciation. See Note 5 on page 38 for additional capital asset information.

General obligation bonds and notes payable decreased \$14.2 million due to current year principal payments. See Note 3 on Page 34 for additional information concerning the County's long-term debt.

Other liabilities increased \$21.6 million due to the net of:

- A decrease in unearned grant revenue of \$16.1 million due to the timing of receipt of grant revenues resulting from the 2015/2016 Commonwealth of Pennsylvania budget impasse.
- A decrease in unamortized bond premium of \$1.3 million resulting from the annual amortization of this balance.
- An increase in net pension liability of \$36 million. The County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for its December 31, 2015 financial statements which required the reporting of net pension liability as well as deferred outflows of resources - pension. See note 1 on page 31 and note 6 on page 38 for additional information.
- An increase in accrued worker's compensation of \$3.3 million due to an increase in actuarially determined case loss reserves for several of the County's oldest open claims.

Net investment in capital assets increased \$12.3 million due to the net of a decrease in net capital assets of \$1.7 million noted above, principal payments on general obligation bonds and notes payable totaling \$14.2 million, the amortization of bond premium totaling \$1.3 million, and the decrease in related capital asset fund balances of \$1.6 million. Unrestricted deficit decreased \$2.5 million largely due to an increase of \$1.8 million in anticipated capital asset activity that did not occur as of the close of the year. Such projects are not funded through debt borrowings. Funding of these projects is achieved through transfers from individual funds to the Other Capital Projects Fund and is carried forward to the following year.

Changes in Net Position:

The following is a summary of the key elements comprising the changes in net position for the years 2014 and 2015.

County of Lehigh's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>(Restated) 2014</u>	<u>2015</u>	<u>(Restated) 2014</u>	<u>2015</u>	<u>(Restated) 2014</u>	<u>2015</u>
Revenues:						
Program revenue:						
Charges for services	\$ 29,761,044	\$ 31,945,571	\$ 1,045,489	\$ 1,056,101	\$ 30,806,533	\$ 33,001,672
Operating grants and contributions	202,644,543	210,251,551			202,644,543	210,251,551
General revenues:						
Property taxes	107,260,125	107,700,336			107,260,125	107,700,336
Unrestricted investment earnings	347,796	356,819	1,688	2,207	349,484	359,026
Transfers	133,848	141,574	(133,848)	(141,574)		
Total revenues	340,147,356	350,395,851	913,329	916,734	341,060,685	351,312,585
Expenses:						
Elected officials	24,390,114	24,208,454			24,390,114	24,208,454
County executive	4,507,432	4,388,101			4,507,432	4,388,101
Administration	13,053,336	14,260,403			13,053,336	14,260,403
Human services	128,374,051	133,404,296	1,059,012	1,037,752	129,433,063	134,442,048
General services	16,034,132	15,895,652			16,034,132	15,895,652
Nursing homes	67,240,395	64,362,951			67,240,395	64,362,951
Corrections	35,726,880	34,734,220			35,726,880	34,734,220
Department of law	70,485	76,687			70,485	76,687
Courts	35,566,712	34,852,388			35,566,712	34,852,388
Development	7,884,826	3,082,775			7,884,826	3,082,775
Interest on long-term debt	7,423,390	6,585,923			7,423,390	6,585,923
Total expenses	340,271,753	335,851,850	1,059,012	1,037,752	341,330,765	336,889,602
Changes in Net Position	(124,397)	14,544,001	(145,683)	(121,018)	(270,080)	14,422,983
Beginning Net Position, as restated	103,076,264	102,951,867	1,845,992	1,700,309	104,922,256	104,652,176
Ending Net Position	<u>\$102,951,867</u>	<u>\$117,495,868</u>	<u>\$ 1,700,309</u>	<u>\$ 1,579,291</u>	<u>\$104,652,176</u>	<u>\$119,075,159</u>

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The County's total revenues increased \$10.3 million to \$351.3 million due to:

- An increase in operating grants and contributions of \$7.6 million due to an increase in the Health Choices Fund of \$11 million and a decrease in state funded RACP of \$5.5 million.
- An increase in charges for services of \$2.2 million due to an increase in departmental earnings in the General Fund of \$1.7 million due to an increase in activity in services provided through the County's row offices, such as the District Attorney, Sheriff, and Judicial Records offices, and an increase of \$.3 million in General Purpose Authority fees paid to the Economic Development Fund.

The County's expenditures totaled \$336.9 million. The Human Services and Nursing Homes functions comprise 59% of the total expenditures. The Corrections and Courts functions comprise 21% of the total expenditures.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$105.6 million, which is a \$5 million increase from the prior year. The primary reasons for this increase in fund balances were:

- The General Fund increased \$3.7 million as tightened budgetary constraints resulted in favorable budgetary variations.
- The Health Choices Fund increased \$1.6 million. These funds are restricted for the payment of specific program expenditures.
- The Cedarbrook Fund increased \$1.7 million as tightened budgetary constraints resulted in favorable budgetary variations.
- The Other Governmental Funds decreased \$1.9 million largely due to the decrease in Bond Fund 2007 of \$1.3 million for the construction of a forensic medicolegal facility and an upgrade to the Jail HVAC system and video surveillance system.

General Fund Budgetary Highlights

Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of revenues in the General Fund resulted in a net increase of \$.4 million, or .3 percent. This increase is largely due to an increase in the Grants and Reimbursements budget from \$5.9 million to \$6.3 million which is the result of revisions for several Redevelopment Assistance Capital Program (RACP) projects which were not originally budgeted and are funded by state grant revenues.

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$4.1 million, or 3.6 percent. This increase is largely due to an increase in the Administration expenditure budget from \$19.4 million to \$22.3 million which is largely the result of revisions for retirement healthcare expenditures which have significantly increased the last few years. In addition, the Development expenditure budget increased from \$.5 million to \$1.1 million which is the result of revisions for RACP and HOME-PA projects noted above.

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Final Budget vs. Actual

- \$.9 million favorable variance in tax revenues.
- \$1.2 million unfavorable variance in grant revenue largely due to 2015/2016 Commonwealth of Pennsylvania budget impasse.
- \$.6 million favorable variance in departmental earnings largely due to activity in services provided through the District Attorney, Sheriff, and Judicial Records offices.
- \$.6 million unfavorable variance in other revenues due to the budgeted sale of County owned land that did not occur.
- \$2.7 million favorable variance in Corrections expenditures largely due to favorable budgetary variations in personnel and healthcare costs, operational costs such as fuel and electricity, and juvenile maintenance costs.
- \$2.5 million favorable variance in Courts expenditures largely due to favorable budgetary variations in personnel and healthcare costs, operational costs such as legal services and other professional services, and shared institutional costs for juvenile placements.

Budgeted operating transfers in and operating transfers out include a \$4 million underwrite transfer from the Stabilization Fund to the Operating Fund that did not occur. The remaining variance in net other financing sources / (uses) of \$4.6 million is largely due to anticipated capital asset activity totaling \$4 million that did not occur as of the close of the year. Such projects are not funded through debt borrowings. Funding of these projects is achieved through transfers from individual funds to the Other Capital Projects Fund which is carried forward to the following year.

Capital Assets

The following is a schedule of the County's capital assets as of December 31, 2014 and December 31, 2015:

County of Lehigh's Capital Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 12,240,981	\$ 12,240,981	\$ 236,533	\$ 236,533	\$ 12,477,514	\$ 12,477,514
Buildings and improvements	176,058,535	170,533,501	898,865	740,583	176,957,400	171,274,084
Machinery and equipment	5,024,437	5,122,626	32,808	3,163	5,057,245	5,125,789
Furniture and Fixtures	1,869,431	1,429,974	8,750	6,700	1,878,181	1,436,674
Easements	19,653,258	20,002,890			19,653,258	20,002,890
Infrastructure	29,300,797	33,279,340			29,300,797	33,279,340
Total	\$ 244,147,439	\$ 242,609,312	\$ 1,176,956	\$ 986,979	\$ 245,324,395	\$ 243,596,291

Noteworthy capital asset purchases/projects that took place in 2015 were as follows:

- \$1 million - Jail HVAC system upgrade and video surveillance upgrade
- \$4.9 million - Major bridge reconstruction
- \$.3 million - Forensic medicolegal facility construction
- \$.4 million - Agriculture land easements

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

Debt Administration

At year-end the County had \$113.5 million in general obligation bonds and \$14.1 million in general obligation notes outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 34.

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

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

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Lehigh County was 3.9 percent compared to the state's rate of 4.7 percent and the national rate of 5 percent.
- Northeast region 2015 inflation was .5 percent.

These indicators were taken into account when adopting the general fund budget for 2016.

Property tax millage for 2016 decreased to 3.68 mills from 3.75 mills in 2015.

Request for Information

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

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 90,154,974	\$ 790,433	\$ 90,945,407
Receivables:			
Grants	33,502,944		33,502,944
Real estate taxes	4,201,440		4,201,440
Other	3,005,772	209	3,005,981
Other	3,171,787		3,171,787
Cash and cash equivalents - restricted	7,387,846		7,387,846
Capital assets, not being depreciated	32,243,871	236,533	32,480,404
Capital assets (net of accumulated depreciation)	210,365,441	750,446	211,115,887
Total assets	<u>384,034,075</u>	<u>1,777,621</u>	<u>385,811,696</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSION	<u>35,969,488</u>	<u>60,350</u>	<u>36,029,838</u>
LIABILITIES			
Accounts payable	15,017,754	42,673	15,060,427
Deposits and agency amounts payable	7,387,846		7,387,846
Accrued payroll and payroll taxes	3,799,525	4,373	3,803,898
Due to other governmental units	5,533		5,533
Unearned grant revenues	3,310,333		3,310,333
Current portions of long term liabilities:			
General obligation bonds payable	7,935,000		7,935,000
Note payable	6,821,895		6,821,895
Unamortized bond premium	963,679		963,679
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	17,517,062		17,517,062
Accrued worker's compensation	6,082,495		6,082,495
General obligation bonds payable	105,515,000		105,515,000
Note payable	7,324,123		7,324,123
Unamortized bond premium	1,593,570		1,593,570
Net pension liability	89,351,656	149,915	89,501,571
Unfunded other postemployment benefits	29,882,224	61,719	29,943,943
Total liabilities	<u>302,507,695</u>	<u>258,680</u>	<u>302,766,375</u>
NET POSITION			
Net investment in capital assets	117,986,541	986,979	118,973,520
Restricted for:			
Program expenditures	52,037,773		52,037,773
Debt service	52,071		52,071
Bond financed improvements	5,262,682		5,262,682
Unrestricted	(57,843,199)	592,312	(57,250,887)
Total net position	<u>\$ 117,495,868</u>	<u>\$ 1,579,291</u>	<u>\$ 119,075,159</u>

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

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Activities
For the Year Ended December 31, 2015

Function	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 21,596,730	\$ 2,611,724	\$ 6,330,470	\$ 1,815,099	\$ (16,062,885)	\$	\$ (16,062,885)
County executive	3,495,656	892,445	6,991		(4,381,110)		(4,381,110)
Administration	29,712,890	(15,452,487)	6,896,995	810,387	(6,553,021)		(6,553,021)
Human services	130,526,302	2,877,994	146,345	130,111,545	(3,146,406)		(3,146,406)
General services	17,018,816	(1,123,164)	308,776	10,906,628	(4,680,248)		(4,680,248)
Nursing homes	59,293,347	5,069,604	6,954,702	56,364,302	(1,043,947)		(1,043,947)
Corrections	33,062,890	1,671,330	3,952,240	1,051,466	(29,730,514)		(29,730,514)
Department of law	1,264,105	(1,187,418)	232,052		155,365		155,365
Courts	30,425,763	4,426,625	4,454,364	6,968,402	(23,429,622)		(23,429,622)
Development	2,957,221	125,554	2,662,636	2,223,722	1,803,583		1,803,583
Interest on long-term debt	6,585,923				(6,585,923)		(6,585,923)
Total governmental activities	335,939,643	(87,793)	31,945,571	210,251,551	(93,654,728)		(93,654,728)
Business-type activities:							
Enterprise funds	949,959	87,793	1,056,101			18,349	18,349
Total primary government	\$ 336,889,602	\$ 0	\$ 33,001,672	\$ 210,251,551	(93,654,728)	18,349	(93,636,379)
General revenues:							
Taxes					107,700,336		107,700,336
Unrestricted investment earnings					356,819	2,207	359,026
Transfers					141,574	(141,574)	0
Total general revenues					108,198,729	(139,367)	108,059,362
Change in net position					14,544,001	(121,018)	14,422,983
Net position, January 1, as restated (see Note 1)					102,951,867	1,700,309	104,652,176
Net position, December 31					\$ 117,495,868	\$ 1,579,291	\$ 119,075,159

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

COUNTY OF LEHIGH, PENNSYLVANIA

Balance Sheet

Governmental Funds

December 31, 2015

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 25,290,213	\$	\$ 30,208,580	\$	\$ 913,085	\$ 31,000,454	\$ 87,412,332
Receivables:							
Grants	2,278,114	5,199,737		6,269,724	9,212,749	10,542,620	33,502,944
Real estate taxes	4,201,440						4,201,440
Other	11,823,703	52,536		15	423,776	393,163	12,693,193
Cash and cash equivalents - restricted	21,787					3,150,000	3,171,787
Total assets	<u>44,623,707</u>	<u>5,252,273</u>	<u>36,308,580</u>	<u>6,269,739</u>	<u>10,549,610</u>	<u>45,365,633</u>	<u>148,369,542</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,445,299	\$ 5,181,785	\$ 151,366	\$ 6,081,729	\$ 1,819,128	\$ 9,988,648	\$ 24,667,955
Deposits and agency amounts payable	1,008,450		6,100,000			279,396	7,387,846
Payroll and payroll taxes	1,906,915	70,488	9,306	188,010	1,203,326	396,803	3,774,848
Due to other governmental units	5,533						5,533
Unearned revenues:							
Grants			658,213			2,652,120	3,310,333
Real estate taxes	3,577,251						3,577,251
Total liabilities	<u>7,943,448</u>	<u>5,252,273</u>	<u>6,918,885</u>	<u>6,269,739</u>	<u>3,022,454</u>	<u>13,316,967</u>	<u>42,723,766</u>
Fund balances:							
Restricted			29,389,695		7,527,156	21,024,493	50,414,188
Committed	36,680,259					11,024,173	18,551,329
Unassigned	<u>36,680,259</u>	<u>0</u>	<u>29,389,695</u>	<u>0</u>	<u>7,527,156</u>	<u>32,048,666</u>	<u>36,680,259</u>
Total liabilities and fund balances	<u>\$ 44,623,707</u>	<u>\$ 5,252,273</u>	<u>\$ 36,308,580</u>	<u>\$ 6,269,739</u>	<u>\$ 10,549,610</u>	<u>\$ 45,365,633</u>	<u>\$ 148,369,542</u>

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

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COUNTY OF LEHIGH, PENNSYLVANIA
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2015

Total fund balances for governmental funds \$ 105,645,776

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

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

Land	12,240,981
Buildings and improvements, net of \$119,416,252 accumulated depreciation	170,533,501
Machinery and equipment, net of \$48,284,177 accumulated depreciation	5,122,626
Furniture and fixtures, net of \$6,681,533 accumulated depreciation	1,429,974
Easements	20,002,890
Infrastructure, net of \$6,174,629 accumulated depreciation	<u>33,279,340</u>

Net capital assets 242,609,312

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.

2,680,745

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.

3,577,251

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, 2015 are:

Accrued vacation and other compensation	(17,517,062)
Accrued worker's compensation	(6,082,495)
Bonds and notes payable	(127,596,018)
Unamortized bond premium	(2,557,249)
Net pension liability (net of related deferred outflows of resources)	(53,382,168)
Unfunded other postemployment benefits	<u>(29,882,224)</u>
	<u>(237,017,216)</u>

Total net position of governmental activities \$ 117,495,868

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, 2015

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REVENUES		<u>General</u>	<u>Mental Health</u>	<u>Health Choices</u>	<u>Children and Youth</u>	<u>Cedarbrook</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$	107,547,410						\$ 107,547,410
Grants and reimbursements		6,595,278						210,251,551
Departmental earnings	\$	13,789,076	12,990	\$ 76,502,780	\$ 21,087,701	\$ 56,364,302	\$ 37,067,953	24,105,762
Judicial costs and fines		4,040,443				6,616,594	31,984	4,072,427
Investment income		163,241	5,584	92,800	4,749	5,120	85,325	356,819
Rents		417,017					1,290,025	1,707,042
Other		595,167			581	1,159	114,888	711,795
Total revenues		<u>133,147,632</u>	<u>12,652,111</u>	<u>76,595,580</u>	<u>21,093,031</u>	<u>62,987,175</u>	<u>42,277,277</u>	<u>348,752,806</u>
EXPENDITURES								
Current:								
Elected officials		20,188,274					1,622,534	21,810,808
County executive		3,485,572					3,962	3,489,534
Administration		22,198,200					4,248,460	26,446,660
Human services		206,317	12,441,614	73,545,396	23,513,954		21,399,235	131,106,516
General services		7,203,165					13,258,246	20,461,411
Nursing homes						57,208,581	533,269	57,741,850
Corrections		29,547,342					725,725	30,273,067
Department of law		1,257,755						1,257,755
Courts		25,196,100					5,059,916	30,256,016
Development		1,079,959					1,789,969	2,869,928
Indirect cost allocation charges		(8,098,975)	438,060	154,836	915,504	4,700,547	1,802,235	(87,793)
Debt Service:								
Principal retirement							9,790,291	9,790,291
Interest							6,109,522	6,109,522
Total expenditures		<u>102,263,709</u>	<u>12,879,674</u>	<u>73,700,232</u>	<u>24,429,458</u>	<u>61,909,128</u>	<u>66,343,364</u>	<u>341,525,565</u>
Excess of revenues over (under) expenditures		<u>30,883,923</u>	<u>(227,563)</u>	<u>2,895,348</u>	<u>(3,336,427)</u>	<u>1,078,047</u>	<u>(24,066,087)</u>	<u>7,227,241</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in		2,974,077	565,448		3,973,778	1,673,137	24,748,369	33,934,809
Operating transfers out		(30,205,609)	(337,885)	(1,291,853)	(637,351)	(1,076,781)	(2,565,259)	(36,114,738)
Total other financing sources / (uses)		<u>(27,231,532)</u>	<u>227,563</u>	<u>(1,291,853)</u>	<u>3,336,427</u>	<u>596,356</u>	<u>22,183,110</u>	<u>(2,179,929)</u>
Net change in fund balances		3,652,391	0	1,603,495	0	1,674,403	(1,882,977)	5,047,312
Fund balances, January 1		33,027,868	0	27,786,200	0	5,852,753	33,931,643	100,598,464
Fund balances, December 31	\$	<u>36,680,259</u>	<u>\$ 0</u>	<u>\$ 29,389,695</u>	<u>\$ 0</u>	<u>\$ 7,527,156</u>	<u>\$ 32,048,666</u>	<u>\$ 105,645,776</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, 2015

Net change in fund balances – total governmental funds \$ 5,047,312

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the retirement of capital assets is to decrease net position. This is the amount by which capital outlays exceeded net depreciation and retirements in the current period. (1,538,127)

The issuance of long-term debt is an other 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. 10,761,065

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	(3,274,012)	
Accrued vacation and other compensation	(565,079)	
Unearned real estate tax revenue	152,926	
Deferred outflows of resources - pension	35,969,488	
Net pension liability	(35,961,819)	
Other postemployment benefits	461,127	
		(3,217,369)

An internal service fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals. The net income of the internal service fund (net of \$683,434 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 3,491,120

Change in net position of governmental activities \$ 14,544,001

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

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COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Net Position

Proprietary Funds

December 31, 2015

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 790,433	\$ 2,742,642
Other receivables	209	
Total current assets	<u>790,642</u>	<u>2,742,642</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	6,671,781	23,354,186
Equipment	391,093	1,010,142
Furniture and fixtures	40,983	1,441,539
Less accumulated depreciation	<u>(6,353,411)</u>	<u>(12,932,229)</u>
Total capital assets (net of accumulated depreciation)	<u>986,979</u>	<u>12,873,638</u>
TOTAL ASSETS	<u>1,777,621</u>	<u>15,616,280</u>
 DEFERRED OUTFLOWS OF RESOURCES - PENSION	 <u>60,350</u>	
 LIABILITIES		
Current liabilities:		
Accounts payable	42,673	37,220
Accrued payroll and payroll taxes	4,373	24,677
Unamortized bond premium		377,772
Current portion of general obligation bonds payable		4,646,933
Total current liabilities	<u>47,046</u>	<u>5,086,602</u>
Noncurrent liabilities:		
General obligation bonds payable		855,686
Net pension liability	149,915	
Unfunded other postemployment benefits	<u>61,719</u>	
TOTAL LIABILITIES	<u>258,680</u>	<u>5,942,288</u>
 NET POSITION		
Net investment in capital assets	986,979	6,993,247
Unrestricted	592,312	2,680,745
TOTAL NET POSITION	<u>\$ 1,579,291</u>	<u>\$ 9,673,992</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, 2015

	Business-type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 1,056,101	
Government Center revenues		\$ 2,675,867
Total operating revenues	<u>1,056,101</u>	<u>2,675,867</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	759,982	
Government Center		1,419,322
Depreciation	189,977	683,434
Indirect cost allocation charges	87,793	
Total operating expenses	<u>1,037,752</u>	<u>2,102,756</u>
OPERATING INCOME	<u>18,349</u>	<u>573,111</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	2,207	11,702
Amortization of bond premium		377,771
Interest expense		(476,401)
Total nonoperating revenues (expenses)	<u>2,207</u>	<u>(86,928)</u>
OTHER FINANCING USES		
Transfers in		2,475,000
Transfers out	(141,574)	(153,497)
	<u>(141,574)</u>	<u>2,321,503</u>
Change in net position	(121,018)	2,807,686
Total net position, January 1, as restated (see Note 1)	<u>1,700,309</u>	<u>6,866,306</u>
Total net position, December 31	<u><u>\$ 1,579,291</u></u>	<u><u>\$ 9,673,992</u></u>

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

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,056,129	\$ 2,675,867
Payments to suppliers	(519,629)	(330,133)
Payments to employees	(184,775)	(790,434)
Payments of benefits on behalf of employees	(66,527)	(281,567)
Indirect cost allocation charges	(87,793)	
Net cash provided by operating activities	<u>197,405</u>	<u>1,273,733</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		2,475,000
Transfers to other funds	(141,574)	(153,497)
Net cash provided by / (used) for noncapital financing activities	<u>(141,574)</u>	<u>2,321,503</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt		(4,426,877)
Interest paid on capital debt		(476,401)
Net cash used by capital and related financing activities	<u>0</u>	<u>(4,903,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	2,207	11,702
Net cash provided by investing activities	<u>2,207</u>	<u>11,702</u>
Net increase / (decrease) in cash and cash equivalents	58,038	(1,296,340)
Cash and cash equivalents, January 1	<u>732,395</u>	<u>4,038,982</u>
Cash and cash equivalents, December 31	<u><u>\$ 790,433</u></u>	<u><u>\$ 2,742,642</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 18,349	\$ 573,111
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	189,977	683,434
Decrease in other receivables	28	
Increase in deferred outflows of resources - pension	(60,350)	
Increase/(decrease) in accounts payable	(9,596)	12,713
Increase/(decrease) in payroll and payroll taxes payable	(191)	4,475
Increase in net pension liability	60,337	
Decrease in unfunded other postemployment benefits payable	(1,149)	
Net cash provided by operating activities	<u><u>\$ 197,405</u></u>	<u><u>\$ 1,273,733</u></u>

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

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Employee Retirement Plan	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 23,655,511	\$ 13,410,363
Investments, at fair value:		
United States government and municipal obligations	23,370,087	155,065
Corporate and foreign bonds	78,168,116	82,977
Common stock	133,783,514	219,750
Mutual fund - alternatives	22,282,141	
Mutual fund - corporate bonds	6,423,276	25,436
Mutual fund - common stock	73,802,131	
Mutual fund - foreign stock	72,851,467	
Mutual fund - balanced	11,906,113	
Total investments	<u>422,586,845</u>	<u>483,228</u>
Receivables:		
Interest and dividends	1,123,431	
Employee contributions	192,283	
Other		47,721
Total receivables	<u>1,315,714</u>	<u>47,721</u>
Total assets	<u>447,558,070</u>	<u>13,941,312</u>
LIABILITIES		
Accounts payable	239,243	140
Deposits and agency amounts payable		12,223,661
Due to other governmental units		1,717,511
Withdrawals payable	78,336	
Pension benefits payable	372,739	
Due to broker	189,882	
Total liabilities	<u>880,200</u>	<u>13,941,312</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 446,677,870</u>	<u>\$ 0</u>

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

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COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2015

	<u>Employee Retirement Plan</u>
ADDITIONS	
Contributions:	
Employee	\$ 6,138,640
Employer	<u>10,711,406</u>
Total contributions	16,850,046
Investment income:	
Interest and dividend income	10,456,304
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	(556,874)
Corporate and foreign bonds	(3,450,231)
Common stock	(463,343)
Mutual fund - alternatives	519,860
Mutual fund - corporate bonds	(3,496,591)
Mutual fund - common stock	(65,875)
Mutual fund - foreign stock	(2,796,363)
Partnerships - balanced	<u>(557,152)</u>
	(10,866,569)
Less investment expenses	<u>(1,321,388)</u>
Net investment income	<u>(1,731,653)</u>
Other additions	<u>23,903</u>
Total additions	15,142,296
DEDUCTIONS	
Employee contributions refunded	782,523
Retirement benefits paid	28,006,843
Death benefits paid	337,726
Administrative expense	57,934
Total deductions	<u>29,185,026</u>
Change in net position	(14,042,730)
Net position, January 1	<u>460,720,600</u>
Net position, December 31	<u><u>\$ 446,677,870</u></u>

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

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COUNTY OF LEHIGH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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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. 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.

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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 2015, the County paid \$425,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2015, the County provided \$434,386 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.

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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, and Cedarbrook Fund.

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

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

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

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

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

Proprietary Funds

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

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

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

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Funds

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

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

Cash and Cash Equivalents

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

Investments

The County accounts for its investments at fair value.

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 2015 real estate taxes assessed equaled \$108,846,018 based on a total County valuation of \$29,025,604,800. Based on the 2015 levy of 3.75 mills, a property owner would pay \$3.75 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2015 real estate taxes are as follows:

July 31, 2016	Notices of unpaid delinquent taxes must be mailed by the County, or its agent.
August 30, 2017	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.

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September 11, 2017	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 13, 2017	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 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.

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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.

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.

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- Assigned fund balance – This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose but are neither restricted nor committed. The Board of Commissioners has the responsibility to approve or remove assigned fund balance to reflect the intended use of the resources.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

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

Accounting Estimates

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

Recent Accounting Pronouncements

The County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for its December 31, 2015 financial statements. Adoption of this guidance resulted in a restatement of governmental activities' net position and the business-type activities' net position as follows as of January 1, 2015:

Governmental Activities

Beginning net position, as previously reported	\$ 156,341,704
Net pension liability as of December 31, 2014 measurement date	<u>(53,389,837)</u>
Net Position, beginning, as restated	<u>\$ 102,951,867</u>

Business-type Activities

Beginning net position, as previously reported	\$ 1,789,887
Net pension liability as of December 31, 2014 measurement date	<u>(89,578)</u>
Net Position, beginning, as restated	<u>\$ 1,700,309</u>

Actuarial calculations were not available to determine amounts of deferred inflows and outflows of resources as required by the Statement as of December 31, 2014; therefore, deferred inflows and outflows of resources were recorded as of December 31, 2015 based on the December 31, 2015 measurement date as reported by the Plan.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements. This guidance is effective for reporting periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The Statement amends and expands certain disclosures and required supplementary information for other postemployment benefit (OPEB) plans. GASB statement No. 74 is effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement amends financial accounting and reporting requirements for sponsors (employers) of OPEB plans. GASB statement No. 75 is effective for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement amends and defines the authoritative sources of accounting guidance for states and local governments. GASB statement No. 76 is effective for periods beginning after June 15, 2015.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires new disclosures about tax abatement agreements. GASB statement No. 77 is effective for periods beginning after June 15, 2015.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The provisions of this Statement permit qualifying external investment pools and pool participants to measure investments at amortized cost for financial reporting purposes. GASB statement No. 79 is effective for periods beginning after June 15, 2015.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement amends financial accounting and disclosure requirements for governments receiving resources or beneficial interest in irrevocable split-interest agreements. Statement No. 81 is effective for periods beginning after December 15, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends and clarifies certain pension disclosures promulgated by Statements No. 67, 68 and 73. Statement No. 82 is effective for periods beginning after June 15, 2016.

The County is currently evaluating what effect the adoption of GASB Statements No. 72 through 82 will have on the County's financial statements.

NOTE 2 DEPOSIT AND INVESTMENT RISK

As of December 31, 2015, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

Investment Type	Investment Maturities (in Years)			
	Fair Value	1-5	6-10	More Than 10
U.S. government treasuries	\$ 84,537	\$ 41,349	\$ 20,402	\$ 22,786
U.S. government agencies	70,528	60,406	10,122	
Corporate bonds	82,977	25,992	56,985	
Total	\$ 238,042	\$ 127,747	\$ 87,509	\$ 22,786

As of December 31, 2015, 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	16,909,782	1,114,866	\$ 3,686,122	\$ 6,704,722	\$ 5,404,072
U.S. government agencies	6,460,305		2,484,809	2,360,327	1,615,169
Corporate bonds	78,168,116	750,975	23,631,595	17,519,046	36,266,500
Total	\$ 101,538,203	\$ 1,865,841	\$ 29,802,526	\$ 26,584,095	\$ 43,285,741

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.

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

As of December 31, 2015, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Cash Equivalent	AA+	100%
U.S. Government Treasuries	AA+	100%
U.S. Government Agencies	AA+	100%
Corporate Bonds	AAA	6%
Corporate Bonds	AA+	27%
Corporate Bonds	AA	5%
Corporate Bonds	AA-	7%
Corporate Bonds	A+	6%
Corporate Bonds	A	12%
Corporate Bonds	A-	9%
Corporate Bonds	BBB+	17%
Corporate Bonds	BBB	8%
Corporate Bonds	BBB-	3%

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

As of December 31, 2015, the County's cash and restricted cash balances for its governmental funds, proprietary funds and agency funds were \$111,711,958 and its bank balances were \$114,139,126. 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 or collateralized with securities held by the pledging financial institutions, or their trust departments or agents, but not in the County's name. The County had petty cash balances totaling \$31,658 at December 31, 2015.

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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, 2015:

	Balance at January 1, 2015	Additions	Retirements	Balance at December 31, 2015	Amount due within one year
Accrued vacation and other compensation	\$ 16,951,983	\$ 565,079		\$ 17,517,062	
Accrued worker's compensation	2,808,483	4,211,424	\$ (937,412)	6,082,495	
General obligation bonds payable	122,895,000		(9,445,000)	113,450,000	\$ 7,935,000
Note payable	18,918,186		(4,772,168)	14,146,018	6,821,895
Unamortized bond premium/discount	3,905,794		(1,348,545)	2,557,249	963,679
Other postemployment benefits	30,406,219		(462,276)	29,943,943	
	<u>\$ 195,885,665</u>	<u>\$ 4,776,503</u>	<u>\$ (16,965,401)</u>	<u>\$ 183,696,767</u>	<u>\$ 15,720,574</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, 2015:

		Amount Due Within One Year
\$76,895,000 2007 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$12,835,000 through November 15, 2022, interest rates vary from 4.00% to 5.00%	\$ 76,860,000	\$ 5,000
\$18,120,000 2007 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$355,000 to \$1,215,000 through December 15, 2037, interest rates vary from 5.45% to 5.85%	15,735,000	375,000
\$13,355,000 2007 Guaranteed Authority Bonds, serial bonds due in annual installments of \$5,000 to \$1,585,000 through December 15, 2037, interest rates vary from 4.00% to 4.5%	13,315,000	15,000
\$32,925,000 2011 General Obligation Bonds, serial bonds due in annual installments of \$7,180,000 to \$7,540,000 through November 15, 2016, interest rate of 5%	7,540,000	7,540,000
Total general obligation bonds payable	113,450,000	7,935,000

\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$77,000 to \$109,000 through September 1, 2024, interest rate of 3.73%	3,273,000	323,000
\$4,768,538 2010 General Obligation Note, due in annual installments of \$291,168 to \$381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	3,388,018	298,895
\$11,685,000 2014 General Obligation Note, due in annual installments of \$1,285,000 to \$4,170,000 through November 15, 2017, interest rate of .83%	<u>7,485,000</u>	<u>6,200,000</u>
Total notes payable	<u>14,146,018</u>	<u>6,821,895</u>
Total general obligation bonds and notes payable	<u>\$ 127,596,018</u>	<u>\$ 14,756,895</u>

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2015 are as follows:

	<u>Governmental Activities</u>		<u>Internal Service Fund</u>		<u>Total Debt Service</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	10,109,962	5,736,895	4,646,933	255,461	14,756,895	5,992,356	20,749,251
2017	14,131,723	5,496,996	84,948	24,881	14,216,671	5,521,877	19,738,548
2018	12,770,104	4,851,301	87,392	22,441	12,857,496	4,873,742	17,731,238
2019	13,405,521	4,219,475	89,851	19,922	13,495,372	4,239,397	17,734,769
2020	14,064,976	3,556,363	92,324	17,325	14,157,300	3,573,688	17,730,988
2021-2025	35,266,113	8,680,595	501,171	44,817	35,767,284	8,725,412	44,492,696
2026-2030	6,710,000	5,081,393			6,710,000	5,081,393	11,791,393
2031-2035	10,240,000	3,033,393			10,240,000	3,033,393	13,273,393
2036-2037	5,395,000	417,105			5,395,000	417,105	5,812,105
	<u>\$122,093,399</u>	<u>\$41,073,516</u>	<u>\$ 5,502,619</u>	<u>\$ 384,847</u>	<u>\$127,596,018</u>	<u>\$41,458,363</u>	<u>\$169,054,381</u>

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NOTE 4 INTERFUND TRANSFERS

Certain interfund transfers are executed as a result of the General Fund's requirement to match a portion of another fund's expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. Interfund transfers to and transfers from of each individual fund for the year ended December 31, 2015 are as follows:

	<u>Transfer In:</u>						<u>Total</u>
	<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>Internal Service Fund</u>	
<u>Transfer Out:</u>							
General Fund		\$ 423,833	\$ 3,973,778	\$ 1,597,755	\$ 21,735,243	\$ 2,475,000	\$30,205,609
Mental Health Fund	\$ 113,100				224,785		\$ 337,885
Health Choices Fund	144,100	141,615			1,006,138		\$ 1,291,853
Children and Youth Fund	113,100				524,251		\$ 637,351
Cedarbrook Fund					1,076,781		\$ 1,076,781
Other Governmental Funds	2,489,877			75,382			\$ 2,565,259
Enterprise Fund					141,574		\$ 141,574
Internal Service Fund	113,900				39,597		\$ 153,497
	<u>\$ 2,974,077</u>	<u>\$ 565,448</u>	<u>\$ 3,973,778</u>	<u>\$ 1,673,137</u>	<u>\$ 24,748,369</u>	<u>\$ 2,475,000</u>	

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NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 12,240,981			\$ 12,240,981
Easements	19,653,258	\$ 349,632		20,002,890
Total capital assets, not being depreciated	<u>31,894,239</u>	<u>349,632</u>	<u>-</u>	<u>32,243,871</u>
Capital assets, being depreciated:				
Buildings and improvements	288,208,880	1,740,873		289,949,753
Machinery and equipment	51,977,023	1,805,650	\$ (375,870)	53,406,803
Furniture and fixtures	8,078,780	32,727		8,111,507
Infrastructure	34,550,023	4,903,946		39,453,969
Total capital assets, being depreciated	<u>382,814,706</u>	<u>8,483,196</u>	<u>(375,870)</u>	<u>390,922,032</u>
Total capital assets, historical cost	<u>414,708,945</u>	<u>8,832,828</u>	<u>(375,870)</u>	<u>423,165,903</u>
Less accumulated depreciation for:				
Buildings and improvements	(112,150,345)	(7,265,907)		(119,416,252)
Machinery and equipment	(46,952,586)	(1,707,461)	375,870	(48,284,177)
Furniture and fixtures	(6,209,349)	(472,184)		(6,681,533)
Infrastructure	(5,249,226)	(925,403)		(6,174,629)
Total accumulated depreciation	<u>(170,561,506)</u>	<u>(10,370,955)</u>	<u>375,870</u>	<u>(180,556,591)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 244,147,439</u>	<u>\$ (1,538,127)</u>	<u>\$ 0</u>	<u>\$ 242,609,312</u>
 Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 236,533			\$ 236,533
Capital assets, being depreciated:				
Buildings and improvements	6,671,781			6,671,781
Machinery and equipment	391,093			391,093
Furniture and fixtures	40,983			40,983
Total capital assets, being depreciated	<u>7,103,857</u>	<u>-</u>	<u>-</u>	<u>7,103,857</u>
Total capital assets, historical cost	<u>7,340,390</u>	<u>-</u>	<u>-</u>	<u>7,340,390</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,772,916)	\$ (158,282)		(5,931,198)
Machinery and equipment	(358,285)	(29,645)		(387,930)
Furniture and fixtures	(32,233)	(2,050)		(34,283)
Total accumulated depreciation	<u>(6,163,434)</u>	<u>(189,977)</u>	<u>-</u>	<u>(6,353,411)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,176,956</u>	<u>\$ (189,977)</u>	<u>-</u>	<u>\$ 986,979</u>

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

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 265,605
Administration	2,986,828
Human services	108,899
General services	3,353,092
Nursing homes	1,435,248
Corrections	1,999,426
Courts	141,424
Development	<u>80,433</u>
 Total depreciation expense-governmental activities	 <u><u>\$10,370,955</u></u>
 Total depreciation expense - business-type activities - enterprise funds	 <u><u>\$ 189,977</u></u>

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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 2015 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,650
Inactive plan members entitled to but not yet receiving benefits	84
Active plan members	<u>1,894</u>
	<u><u>3,628</u></u>

Benefits provided. Lehigh County Employee's Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's final 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 a percentage of the change in the Consumer Price Index.

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 2015 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
Cash	0.0-1.0

Discount rate. The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or 1-percentage-point higher than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's net pension liability	\$135,663,196	\$89,501,571	\$38,279,853

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 2015 measurement period, the active member contribution rate was 5.0 percent of annual pay, and the County average contribution rate was 10.40 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, Arbitrage Fund Class Institutional Fund, CBRE Clarion Securities, LLC, CoreCommodity Management CompleteCommodities Strategy Fund, C. S. McKee, LP, Edgar Lomax Company, Emerald Advisers, Inc., JPMorgan Chase and Co., John Hancock Global Absolute Return Strategies Fund, Mondrian Investment Partners, Inc., Nuveen Preferred Securities Fund, Sustainable Growth Advisors, LP, The Philadelphia Trust Company, Vanguard Developed Markets Index Fund, Vanguard Short Term Investment Grade Admiral Fund, Vanguard SCV Index Fund, and Vanguard Institutional Index Fund.

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 2015 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>

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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, 2014	\$ 514,200,015	\$ 460,720,600	\$ 53,479,415
Changes for the Year:			
Service Cost	4,652,235		4,652,235
Interest	37,841,399		37,841,399
Changes of Benefit Terms	-		
Differences Between Expected and Actual Experience	8,612,883		8,612,883
Changes of Assumptions	-		-
Contributions-Employer		10,711,406	(10,711,406)
Contributions-Member		6,138,640	(6,138,640)
Net Investment Income		(1,731,653)	1,731,653
Benefit Payments, Including Refunds of Member Contributions	(29,127,092)	(29,127,092)	-
Plan Administrative Expenses		(57,934)	57,934
Other Changes		23,903	(23,903)
Net Changes	<u>21,979,425</u>	<u>(14,042,730)</u>	<u>36,022,155</u>
Balances as of December 31, 2015	<u>\$ 536,179,441</u>	<u>\$ 446,677,870</u>	<u>\$ 89,501,571</u>

Net Pension Liability

The County's net pension liability was measured as of December 31, 2015, 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 2015 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	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement.

The actuarial assumptions used in the valuation for the 2015 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. An experience study has not been performed in the last five years.

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

For the 2015 measurement period, the County recognized pension expense of \$10,703,723 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,364,639	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	28,665,199	-
Total	<u>\$ 36,029,838</u>	<u>\$ -</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:

2016	8,414,544
2017	8,414,544
2018	8,414,544
2019	8,414,543
2020	1,248,244
Thereafter	1,123,418

For the 2015 measurement period, the County had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2015.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND

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

- Is classified as a retiree under the requirements of the State of Pennsylvania Act Number 96 of 1971
- Was employed by the County prior to January 1, 1987
- Was in the continuous employment of the County from January 1, 1987 until the date of retirement

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- Received fully paid County health care benefits or an equivalent contribution to a Health Maintenance Organization program for the five years preceding the date of retirement
- Selected options of the Plan other than the "Vesting Option", as defined in the Plan, prior to receiving pension benefits or the "Lump Sum Distribution" option upon retirement

As of December 31, 2015, there were 705 retired participants in the plan and 61 potential participants who are currently active, for a total of 766 plan participants.

Funding Policy: The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently do not contribute towards the plan's costs. The County is required to have calculated the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for 2015 was \$8,859,761 for the health and life insurance plan (\$8,727,586 for the health insurance and \$132,175 for the life insurance) using the implicit rate subsidy.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	\$ 0	\$ 141,698,640	\$ 141,698,640	0%	NA	NA
1/1/2010	0	130,304,475	130,304,475	0%	NA	NA
1/1/2011	0	130,792,914	130,792,914	0%	NA	NA
1/1/2012	0	119,577,949	119,577,949	0%	NA	NA
1/1/2013	0	119,410,284	119,410,284	0%	NA	NA
1/1/2014	0	134,979,289	134,979,289	0%	NA	NA
1/1/2015	0	133,473,990	133,473,990	0%	NA	NA

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Development of net OPEB Obligation

(1) Year	(2) ARC	(3) Interest On Net OPEB Obligation**	(4) ARC Adjustment***	(5) Amortization Factor	(6) OPEB-Cost (2+3-4)	(7) Contribution	(8) Changes in Net OPEB Obligation (6-7)	(9) Net OPEB Obligation Balance* (BB+8)
2009	\$ 9,722,391	\$ 774,436	\$ 1,056,457	16.29	\$ 9,440,370	\$ 5,024,493	\$ 4,415,877	\$ 21,625,566
2010	8,843,831	973,150	1,327,536	16.29	8,489,445	4,741,273	3,748,172	25,373,738
2011	8,843,831	1,141,818	1,557,627	16.29	8,428,022	5,428,243	2,999,779	28,373,517
2012	8,050,091	1,276,808	1,741,775	16.29	7,585,124	6,258,190	1,326,934	29,700,451
2013	8,050,091	1,336,520	1,823,232	16.29	7,563,379	7,069,460	493,919	30,194,370
2014	8,859,761	1,358,747	1,853,552	16.29	8,364,956	8,153,107	211,849	30,406,219
2015	8,859,761	1,368,280	1,866,557	16.29	8,361,484	8,823,760	(462,276)	29,943,944

* BB = Beginning balance for the year.

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

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 9,440,370	53.2%	\$ 21,625,566
12/31/10	8,489,445	55.8%	25,373,738
12/31/11	8,428,022	64.4%	28,373,517
12/31/12	7,585,124	82.5%	29,700,451
12/31/13	7,563,379	93.5%	30,194,370
12/31/14	8,364,956	97.5%	30,406,219
12/31/15	8,361,484	105.5%	29,943,943

	Governmental Activities	Business-type Activities	Total Primary Government
Annual required contribution (ARC)	\$ 8,837,749	\$ 22,012	\$ 8,859,761
Interest on net OPEB Obligation	1,364,881	3,399	1,368,280
Adjustment to ARC	(1,861,919)	(4,638)	(1,866,557)
Annual OPEB Cost (Expense)	8,340,711	20,773	8,361,484
Contributions made	8,801,838	21,922	8,823,760
Decrease to net OPEB obligation	(461,127)	(1,149)	(462,276)
Net OPEB obligation-beginning of year	30,343,351	62,868	30,406,219
Net OPEB obligation-end of year	\$ 29,882,224	\$ 61,719	\$ 29,943,943

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

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The projected unit credit cost method was used for valuation purposes and the level dollar method over a period of 30 years was used for the amortization of the unfunded liability. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 6.0% initially, reduced by decrements to an ultimate rate of 3.8% after 5 years.

NOTE 8 RISK MANAGEMENT

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

General Liability and Property Damage

The County is insured for general liability and property damage losses. The property damage and time element deductible is \$25,000 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.

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Worker's Compensation

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

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

	<u>Change In</u> <u>Incurred Claims</u>			<u>Payments</u>		
	<u>January 1</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>December 31</u>
2014	\$ 2,828,455	\$ 919,343	\$ 289,928	\$ (260,057)	\$ (969,186)	\$ 2,808,483
2015	2,808,483	1,208,008	3,003,416	(210,372)	(727,040)	6,082,495

During 2015, 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. \$1,008,450

Health Choices Fund

Cash restricted for claims payable. 6,100,000

Other Governmental Funds

Cash restricted for temporarily held balances
that are due to other parties. 279,396
Total Restricted Assets \$7,387,846

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NOTE 10 FUND BALANCE / NET POSITION

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

Health Choices Fund

Restricted fund balance

Amounts restricted for the payment of specific grant program expenditures.	<u>\$ 29,389,695</u>
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Cedarbrook Fund

Committed fund balance

Amounts committed for the payment of nursing home expenditures.	<u>\$ 7,527,156</u>
-----------------------------------------------------------------	---------------------

Other Governmental Funds

Restricted fund balance amounts for:

The payment of specific grant and fee program expenditures.	\$ 9,078,866
The payment of capital project expenditures.	5,811,061
The required worker's compensation self-insurance reserve.	6,082,495
Debt service payments.	<u>52,071</u>
	<u>\$ 21,024,493</u>

Committed fund balance amounts for:

The payment of specific program expenditures.	\$ 5,692,056
The payment of capital project expenditures.	4,982,117
General insurance reserve.	350,000
	<u>\$ 11,024,173</u>

Fiduciary Fund

Held in trust for pension benefits

Amounts restricted to Employee Retirement Plan use for future payment of member benefits.	<u>\$ 446,677,870</u>
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NOTE 11 CONSTRUCTION COMMITMENTS

The County has entered into a variety of construction commitments for bridge replacement and repair for the Lehigh Street Bridge and Coplay/Northampton Bridge. These commitments totaled \$3,925,123 and \$8,187,457 at December 31, 2015, respectively. These projects 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, 2015 was \$3,150,000.

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, 2015 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 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 15 SUBSEQUENT EVENTS

The County evaluated subsequent events through June 24, 2016. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2015 were noted.

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COUNTY OF LEHIGH, PENNSYLVANIA
SCHEDULE OF COUNTY CONTRIBUTIONS - PENSION
Last 10 Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 6,325,873	\$ 4,979,055	\$ 3,475,185	\$ 8,046,712	\$ 9,632,648	\$ 10,428,623	\$ 11,076,512	\$ 12,372,805	\$ 10,265,444	\$ 10,711,406
Contributions in relation to the actuarially determined contribution	<u>6,325,873</u>	<u>4,979,055</u>	<u>3,475,185</u>	<u>8,046,712</u>	<u>9,632,648</u>	<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>
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$ 88,721,917	\$ 93,591,263	\$ 98,169,076	\$ 104,774,896	\$ 108,008,635	\$ 109,572,720	\$ 109,197,576	\$ 108,693,112	\$ 108,186,851	\$ 102,995,368
Contributions as a percentage of covered-employee payroll	7.13%	5.32%	3.54%	7.68%	8.92%	9.52%	10.14%	11.38%	9.49%	10.40%

Notes to Schedule

Valuation date:

January 1, 2006	January 1, 2007	January 1, 2008	January 1, 2009	January 1, 2010	January 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
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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	7.5% net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years service
Mortality	2013 RP Annuitant and Non-Annuitant Tables for males and females with no projected improvement

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

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 5,016,171	\$ 4,652,236
Interest	36,353,869	37,841,399
Changes of benefit terms	0	0
Differences between expected and actual experience	6,897,906	8,612,883
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	<u>(27,050,997)</u>	<u>(29,127,092)</u>
Net change in total pension liability	21,216,949	21,979,426
Total pension liability - beginning	<u>492,983,066</u>	<u>514,200,015</u>
Total pension liability - ending (a)	<u><u>\$ 514,200,015</u></u>	<u><u>\$ 536,179,441</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 10,265,444	\$ 10,711,406
Contributions - member	6,294,826	6,138,640
Net investment income	25,991,473	(1,731,653)
Benefit payments, including refunds of member contributions	(27,050,997)	(29,127,092)
Administrative expense	(46,798)	(57,934)
Other	<u>23,158</u>	<u>23,903</u>
Net change in plan fiduciary net position	15,477,106	(14,042,730)
Plan fiduciary net position - beginning	<u>\$ 445,243,494</u>	<u>\$ 460,720,600</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 460,720,600</u></u>	<u><u>\$ 446,677,870</u></u>
County's net pension liability - ending (a) - (b)	<u><u>\$ 53,479,415</u></u>	<u><u>\$ 89,501,571</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.60%	83.31%
Covered-employee payroll	\$ 108,186,851	\$ 102,995,368
County's net pension liability as a percentage of covered-employee payroll	49.43%	86.90%

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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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 106,763,582	\$ 106,763,582	\$ 107,652,531	\$ 888,949
Grants and reimbursements	5,943,936	6,346,242	5,111,179	(1,235,063)
Departmental earnings	12,474,188	12,481,104	13,113,170	632,066
Costs and fines	4,002,602	4,022,602	4,032,870	10,268
Investment income	115,003	115,003	163,241	48,238
Rents	435,758	437,634	419,410	(18,224)
Payments in lieu of taxes	214,450	214,450	173,341	(41,109)
Other revenues	980,668	980,667	402,317	(578,350)
Total revenues	<u>130,930,187</u>	<u>131,361,284</u>	<u>131,068,059</u>	<u>(293,225)</u>
EXPENDITURES				
Current:				
Elected officials	20,337,890	20,567,692	20,165,098	(402,594)
County executive	3,569,044	3,543,460	3,442,267	(101,193)
Administration	19,437,468	22,320,121	22,214,219	(105,902)
Human services	206,003	206,003	205,645	(358)
General services	7,654,035	7,772,226	7,340,073	(432,153)
Corrections	32,318,576	32,034,246	29,354,830	(2,679,416)
Department of law	1,276,783	1,276,783	1,253,607	(23,176)
Courts	27,058,708	27,623,717	25,161,439	(2,462,278)
Development	489,107	1,094,868	1,073,683	(21,185)
Total expenditures	<u>112,347,614</u>	<u>116,439,116</u>	<u>110,210,861</u>	<u>(6,228,255)</u>
Excess of revenues over expenditures	<u>18,582,573</u>	<u>14,922,168</u>	<u>20,857,198</u>	<u>5,935,030</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	7,086,685	7,140,930	3,039,359	(4,101,571)
Indirect cost allocation in	14,347,045	14,347,045	14,343,077	(3,968)
Operating transfers out	(36,923,504)	(39,002,942)	(30,270,891)	8,732,051
Indirect cost allocation out	(6,244,102)	(6,244,102)	(6,244,102)	0
Total other financing sources (uses)	<u>(21,733,876)</u>	<u>(23,759,069)</u>	<u>(19,132,557)</u>	<u>4,626,512</u>
Net change in fund balances	(3,151,303)	(8,836,901)	1,724,641	10,561,542
Fund balance, January 1	25,000,000	30,770,587	33,031,915	2,261,328
Fund balance, December 31	<u>\$ 21,848,697</u>	<u>\$ 21,933,686</u>	<u>\$ 34,756,556</u>	<u>\$ 12,822,870</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - General Fund
For the Year Ended December 31, 2015

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 3,652,391	\$ 36,680,259
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2014	3,012,203	
Accrued as receivables (net of unearned revenues) at December 31, 2015 but not recognized in budget	(5,089,304)	(5,089,304)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2014	(3,016,250)	
Accrued as liabilities at December 31, 2015 but not recognized in budget	3,165,601	3,165,601
Budgetary Basis	<u>\$ 1,724,641</u>	<u>\$ 34,756,556</u>

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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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	\$ 13,061,340	\$ 13,073,096	\$ 6,180,006	\$ (6,893,090)
Departmental earnings	8,234	8,234	13,169	4,935
Costs and fines				
Investment income	10,651	10,651	5,584	(5,067)
Rents				
Payments in lieu of taxes				
Other revenues	2	2		(2)
Total revenues	<u>13,080,227</u>	<u>13,091,983</u>	<u>6,198,759</u>	<u>(6,893,224)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	12,837,521	12,854,129	11,349,640	(1,504,489)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>12,837,521</u>	<u>12,854,129</u>	<u>11,349,640</u>	<u>(1,504,489)</u>
Excess of revenues over (under) expenditures	<u>242,706</u>	<u>237,854</u>	<u>(5,150,881)</u>	<u>(5,388,735)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	613,393	613,393	565,448	(47,945)
Indirect cost allocation in				
Operating transfers out	(418,039)	(418,039)	(337,885)	80,154
Indirect cost allocation out	(438,060)	(438,060)	(438,060)	0
Total other financing sources (uses)	<u>(242,706)</u>	<u>(242,706)</u>	<u>(210,497)</u>	<u>32,209</u>
Net change in fund balances	0	(4,852)	(5,361,378)	(5,356,526)
Fund balance, January 1	0	3,644,852	3,646,151	1,299
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 3,640,000</u>	<u>\$ (1,715,227)</u>	<u>\$ (5,355,227)</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Mental Health Fund
For the Year Ended December 31, 2015

	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, 2014	(1,251,987)	
Accrued as receivables (net of unearned revenues) at December 31, 2015 but not recognized in budget	(5,200,946)	(5,200,946)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2014	(2,394,164)	
Accrued as liabilities at December 31, 2015 but not recognized in budget	3,485,719	3,485,719
Budgetary Basis	<u>\$ (5,361,378)</u>	<u>\$ (1,715,227)</u>

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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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Grants and reimbursements	\$ 71,790,408	\$ 71,790,408	\$ 73,223,953	\$ 1,433,545
Departmental earnings				
Costs and fines				
Investment income	96,002	96,002	92,800	(3,202)
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>71,886,410</u>	<u>71,886,410</u>	<u>73,316,753</u>	<u>1,430,343</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	72,935,193	83,064,798	79,601,702	(3,463,096)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>72,935,193</u>	<u>83,064,798</u>	<u>79,601,702</u>	<u>(3,463,096)</u>
Excess of revenues over (under) expenditures	<u>(1,048,783)</u>	<u>(11,178,388)</u>	<u>(6,284,949)</u>	<u>4,893,439</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Indirect cost allocation in				
Operating transfers out	(1,107,910)	(1,614,559)	(1,291,853)	322,706
Indirect cost allocation out	(154,836)	(154,836)	(154,836)	0
Total other financing sources (uses)	<u>(1,262,746)</u>	<u>(1,769,395)</u>	<u>(1,446,689)</u>	<u>322,706</u>
Net change in fund balances	(2,311,529)	(12,947,783)	(7,731,638)	5,216,145
Fund balance, January 1	27,400,000	37,885,746	37,888,891	3,145
Fund balance, December 31	<u>\$ 25,088,471</u>	<u>\$ 24,937,963</u>	<u>\$ 30,157,253</u>	<u>\$ 5,219,290</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Health Choices Fund
For the Year Ended December 31, 2015

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 1,603,495	\$ 29,389,695
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2014	(8,444,929)	
Accrued as receivables (net of unearned revenues) at December 31, 2015 but not recognized in budget	658,213	658,213
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2014	(1,657,762)	
Accrued as liabilities at December 31, 2015 but not recognized in budget	109,345	109,345
Budgetary Basis	<u>\$ (7,731,638)</u>	<u>\$ 30,157,253</u>

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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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes				
Grants and reimbursements	\$ 22,769,914	\$ 22,780,884	\$ 11,580,767	\$ (11,200,117)
Departmental earnings	2,000	2,000		(2,000)
Costs and fines				
Investment income	501	501	4,749	4,248
Rents				
Payments in lieu of taxes				
Other revenues	2,000	2,000	4,577	2,577
Total revenues	<u>22,774,415</u>	<u>22,785,385</u>	<u>11,590,093</u>	<u>(11,195,292)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	25,178,453	25,200,059	23,799,689	(1,400,370)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>25,178,453</u>	<u>25,200,059</u>	<u>23,799,689</u>	<u>(1,400,370)</u>
Excess of revenues over (under) expenditures	<u>(2,404,038)</u>	<u>(2,414,674)</u>	<u>(12,209,596)</u>	<u>(9,794,922)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,973,778	3,973,778	3,973,778	0
Indirect cost allocation in				
Operating transfers out	(654,236)	(658,968)	(637,351)	21,617
Indirect cost allocation out	(915,504)	(915,504)	(915,504)	0
Total other financing sources (uses)	<u>2,404,038</u>	<u>2,399,306</u>	<u>2,420,923</u>	<u>21,617</u>
Net change in fund balances	0	(15,368)	(9,788,673)	(9,773,305)
Fund balance, January 1	0	5,785,368	5,789,935	4,567
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 5,770,000</u>	<u>\$ (3,998,738)</u>	<u>\$ (9,768,738)</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Children and Youth Fund
For the Year Ended December 31, 2015

	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, 2014	(3,232,157)	
Accrued as receivables (net of unearned revenues) at December 31, 2015 but not recognized in budget	(6,269,739)	(6,269,739)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2014	(2,557,778)	
Accrued as liabilities at December 31, 2015 but not recognized in budget	2,271,001	2,271,001
Budgetary Basis	<u>\$ (9,788,673)</u>	<u>\$ (3,998,738)</u>

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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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes				
Grants and reimbursements	\$ 56,506,268	\$ 55,574,194	\$ 54,248,750	\$ (1,325,444)
Departmental earnings	7,214,463	7,214,463	6,203,388	(1,011,075)
Costs and fines				
Investment income	1,000	1,000	5,120	4,120
Rents				
Payments in lieu of taxes				
Other revenues	5,402	5,402	1,159	(4,243)
Total revenues	<u>63,727,133</u>	<u>62,795,059</u>	<u>60,458,417</u>	<u>(2,336,642)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services				
General services				
Nursing homes	62,593,872	60,018,049	57,154,206	(2,863,843)
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>62,593,872</u>	<u>60,018,049</u>	<u>57,154,206</u>	<u>(2,863,843)</u>
Excess of revenues over (under) expenditures	<u>1,133,261</u>	<u>2,777,010</u>	<u>3,304,211</u>	<u>527,201</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,846,441	2,053,530	1,673,137	(380,393)
Indirect cost allocation in				
Operating transfers out	(1,279,155)	(1,615,493)	(1,076,781)	538,712
Indirect cost allocation out	(4,700,547)	(4,700,547)	(4,700,547)	0
Total other financing sources (uses)	<u>(1,133,261)</u>	<u>(4,262,510)</u>	<u>(4,104,191)</u>	<u>158,319</u>
Net change in fund balances	0	(1,485,500)	(799,980)	685,520
Fund balance, January 1	0	1,712,750	1,712,750	0
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 227,250</u>	<u>\$ 912,770</u>	<u>\$ 685,520</u>

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COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Cedarbrook Fund
For the Year Ended December 31, 2015

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 1,674,403	\$ 7,527,156
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2014	7,112,658	
Accrued as receivables (net of unearned revenues) at December 31, 2015 but not recognized in budget	(9,636,525)	(9,636,525)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2014	(2,972,655)	
Accrued as liabilities at December 31, 2015 but not recognized in budget	3,022,139	3,022,139
Budgetary Basis	\$ (799,980)	\$ 912,770

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