



COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Glenn Eckhart, County Controller G. E.  
**DATE:** April 15, 2015  
**RE:** Audit of County of Lehigh Real Estate Tax Collections

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We have completed an audit of the *Statement of Final Settlement*, Lehigh County Real Estate Tax Duplicate, for the tax year ended December 31, 2014. Our report number 15-5 is attached.

The result of our audit is the amount of 2014 taxes (\$108,397,898) the fiscal officer was responsible for was collected or otherwise accounted for.

Attachment

AUDITS/REAL ESTATE TAX COLLECTIONS

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**REAL ESTATE TAX COLLECTIONS**

*Statement of Final Settlement  
2014 Lehigh County Real Estate Tax Duplicate  
and Controller's Opinion*

REPORT NO. 15-5

COUNTY OF LEHIGH, PENNSYLVANIA  
REAL ESTATE TAX COLLECTIONS

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Timothy Reeves, Fiscal Officer  
Office of Fiscal Affairs  
Lehigh County Government Center  
17 South Seventh Street  
Allentown, PA 18101-2400

We have audited the accompanying Statement of Final Settlement of Lehigh County Real Estate Tax Duplicate, for the tax year ended December 31, 2014 as listed in the Table of Contents. The financial statements are the responsibility of the office of fiscal affairs' management. Our responsibility is to express an opinion on the Statement of Final Settlement based on our audit.

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

As discussed in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statements present only the Lehigh County real estate tax duplicate financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the tax year ended December 31, 2014 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Final Settlement referred to above presents fairly, in all material respects, the financial activity arising from cash transactions of the Lehigh County real estate tax duplicate for the tax year ended December 31, 2014, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2015 on our consideration of the office of fiscal affairs' management's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Glenn Eckhart  
County Controller

April 2, 2015  
Allentown, Pennsylvania

xc: Board of Commissioners  
Daniel K. McCarthy, Director of Administration  
Thomas S. Muller, County Executive

COUNTY OF LEHIGH, PENNSYLVANIA  
TIMOTHY REEVES, FISCAL OFFICER  
REAL ESTATE TAX COLLECTIONS

*Statement of Final Settlement  
Lehigh County Real Estate Tax Duplicate  
For the Tax Year Ended December 31, 2014  
(NOTE 1)*

Original Amount to be Collected (Total Taxable Assessment of \$28,497,691,600 @ 3.79 mills) (NOTE 2)	\$ 107,996,148
Additional Amounts to be Collected (Interim Billings)	689,578
Assessment Letter Changes (Additions, Deletions and Refunds)	<u>(287,828)</u>
<i>Amount for which Fiscal Officer is Responsible .....</i>	<b><u>\$ 108,397,898</u></b>
Amount Collected at Gross (NOTE 3)	105,975,857
Amount of Unpaid Taxes at Gross to be collected by the Tax Claim Bureau (NOTE 4)	<u>2,422,041</u>
<i>Amount Accounted for by Fiscal Officer .....</i>	<b><u>\$ 108,397,898</u></b>

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA  
TIMOTHY REEVES, FISCAL OFFICER  
REAL ESTATE TAX COLLECTIONS

*Notes to Statement of Final Settlement  
For the Tax Year Ended December 31, 2014*

1. Summary of Significant Accounting Policies

**A. Reporting Entity**

The County of Lehigh real estate tax duplicate's financial activity is a part of the County of Lehigh's reporting entity, included in the operating fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

**B. Basis of Accounting**

The accounting records of the County of Lehigh and the Statement of Final Settlement are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

2. Original Amount to be Collected

The original amount to be collected is calculated by taking the taxable property assessment times the current millage rate ( $\$28,497,691,600 \times 3.79 = \$108,006,251$ ). The calculated tax is higher than the tax billed due to some millage rates affected by Act 319 Agreements.

Act 319 "Pennsylvania Farmland and Forest Land Assessment Act" allows land parcels which are 10 acres or more and are devoted to agricultural and forest land use to be assessed at a value for that use rather than Fair Market Value. The intent of the act is to encourage property owners to retain their land in agricultural or forestland use, and to provide some tax relief to land owners.

3. Amount Collected at Gross

The "Gross" amount is the face value or actual tax bill amount. Payments made on or before May 31 receive 2% discounts and payments made after July 31 are assessed a 1% penalty. For 2014, the actual amount of cash collected amounted to \$104,397,093:

Gross Amount	\$105,975,857
Discounts Earned	(1,899,460)
Penalties Assessed	<u>320,696</u>
Cash Collected	\$104,397,093

4. Unpaid Taxes Turned Over to the Tax Claim Bureau

Effective January 5, 2015, the County of Lehigh has contracted with an outside vendor, Northeast Revenue Services LLC, to assist in the collection of delinquent County of Lehigh Real Estate Taxes.



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We have audited the financial statements of Lehigh County Real Estate Tax Duplicate for the tax year ended December 31, 2014 and have issued our report thereon dated April 2, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered the office of fiscal affairs' management internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Final Settlement, but not for the purpose of expressing an opinion on the effectiveness of the office of fiscal affairs internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the office of fiscal affairs internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



As part of obtaining reasonable assurance about whether the office of fiscal affairs' management financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and other affected county offices and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Glenn Eckhart', written in a cursive style.

Glenn Eckhart  
County Controller

April 2, 2015  
Allentown, Pennsylvania