County of Lehigh,
Pennsylvania

December 31, 2017

Financial Statements
and Independent Auditor's Report

rkl LLP
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County of Lehigh

Year Ended December 31, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh, Pennsylvania (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh, Pennsylvania as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 26 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

RKL LLP

June 26, 2018
Lancaster, Pennsylvania

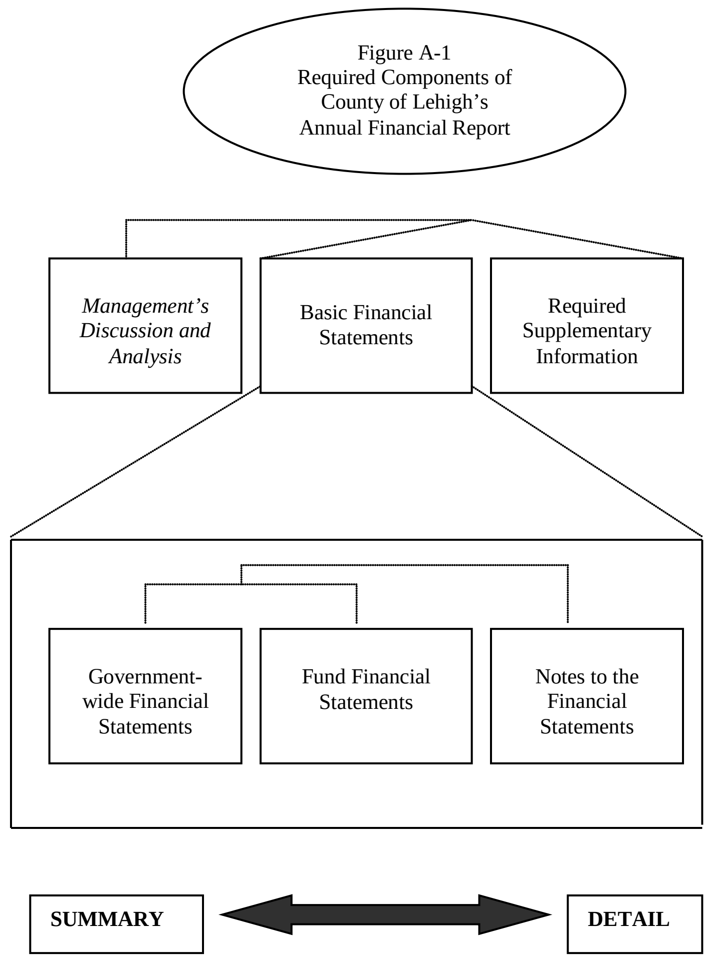
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017. Please read it in conjunction with the County's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

Figure A-2
Major Features of County of Lehigh's Government-wide and Fund Financial Statements

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

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the County's assets, liabilities, deferred outflows of resources, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the County's *net position* and how it has changed. Net position - the difference between the County's assets and liabilities including deferred inflows and outflows – is a way to measure the County's financial health, *or position*. Over time, increases or decreases in the County's net position 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 that covers the costs of the related service 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.

Government-wide Financial Analysis

The County's assets exceeded liabilities and deferred inflows of resources by approximately $138.7 million at the close of the 2017 fiscal year. The following is a condensed summary of net position for the years 2016 and 2017:

County of Lehigh's Net Position

	Total Governmental Activities		Total Business - Type Activities		Total	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Current and other assets	$ 169,737,319	$ 162,542,272	$ 1,020,792	$ 1,117,560	$ 170,758,111	$ 163,659,832
Capital assets	240,937,499	246,827,472	821,545	636,985	241,759,044	247,464,457
Total Assets	410,674,818	409,369,744	1,842,337	1,754,545	412,517,155	411,124,289
Deferred outflows of resources – Pension	28,288,808	0	47,492	0	28,336,300	0
General obligation bonds and notes payable	126,754,123	118,712,452			126,754,123	118,712,452
Other liabilities	185,981,927	147,413,737	267,053	239,958	186,248,980	147,653,695
Total Liabilities	312,736,050	266,126,189	267,053	239,958	313,003,103	266,366,147
Deferred inflows of resources –						
Pension	0	4,675,839	0	2,525	0	4,678,364
Debt refinance	0	1,403,720	0	0	0	1,403,720
	0	6,079,559	0	2,525	0	6,082,084
Net Position:						
Net investment in capital assets	109,696,527	123,697,945	821,545	636,985	110,518,072	124,334,930
Restricted	75,014,766	71,043,920			75,014,766	71,043,920
Unrestricted deficit	(58,483,717)	(57,577,869)	801,231	875,077	(57,682,486)	(56,702,792)
Total Net Position	$ 126,227,576	$ 137,163,996	$ 1,622,776	$ 1,512,062	$ 127,850,352	$ 138,676,058

Current and other assets decreased $7.1 million largely due to the $7.4 million decrease in cash and cash equivalents resulting from capital asset acquisition with existing Bond Fund 2016 proceeds. Net capital assets increased $5.7 million due to the net of $16.7 million in capital asset purchases and $11 million in net current year accumulated depreciation. See Note 5 on page 40 for additional capital asset information.

General obligation bonds and notes payable decreased $8 million. See Note 3 on Page 37 for additional information concerning the County's long-term debt.

Other liabilities decreased $38.6 million due to the net of:

- A decrease in accounts payable of $5.1 million due to a decrease in the Health Choices Fund of $3.7 million resulting from the timing of managed care assessment reimbursement payments, a decrease in the Area Agency on Aging Fund of $2.8 million resulting from the timing of state medical assistance transportation program (MATP) reimbursements, which are pass-through funds to the Lehigh and Northampton Transportation Authority (LANTA), and an increase in in the Infrastructure Fund of $1 million resulting from activity related to the construction of the Coplay/Northampton Bridge project.

- A decrease in unamortized bond premium of $1.5 million resulting from the net of an increase of $.5 million resulting from the issuance of Bond Fund 2017, a decrease of $1.7 million due to the refinancing of General Obligation Bonds, Series of 2007, by General Obligation Note, Series of 2017, which recategorized the liability for related unamortized premium balances to a deferred inflow of resources, and the annual amortization of this balance totaling $.3 million.
- A decrease in net pension liability of $31.2 million resulting from favorable market conditions. See note 6 on page 41 for additional information.
- A decrease in unfunded other postemployment benefits of $.7 million. See note 7 on page 46 for additional information.

Total net investment in capital assets/net position restricted for capital improvements increased $6 million due to the net of an increase in net capital assets of $5.7 million noted above, a decrease in general obligation bonds and notes payable of $8 million noted above, and the decrease in capital asset fund balances of $7.9 million largely due to the spend down of Bond Fund 2016. Unrestricted deficit decreased $1 million largely due to a decrease in unfunded other postemployment benefits noted above.

Changes in Net Position:

The following is a summary of the key elements comprising the changes in net position for the years 2016 and 2017.

County of Lehigh's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program revenue:						
Charges for services	$ 30,853,148	$ 30,830,526	$ 1,155,694	$ 1,011,929	$ 32,008,842	$ 31,842,455
Operating grants and contributions	237,476,159	253,696,914			237,476,159	253,696,914
General revenues:						
Property taxes	105,544,668	106,063,524			105,544,668	106,063,524
Unrestricted investment earnings	525,025	902,813	3,193	6,681	528,218	909,494
Transfers	118,777	140,274	(118,777)	(140,274)		
Total revenues	374,517,777	391,634,051	1,040,110	878,336	375,557,887	392,512,387
Expenses:						
Elected officials	26,182,375	26,705,227			26,182,375	26,705,227
County executive	4,867,752	4,890,047			4,867,752	4,890,047
Administration	15,249,566	19,824,027			15,249,566	19,824,027
Human services	157,025,910	160,340,551	1,005,082	989,050	158,030,992	161,329,601
General services	13,564,492	14,657,361			13,564,492	14,657,361
Nursing homes	74,248,842	76,970,128			74,248,842	76,970,128
Corrections	35,257,286	34,446,305			35,257,286	34,446,305
Department of law	134,200	27,802			134,200	27,802
Courts	35,377,950	34,596,920			35,377,950	34,596,920
Development	2,749,061	2,295,303			2,749,061	2,295,303
Interest on long-term debt	6,169,040	5,943,960			6,169,040	5,943,960
Total expenses	370,826,474	380,697,631	1,005,082	989,050	371,831,556	381,686,681
Changes in Net Position	3,691,303	10,936,420	35,028	(110,714)	3,726,331	10,825,706
Beginning Net Position, as restated	122,536,273	126,227,576	1,587,748	1,622,776	124,124,021	127,850,352
Ending Net Position	$126,227,576	$137,163,996	$ 1,622,776	$ 1,512,062	$127,850,352	$138,676,058

The County's total revenues increased $17 million to $392.5 million due to:

- An increase in operating grants and contributions of $16.2 million due to an increase in the Health Choices Fund of $5.5 million resulting from a change in managed care assessment reimbursements, an increase in the 911 Fund of $6.8 million due to state Act 12 reimbursements for regional communication center consolidation, and an increase in the Cedarbrook Fund of $2.6 million due to an increase in the transfer of funds between the County and the Pennsylvania Department of Human Services, known as an intergovernmental transfer (IGT).
- An increase in property taxes of $.5 million.

The County's expenses totaled $381.7 million. The Human Services and Nursing Homes functions comprise 62.4% of the total expenses. The Corrections and Courts functions comprise 18.1% of the total expenses.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were $116.9 million, which is a $2.6 million decrease from the prior year. The primary reasons for this decrease in fund balances were:

- The General Fund increased $1.6 million as tightened budgetary constraints resulted in favorable budgetary variations.
- The Other Governmental Funds decreased $4.2 largely due to a $6.3 million decrease in Bond Fund 2016 resulting from capital asset acquisition in 2017 and a $2.8 million increase in 911 Fund due to receipt of Act 12 funds for regional communication center consolidation.

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 $.5 million, or .4 percent, largely due to an increase in the Grants and Reimbursements budget from $6.4 million to $6.8 million.

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of $1.7 million, or 1.4 percent, which is largely the result of revisions for purchase order and other committed fund carryovers.

Final Budget vs. Actual

- $.7 million favorable variance in tax revenues.
- $.5 million favorable variance in departmental earnings largely due to activity in services provided through the Sheriff, Judicial Records, and Collections offices.
- $1 million favorable variance in Elected Officials expenditures largely due to favorable budget variations in professional services such as legal services and pay plan study services in the Commissioner's office and death certificate and post mortem expenses in the Coroner's office.
- $1.5 million favorable variance in Corrections expenditures largely due to favorable budgetary variations in personnel costs, operational costs such as fuel and electricity, and juvenile maintenance costs.

- $2.1 million favorable variance in Courts expenditures largely due to favorable budgetary variations in personnel 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 $5.5 million underwrite transfer from the Stabilization Fund to the Operating Fund that did not occur. The remaining variance in operating transfers out of $11.7 million is largely due to anticipated capital asset activity totaling $10.5 million that did not occur as of the close of the year. $5.1 million of that balance was budgeted to be financed by bond proceeds. The remaining $5.4 million is 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. In addition, a budgeted underwrite transfer to the Cedarbrook Fund of $.8 million was not required.

Capital Assets

The following is a schedule of the County's net capital assets as of December 31, 2016 and December 31, 2017:

County of Lehigh's Capital Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Land	$ 12,240,981	$ 12,240,981	$ 236,533	$ 236,533	$ 12,477,514	$ 12,477,514
Buildings and improvements	164,893,388	160,115,275	548,939	374,512	165,442,327	160,489,787
Machinery and equipment	5,080,824	8,244,449	9,664	3,871	5,090,488	8,248,320
Furniture and Fixtures	1,000,373	738,989	26,409	22,069	1,026,782	761,058
Easements	20,429,545	22,809,160			20,429,545	22,809,160
Infrastructure	37,292,388	42,678,618			37,292,388	42,678,618
Total	$ 240,937,499	$ 246,827,472	$ 821,545	$ 636,985	$ 241,759,044	$ 247,464,457

Noteworthy capital asset purchases/projects that took place in 2017 were as follows:

- $6.6 million - Major bridge reconstruction
- $2.4 million - Agriculture land easements
- $3.5 million - Regional communication center consolidation

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

Debt Administration

At year-end the County had $46 million in general obligation bonds and $72.7 million in general obligation notes outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 37.

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

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is $657 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 4.4 percent compared to the state's rate of 4.8 percent and the national rate of 4.1 percent.
- Northeast region 2017 inflation was 1.7 percent.

These indicators were taken into account when adopting the general fund budget for 2018.

Property tax millage for 2018 is the same as 2017 – 3.64 mills.

Request for Information

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 124,241,131	$ 1,116,599	$ 125,357,730
Receivables:			
Grants	22,981,427		22,981,427
Real estate taxes	3,587,263		3,587,263
Other	1,790,629	961	1,791,590
Other	3,018,396		3,018,396
Cash and cash equivalents - restricted	6,923,426		6,923,426
Capital assets, not being depreciated	35,050,141	236,533	35,286,674
Capital assets (net of accumulated depreciation)	211,777,331	400,452	212,177,783
Total assets	409,369,744	1,754,545	411,124,289
LIABILITIES			
Accounts payable	21,229,841	79,455	21,309,296
Deposits and agency amounts payable	6,923,426		6,923,426
Accrued payroll and payroll taxes	4,728,957	8,044	4,737,001
Due to other governmental units	248,932		248,932
Unearned grant revenues	7,858,183		7,858,183
Current portions of long term liabilities:			
General obligation bonds payable	15,000		15,000
Note payable	14,302,496		14,302,496
Unamortized bond premium	343,552		343,552
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	16,810,177		16,810,177
Accrued worker's compensation	4,814,097		4,814,097
General obligation bonds payable	46,020,000		46,020,000
Note payable	58,374,956		58,374,956
Unamortized bond premium	2,669,803		2,669,803
Net pension liability	53,422,519	94,720	53,517,239
Unfunded other postemployment benefits	28,364,250	57,739	28,421,989
Total liabilities	266,126,189	239,958	266,366,147
DEFERRED INFLOWS OF RESOURCES			
Pension	4,675,839	2,525	4,678,364
Debt refinance	1,403,720		1,403,720
Total deferred inflows of resources	6,079,559	2,525	6,082,084
NET POSITION			
Net investment in capital assets	123,697,945	636,985	124,334,930
Restricted for:			
Program expenditures	51,552,786		51,552,786
Debt service	15,068		15,068
Capital improvements	19,476,066		19,476,066
Unrestricted (deficit)	(57,577,869)	875,077	(56,702,792)
Total net position	$ 137,163,996	$ 1,512,062	$ 138,676,058

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Activities
For the Year Ended December 31, 2017

Function	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
Elected officials	$ 23,950,449	$ 2,754,778	$ 6,635,371	$ 2,075,953	$ (17,993,903)		$ (17,993,903)
County executive	3,750,272	1,139,775	8,730		(4,881,317)		(4,881,317)
Administration	36,252,421	(16,428,394)	4,972,288	833,938	(14,017,801)		(14,017,801)
Human services	157,807,862	2,532,689	128,014	154,867,158	(5,345,379)		(5,345,379)
General services	15,910,384	(1,253,023)	176,066	18,808,833	4,327,538		4,327,538
Nursing homes	71,174,668	5,795,460	7,937,982	68,471,115	(561,031)		(561,031)
Corrections	32,678,162	1,768,143	3,967,664	1,074,952	(29,403,689)		(29,403,689)
Department of law	1,323,072	(1,295,270)	171,926		144,124		144,124
Courts	29,823,867	4,773,053	4,361,662	6,329,101	(23,906,157)		(23,906,157)
Development	2,183,020	112,283	2,470,823	1,235,864	1,411,384		1,411,384
Interest on long-term debt	5,943,960				(5,943,960)		(5,943,960)
Total governmental activities	380,798,137	(100,506)	30,830,526	253,696,914	(96,170,191)		(96,170,191)
Business-type activities:							
Enterprise funds	888,544	100,506	1,011,929			22,879	22,879
Total primary government	$ 381,686,681	$ 0	$ 31,842,455	$ 253,696,914	(96,170,191)	22,879	(96,147,312)
General revenues:							
Taxes					106,063,524		106,063,524
Unrestricted investment earnings					902,813	6,681	909,494
Transfers					140,274	(140,274)	0
Total general revenues					107,106,611	(133,593)	106,973,018
Change in net position					10,936,420	(110,714)	10,825,706
Net position, January 1					126,227,576	1,622,776	127,850,352
Net position, December 31					$ 137,163,996	$ 1,512,062	$ 138,676,058

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

COUNTY OF LEHIGH, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2017

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 42,938,661	$ 5,770,941	$ 31,451,732	$ 274,365	$ 846,147	$ 41,084,254	$ 122,366,100
Receivables:							
Grants	652,285	38,384	248,295	2,437,372	11,260,789	8,344,302	22,981,427
Real estate taxes	3,587,263						3,587,263
Other	1,403,872	4,887		3,208	43,654	344,351	1,799,972
Other	18,396					3,000,000	3,018,396
Cash and cash equivalents - restricted	464,650		6,200,000			258,776	6,923,426
Total assets	$ 49,065,127	$ 5,814,212	$ 37,900,027	$ 2,714,945	$ 12,150,590	$ 53,031,683	$ 160,676,584
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,922,237	$ 4,383,857	$ 3,959,439	$ 2,463,725	$ 2,557,679	$ 5,891,566	$ 21,178,503
Deposits and agency amounts payable	464,650		6,200,000			258,776	6,923,426
Payroll and payroll taxes	2,521,259	93,425	14,766	251,220	1,356,169	464,635	4,701,474
Due to other governmental units	248,932						248,932
Unearned grant revenues		1,336,930	1,914,407			4,606,846	7,858,183
Total liabilities	5,157,078	5,814,212	12,088,612	2,714,945	3,913,848	11,221,823	40,910,518
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - real estate taxes	$ 2,882,200						$ 2,882,200
Fund balances:							
Restricted			25,811,415			35,454,834	61,266,249
Committed					8,236,742	6,355,026	14,591,768
Unassigned	41,025,849						41,025,849
Total fund balances	41,025,849	0	25,811,415	0	8,236,742	41,809,860	116,883,866
Total liabilities, deferred inflows of resources, and fund balances	$ 49,065,127	$ 5,814,212	$ 37,900,027	$ 2,714,945	$ 12,150,590	$ 53,031,683	$ 160,676,584

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

COUNTY OF LEHIGH, PENNSYLVANIA
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2017

Total fund balances for governmental funds		$ 116,883,866
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 $133,630,753 accumulated depreciation	160,115,275	
Machinery and equipment, net of $51,934,055 accumulated depreciation	8,244,449	
Furniture and fixtures, net of $7,495,405 accumulated depreciation	738,989	
Easements	22,809,160	
Infrastructure, net of $8,395,721 accumulated depreciation	42,678,618	
Net capital assets		246,827,472
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.		1,786,867
Some of the County's taxes will be collected after year end but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.		2,882,200
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, 2017 are:		
Accrued vacation and other compensation	(16,810,177)	
Accrued worker's compensation	(4,814,097)	
Bonds and notes payable	(118,712,452)	
Unamortized bond premium	(3,013,355)	
Net pension liability (net of related deferred inflows of resources)	(58,098,358)	
Unfunded other postemployment benefits	(28,364,250)	
Deferred inflows of resources – debt refinance	(1,403,720)	(231,216,409)
Total net position of governmental activities		$ 137,163,996

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, 2017

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	$ 106,111,036						$ 106,111,036
Grants and reimbursements	6,000,375	$ 14,372,254	$ 93,434,670	$ 23,435,541	$ 68,471,115	$ 47,982,959	253,696,914
Departmental earnings	13,756,573	9,170			7,584,076	3,479,292	24,829,111
Judicial costs and fines	3,986,017					22,394	4,008,411
Investment income	437,718	25,243	217,780	17,211	18,434	186,427	902,813
Rents	432,189					544,119	976,308
Other	374,268	150		10,062	4,026	94,788	483,294
Total revenues	131,098,176	14,406,817	93,652,450	23,462,814	76,077,651	52,309,979	391,007,887
EXPENDITURES							
Current:							
Elected officials	22,502,784					1,232,913	23,735,697
County executive	3,690,685					24,000	3,714,685
Administration	23,890,497					9,855,754	33,746,251
Human services	229,544	14,213,309	92,970,344	25,678,098		24,688,902	157,780,197
General services	7,867,436					17,175,952	25,043,388
Nursing homes					71,284,947	825,925	72,110,872
Corrections	31,008,079					337,729	31,345,808
Department of law	1,315,995						1,315,995
Courts	24,603,954					4,995,838	29,599,792
Development	437,850					1,680,576	2,118,426
Indirect cost allocation charges	(9,281,613)	471,725	204,004	1,176,631	5,235,452	2,093,295	(100,506)
Debt Service:							
Principal retirement						10,866,723	10,866,723
Interest						2,840,513	2,840,513
Total expenditures	106,265,211	14,685,034	93,174,348	26,854,729	76,520,399	76,618,120	394,117,841
Excess of revenues over (under) expenditures	24,832,965	(278,217)	478,102	(3,391,915)	(442,748)	(24,308,141)	(3,109,954)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	12,271,350	581,162		3,973,778	13,038,860	21,033,388	50,898,538
Operating transfers out	(35,524,730)	(302,945)	(942,185)	(581,863)	(12,102,195)	(1,184,646)	(50,638,564)
Proceeds of general obligation note						80,863,628	80,863,628
Payment to refunded bond escrow agent						(80,567,563)	(80,567,563)
Total other financing sources / (uses)	(23,253,380)	278,217	(942,185)	3,391,915	936,665	20,144,807	556,039
Net change in fund balances	1,579,585	0	(464,083)	0	493,917	(4,163,334)	(2,553,915)
Fund balances, January 1, as restated (see Note 15)	39,446,264	0	26,275,498	0	7,742,825	45,973,194	119,437,781
Fund balances, December 31	$ 41,025,849	$ 0	$ 25,811,415	$ 0	$ 8,236,742	$ 41,809,860	$ 116,883,866

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, 2017

Net change in fund balances – total governmental funds		$ (2,553,915)
The change in position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the retirement of capital assets is to decrease net position. This is the amount by which net capital outlays exceeded depreciation in the current period.		5,889,973
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.		9,430,217
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	162,654	
Accrued vacation and other compensation	(148,207)	
Unearned real estate tax revenue	(47,512)	
Deferred outflows of resources - pension	(32,964,647)	
Net pension liability	31,167,866	
Other postemployment benefits	724,767	
Deferred inflows of resources – debt refinance	(1,403,720)	(2,508,799)
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.		678,944
Change in net position of governmental activities		$ 10,936,420

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,116,599	$ 1,875,031
Other receivables	961	
Total current assets	1,117,560	1,875,031
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	63,887	1,441,539
Less accumulated depreciation	(6,726,309)	(14,299,097)
Total capital assets (net of accumulated depreciation)	636,985	11,506,770
TOTAL ASSETS	1,754,545	13,381,801
LIABILITIES		
Current liabilities:		
Accounts payable	79,455	60,681
Accrued payroll and payroll taxes	8,044	27,483
Current portion of general obligation bonds payable		87,392
Total current liabilities	87,499	175,556
Noncurrent liabilities:		
General obligation bonds payable		683,346
Net pension liablility	94,720	
Unfunded other postemployment benefits	57,739	
TOTAL LIABILITIES	239,958	858,902
DEFERRED INFLOWS OF RESOURCES - PENSION	2,525	
NET POSITION		
Net investment in capital assets	636,985	10,736,032
Unrestricted	875,077	1,786,867
TOTAL NET POSITION	$ 1,512,062	$ 12,522,899

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, 2017

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Tenant rentals - Cedar View	$ 1,011,929	
Government Center revenues		$ 2,277,658
Total operating revenues	1,011,929	2,277,658
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	703,984	
Government Center		1,463,850
Depreciation	184,560	683,434
Indirect cost allocation charges	100,506	
Total operating expenses	989,050	2,147,284
OPERATING INCOME	22,879	130,374
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	6,681	10,720
Interest expense		(25,884)
Total nonoperating revenues (expenses)	6,681	(15,164)
OTHER FINANCING USES		
Transfers out	(140,274)	(119,700)
	(140,274)	(119,700)
Change in net position	(110,714)	(4,490)
Total net position, January 1	1,622,776	12,527,389
Total net position, December 31	$ 1,512,062	$ 12,522,899

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

COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 1,097,796	$ 2,277,658
Payments to suppliers	(427,430)	(318,422)
Payments to employees	(182,409)	(822,501)
Payments of benefits on behalf of employees	(71,223)	(307,247)
Indirect cost allocation charges	(100,506)	
Net cash provided by operating activities	316,228	829,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(140,274)	(119,700)
Net cash used for noncapital financing activities	(140,274)	(119,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt		(84,948)
Interest paid on capital debt		(25,884)
Net cash used by capital and related financing activities	0	(110,832)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	6,681	10,720
Net cash provided by investing activities	6,681	10,720
Net increase / (decrease) in cash and cash equivalents	182,635	609,676
Cash and cash equivalents, January 1	933,964	1,265,355
Cash and cash equivalents, December 31	$ 1,116,599	$ 1,875,031
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 22,879	$ 130,374
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	184,560	683,434
Decrease in other receivables	85,867	
Increase in accounts payable	22,126	17,442
Decrease in payroll and payroll taxes payable	(8)	(1,762)
Decrease in net pension liability	(47,291)	
Decrease in unfunded other postemployment benefits payable	(1,922)	
Increase in deferred inflows of resources - pension	50,017	
Net cash provided by operating activities	$ 316,228	$ 829,488

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Employee Retirement Plan	Agency Funds
ASSETS		
Cash and cash equivalents	$ 14,001,824	$ 13,891,340
Investments, at fair value:		
United States government and municipal obligations	48,174,324	164,145
Corporate and foreign bonds	65,311,790	86,877
Mortgage/asset backed securities	9,305,779	
Common stock	111,114,187	189,564
Mutual funds	221,972,365	93,168
Alternative investments	40,857,400	
Total investments	496,735,845	533,754
Receivables:		
Interest and dividends	1,026,288	
Employee contributions	223,803	
Other	30	49,207
Total receivables	1,250,121	49,207
Total assets	511,987,790	14,474,301
LIABILITIES		
Accounts payable	224,813	
Deposits and agency amounts payable		12,754,413
Due to other governmental units		1,719,888
Withdrawals payable	50,879	
Pension benefits payable	425,962	
Due to broker	247,638	
Total liabilities	949,292	14,474,301
NET POSITION		
Held in trust for pension benefits	$ 511,038,498	$ 0

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

	Employee Retirement Plan
ADDITIONS	
Contributions:	
Employee	$ 6,442,846
Employer	12,078,974
Total contributions	18,521,820
Investment income:	
Interest and dividend income	10,544,875
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	682,391
Corporate and foreign bonds	2,093,581
Mortgage/asset backed securities	73,713
Common stock	19,793,483
Mutual funds	28,877,386
Alternative investments	5,610,139
	57,130,693
Less investment expenses	(1,112,907)
Net investment income	66,562,661
Other additions	9,749
Total additions	85,094,230
DEDUCTIONS	
Employee contributions refunded	909,439
Retirement benefits paid	30,915,068
Death benefits paid	1,947,324
Administrative expense	41,375
Total deductions	33,813,206
Change in net position	51,281,024
Net position, January 1	459,757,474
Net position, December 31	$ 511,038,498

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

COUNTY OF LEHIGH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The County is financially accountable for:

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

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

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

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

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

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

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

1. Component Unit - A legally separate organization for which elected officials of the County are financially accountable. This type of entity may then be reported in one of the two following manners:

   - Discrete presentation - Financial data for the component unit is presented in a column separate from that of the County's financial data. There is no such presentation for the County's financial statements.

   - Blended presentation - Financial data for the component unit is presented in the same manner as that of the County's financial data and is reported as part of the County's financial operations. There is no such presentation for the County's financial statements.

2. Joint Venture - A legal entity or other organization that results from a contractual arrangement is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. There are no such entities included in the County's reporting entity.

3. Related Organization - An organization for which the County is not financially accountable even though the County appoints a voting majority of the organization's governing board.

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

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

In addition, the County supports the Lehigh Valley Planning Commission which is engaged in general, regional, environmental, transportation, housing and other studies. In 2017, the County paid $525,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2017, the County provided $510,055 in subsidies to this Authority. The County Executive appoints, and the County Board of Commissioners approves, one half of the governing board for each organization. These two organizations have been determined to be related organizations.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The County's major Governmental Funds are General Fund, Mental Health Fund, Health Choices Fund, Children and Youth Fund, 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 2017 real estate taxes assessed equaled $107,590,704 based on a total County valuation of $29,557,885,000. Based on the 2017 levy of 3.64 mills, a property owner would pay $3.64 per $1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2017 real estate taxes are as follows:

July 31, 2018	Notices of unpaid delinquent taxes must be mailed by the County, or its agent.
August 30, 2019	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 9, 2019	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 11, 2019	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.

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.

Deferred Inflows of Resources – Debt Refinance

In May 2017 the County issued a fixed rate General Obligation Note in the original amount of $67,280,000. The note was issued to refund the General Obligation Bonds Series 2007 and pay issuance costs. The County incurred a refunding gain of $1,754,650 which represents the difference between the carrying value (including the unamortized premium) and the reacquisition cost of the refunded bonds. The refunding gain has been deferred and is being amortized through November 2022. The unamortized balance of the refunding gain is classified as a deferred inflow of resource for the County's governmental-activities and totals $1,403,720 at December 31, 2017.

Net Position/Fund Balances

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

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* - This category represents net position of the County, not restricted for any project or other purpose.

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

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

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners remove or change the specified use by taking the same type of action that was employed when the funds were initially committed.

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

- Unassigned fund balance – This classification represents amounts that are available for any purpose.

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

Accounting Estimates

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

Recent Accounting Pronouncements

On January 1, 2017, the County adopted the provisions of GASB 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. The disclosures and required supplementary information pursuant to GASB Statement No. 74 are included in Note 7 and the required supplementary information section as listed in the table of contents.

On January 1, 2017, the County adopted the provisions of GASB 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. Adoption of this guidance did not have a material effect on the County's financial statements.

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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and deferred outflows of resources related to certain asset retirement obligations. Statement No. 83 is effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement amends criteria for identifying fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement makes various technical corrections to codified generally accepted accounting principles for governmental entities. Statement No. 85 is effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement provides guidance for debt extinguishments accomplished with the use of existing resources other than proceeds of refunding debt. Statement No. 86 is effective for periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (or outflows of resources) based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lease is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Statement No. 87 is effective for periods beginning after December 15, 2019.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement clarifies which liabilities governments should include in their note disclosures related to debt and requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that disclosures present direct borrowings and direct placements of debt separately from other types of debt. Statement No. 88 is effective for periods beginning after June 15, 2018.

The County is currently evaluating what effect the adoption of GASB Statements No. 75 and 83 through 88 will have on the County's financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

As of December 31, 2017, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

	Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than10
U.S. government treasuries	$ 114,419	$ 15,821	$ 40,526	$ 34,689	$ 23,383
U.S. government agencies	49,726	19,958	29,768		
Corporate bonds	86,877		51,092	35,785	
Total	$ 251,022	$ 35,779	$ 121,386	$ 70,474	$ 23,383

As of December 31, 2017, the County had the following debt investments and maturities within its Employee Retirement Plan Fund:

	Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. government treasuries	20,175,745	472,777	$ 8,128,211	$ 3,665,586	$ 7,909,171
U.S. government agencies	27,186,921		2,455,489	1,750,376	22,981,056
Municipal obligations	811,658				811,658
Corporate bonds	65,311,790	19,104,587	18,669,570	16,657,395	10,880,238
Mortgage/asset backed securities	9,305,779	353,373	3,792,218	334,736	4,825,452
Total	$ 122,791,893	$ 19,930,737	$ 33,045,488	$ 22,408,093	$ 47,407,575

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

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

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

As of December 31, 2017, the County's fixed income retirement investments had a credit rating as follows:

Credit Quality Rating	Percent of Fixed Income Investments
AAA	26%
AA+	3%
AA	24%
AA-	3%
A+	4%
A	10%
A-	16%
BBB+	6%
BBB	7%
BBB-	1%

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, 2017, the County's cash and restricted cash balances for its governmental funds, proprietary funds and agency funds were $146,144,318 and its bank balances were $154,267,873. 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 $28,178 at December 31, 2017.

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

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

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

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

The following tables present the balances of fair value measurement on a recurring basis by level within the hierarchy as of December 31, 2017:

Employee Retirement Plan

	Level 1	Level 2	Level 3	Total
Debt Securities				
Treasury obligations	$ 20,175,745			$ 20,175,745
Agency obligations		$ 27,186,921		27,186,921
Municipal obligations		811,658		811,658
Corporate bonds		65,311,790		65,311,790
Mortgage/asset backed securities		9,305,779		9,305,779
	20,175,745	102,616,148	0	122,791,893
Common and Preferred Stocks				
Energy	4,298,757			4,298,757
Materials	5,007,223			5,007,223
Industrials	13,828,180			13,828,180
Consumer discretionary	17,986,389			17,986,389
Consumer staples	8,125,700			8,125,700
Health care	11,632,245			11,632,245
Financials	8,387,763			8,387,763
Information technology	22,358,223			22,358,223
Telecommunication services	2,749,993			2,749,993
Utilities	2,599,793			2,599,793
Real estate	14,139,921			14,139,921
	111,114,187	0	0	111,114,187

Mutual Funds				
Domestic equities	92,165,904			92,165,904
International equities	64,973,141			64,973,141
Commodities	13,000,672			13,000,672
Absolute return	12,341,611			12,341,611
Preferred equity	12,794,541			12,794,541
Short term fixed income	11,294,691			11,294,691
Unconstrained Fixed Income	15,401,805			15,401,805
	221,972,365	0	0	221,972,365
Total investments measured by fair value level	$ 353,262,297	$ 102,616,148	$ 0	455,878,445
Investments measured at the net asset value (NAV)				
International long/short hedge fund				28,295,043
Risk arbitrage hedge fund				12,562,357
				40,857,400
Total investments measured at fair value				$ 496,735,845

Agency Funds

	Level 1	Level 2	Level 3	Total
Debt Securities				
Treasury obligations	$ 114,419			$ 114,419
Agency obligations		$ 49,726		49,726
Corporate bonds		86,877		86,877
	114,419	136,603	0	251,022
Common and Preferred Stocks				
Energy	8,516			8,516
Materials	6,799			6,799
Industrials	25,463			25,463
Consumer discretionary	19,054			19,054
Consumer staples	21,138			21,138
Health care	30,260			30,260
Financials	27,196			27,196
Information technology	43,263			43,263
Telecommunication services	5,293			5,293
Utilities	2,582			2,582
	189,564	0	0	189,564
Mutual Funds				
International equities	71,549			71,549
Absolute return	21,619			21,619
	93,168	0	0	93,168
Total investments measured at fair value	$ 397,151	$ 136,603	$ 0	$ 533,754

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

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

	Fair Value	Unfunded commitments	Redemption frequency	Redemption notice period
International long/short hedge fund (1)	$ 28,295,043	N/A	Quarterly	60 days
Risk arbitrage hedge fund (2)	12,562,357	N/A	Monthly	30 days
Total investments measured at the NAV	$ 40,857,400			

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

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

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, 2017:

	Balance at January 1, 2017	**Additions**	**Retirements**	**Balance at December 31, 2017**	**Amount due within one year**
Accrued vacation and other compensation	$ 16,661,970		$ 148,207	$ 16,810,177	
Accrued worker's compensation	4,976,751	$ 807,714	(970,368)	4,814,097	
General obligation bonds payable	119,430,000	13,120,000	(86,515,000)	46,035,000	$ 15,000
Note payable	7,324,123	67,280,000	(1,926,671)	72,677,452	14,302,496
Unamortized bond premium/discount	4,486,849	463,628	(1,937,122)	3,013,355	343,552
Other postemployment benefits	29,148,678		(726,689)	28,421,989	
	$ 182,028,371	$ 81,671,342	$ (91,927,643)	$ 171,772,070	$ 14,661,048

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, 2017:

		Amount Due Within One Year
$16,690,000 2016 General Obligation Bonds, serial bonds due in annual installments of $5,000 to $5,995,000 through November 15, 2025, interest rate of 4%	16,690,000	5,000
$16,230,000 2016 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of $5,000 to $900,000 through December 15, 2045, interest rates vary from 2.65% to 4%	16,225,000	5,000
$13,120,000 2017 Guaranteed Authority Bonds, serial bonds due in annual installments of $5,000 to $1,600,000 through December 15, 2037, interest rates vary from 2% to 5%	13,120,000	5,000
Total general obligation bonds payable	46,035,000	15,000
$4,975,756 2009 General Obligation Note, due in quarterly installments of $86,000 to $109,000 through September 1, 2024, interest rate of 3.73%	2,615,000	347,000
$4,768,538 2010 General Obligation Note, due in annual installments of $315,496 to $381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	2,782,452	315,496
$67,280,000 2017 General Obligation Note, due in annual installments of $12,715,000 to $14,035,000 through November 15, 2022, interest rate of 1.68%	67,280,000	13,640,000
Total notes payable	72,677,452	14,302,496
Total general obligation bonds and notes payable	$ 118,712,452	$ 14,317,496

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2017 are as follows:

	Governmental Activities		Internal Service Fund		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	$ 14,230,104	$ 3,000,898	$ 87,392	$ 22,441	$ 14,317,496	$ 3,023,339	$ 17,340,835
2019	14,840,521	2,751,532	89,851	19,922	14,930,372	2,771,454	17,701,826
2020	15,109,976	2,482,508	92,324	17,325	15,202,300	2,499,833	17,702,133
2021	13,756,468	2,207,260	94,812	14,648	13,851,280	2,221,908	16,073,188
2022	14,131,723	1,955,679	97,591	11,893	14,229,314	1,967,572	16,196,886
2023-2027	22,457,922	6,063,303	308,768	18,276	22,766,690	6,081,579	28,848,269
2028-2032	7,015,000	3,556,215			7,015,000	3,556,215	10,571,215
2033-2037	10,005,000	2,210,020			10,005,000	2,210,020	12,215,020
2038-2042	3,785,000	883,253			3,785,000	883,253	4,668,253
2043-2045	2,610,000	190,080			2,610,000	190,080	2,800,080
	$117,941,714	$25,300,748	$770,738	$104,505	$118,712,452	$25,405,253	$144,117,705

On March 29, 2017, the County issued $13,120,000 Guaranteed Authority Bonds, Series of 2017. The proceeds of these bonds financed the current refunding of the County's outstanding Guaranteed Authority General Obligation Bonds, Series of 2007, including the cost of issuance of the 2017 bonds. The refunding resulted in a decrease in total debt service payments of $1,779,492 and an economic gain (difference between the present value of the old and the new debt service payments) of $1,581,725.

On May 9, 2017, the County issued $67,280,000 General Obligation Note, Series of 2017. The proceeds of this note financed the advance refunding of the County's outstanding General Obligation Bonds, Series of 2007, including the cost of issuance of the 2017 note. The refunding resulted in a decrease in total debt service payments of $5,462,572 and an economic gain (difference between the present value of the old and the new debt service payments) of $5,456,483.

NOTE 4 INTERFUND TRANSFERS

Certain interfund transfers are executed as a result of the General Fund's requirement to match a portion of another fund's expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. Interfund transfers to and transfers from each individual fund for the year ended December 31, 2017 are as follows:

	Transfer In:					
	General Fund	Mental Health Fund	Children and Youth Fund	Cedarbrook Fund	Other Governmental Funds	Total
Transfer Out:						
General Fund		$ 423,833	$ 3,973,778	$12,927,749	$ 18,199,370	$ 35,524,730
Mental Health Fund	$ 125,800				177,145	$ 302,945
Health Choices Fund	147,200	157,329			637,656	$ 942,185
Children and Youth Fund	125,800				456,063	$ 581,863
Cedarbrook Fund	10,679,315				1,422,880	$ 12,102,195
Other Governmental Funds	1,073,535			111,111		$ 1,184,646
Enterprise Fund					140,274	$ 140,274
Internal Service Fund	119,700					$ 119,700
	$ 12,271,350	$ 581,162	$ 3,973,778	$13,038,860	$ 21,033,388	

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 12,240,981			$ 12,240,981
Easements	20,429,545	$ 2,379,615		22,809,160
Total capital assets, not being depreciated	32,670,526	2,379,615	-	35,050,141
Capital assets, being depreciated:				
Buildings and improvements	291,473,644	2,272,384		293,746,028
Machinery and equipment	55,066,470	5,347,857	$ (235,823)	60,178,504
Furniture and fixtures	8,130,452	103,942		8,234,394
Infrastructure	44,517,007	6,557,332		51,074,339
Total capital assets, being depreciated	399,187,573	14,281,515	(235,823)	413,233,265
Total capital assets, historical cost	431,858,099	16,661,130	(235,823)	448,283,406
Less accumulated depreciation for:				
Buildings and improvements	(126,580,256)	(7,050,497)		(133,630,753)
Machinery and equipment	(49,985,646)	(2,184,232)	235,823	(51,934,055)
Furniture and fixtures	(7,130,079)	(365,326)		(7,495,405)
Infrastructure	(7,224,619)	(1,171,102)		(8,395,721)
Total accumulated depreciation	(190,920,600)	(10,771,157)	235,823	(201,455,934)
Total capital assets, net of accumulated depreciation	$ 240,937,499	$ 5,889,973	$ 0	$ 246,827,472

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
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	63,887			63,887
Total capital assets, being depreciated	7,126,761	0	-	7,126,761
Total capital assets, historical cost	7,363,294	0	-	7,363,294
Less accumulated depreciation for:				
Buildings and improvements	(6,122,842)	$ (174,427)		(6,297,269)
Machinery and equipment	(381,429)	(5,793)		(387,222)
Furniture and fixtures	(37,478)	(4,340)		(41,818)
Total accumulated depreciation	(6,541,749)	(184,560)	-	(6,726,309)
Total capital assets, net of accumulated depreciation	$ 821,545	$ (184,560)	-	$ 636,985

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

	Depreciation
Governmental activities:	
Elected officials	$ 263,550
Administration	3,034,847
Human services	106,783
General services	3,812,617
Nursing homes	1,398,380
Corrections	2,066,882
Courts	30,961
Development	57,137
Total depreciation expense-governmental activities	$10,771,157
Total depreciation expense - business-type activities - enterprise funds	$ 184,560

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 2017 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,690
Inactive plan members entitled to but not yet receiving benefits	80
Active plan members	1,924
	3,694

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 2017 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 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 (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's net pension liability	$117,031,340	$53,517,239	$2,661,086

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 2017 measurement period, the active member contribution rate was 5.0 percent of annual pay, and the County average contribution rate was 11.25 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, Blackrock Strategic Income Opportunities Fund, CBRE Clarion Securities, LLC, CoreCommodity Management CompleteCommodities Strategy Fund, C. S. McKee, LP, Edgar Lomax Company, Emerald Advisers, Inc., Gabelli Associates Limited II E, Invesco Equally-Weighted S&P 500 Fund, John Hancock Global Absolute Return Strategies Fund, Nuveen Preferred Securities Fund, Sustainable Growth Advisors, LP, Vanguard Developed Markets Index Fund, Vanguard Short Term Investment Grade Admiral Fund, Vanguard SCV Index Fund, Vanguard Institutional Index Fund, and Vittoria Offshore Fund, Ltd.

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy for the 2017 measurement period:

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

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, 2016	$ 544,489,870	$ 459,757,474	$ 84,732,396
Changes for the Year:			
Service Cost	11,111,378		11,111,378
Interest	40,358,181		40,358,181
Changes of Benefit Terms			-
Differences Between Expected and Actual Experience	2,368,139		2,368,139
Changes of Assumptions			-
Contributions-Employer		12,078,974	(12,078,974)
Contributions-Member		6,442,846	(6,442,846)
Net Investment Income		66,562,661	(66,562,661)
Benefit Payments, Including Refunds of Member Contributions	(33,771,831)	(33,771,831)	-
Plan Administrative Expenses		(41,375)	41,375
Other Changes		9,749	(9,749)
Net Changes	20,065,867	51,281,024	(31,215,157)
Balances as of December 31, 2017	$ 564,555,737	$ 511,038,498	$ 53,517,239

Net Pension Liability

The County's net pension liability was measured as of December 31, 2017, 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 2017 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 2017 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 actuarial experience study was performed during 2017; however, no modifications to assumptions were made as a result.

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

For the 2017 measurement period, the County recognized pension expense of $13,878,481 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,520,334	$ -
Net difference between projected and actual earnings on pension plan investments		8,198,698
Total	$ 3,520,334	$ 8,198,698

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:	
2018	$ 2,738,892
2019	2,738,891
2020	(4,427,409)
2021	(5,728,738)

For the 2017 measurement period, the County had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2017.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND

Plan Description

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

- Is classified as a retiree under the requirements of the State of Pennsylvania Act Number 96 of 1971
- Was employed by the County prior to January 1, 1987
- Was in the continuous employment of the County from January 1, 1987 until the date of retirement
- Received fully paid County health care benefits or an equivalent contribution to a Health Maintenance Organization program for the five years preceding the date of retirement
- Selected options of the Plan other than the "Vesting Option", as defined in the Plan, prior to receiving pension benefits or the "Lump Sum Distribution" option upon retirement

Plan Membership: At December 31, 2017, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	692
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	35
	727

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

Contributions: The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently do not contribute towards the plan's costs. 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 2017 was $9,318,998 for the health and life insurance plan ($9,186,077 for the health insurance and $132,921 for the life insurance) using the implicit rate subsidy. For the year ended December 31, 2017, the County's average contribution rate was 8.91% of covered-employee payroll.

Net OPEB Liability and Assumptions – GASB 74

The components of the net OPEB liability were as follows:

Total OPEB liability	$	158,433,640
Plan fiduciary net position		0
County's net OPEB liability	$	158,433,640
Plan fiduciary net position as a percentage of the total OPEB liability		0%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2016 and rolled forward to the 2017 measurement period using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	
Municipal bond rate	3.44%
Healthcare cost trend rates	5.9% for January 1, 2016 valuation, decreasing to an ultimate rate of 3.9% by 2075

Discount rate: The discount rate used to measure the total OPEB liability was 3.44%. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index rate which is the plan's default long-term expected rate of return as the plan has no fiduciary net position available to make projected future benefit payments of plan members.

Mortality rates were based on the RP-2000 Group Annuity Mortality Table with adjustments for mortality improvements. Actuarial assumptions used in the January 1, 2016 valuation were based on the results of an experience study performed for the Pennsylvania State Employees' Retirement System plan for the period July 1, 2010 to June 30, 2015. The PSERS experience study is used to approximate the County's demographics as the County's plan is not large enough to generate an actuarially valid study.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, calculated using the discount rate of 3.44 percent, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44 percent) or 1-percentage-point higher (4.44 percent) than the current rate:

	1% Decrease (2.44%)	Current Discount Rate (3.44%)	1% Increase (4.44%)
County's net OPEB liability	$179,628,026	$158,433,640	$140,012,307

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rate of 5.9 percent, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9 percent) or 1-percentage-point higher (5.9 percent) than the current rate:

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
County's net OPEB liability	$138,212,937	$158,433,640	$181,514,799

Net OPEB Obligation, Funding Progress, and Assumptions – GASB 45

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
1/1/2012	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
1/1/2016	0	145,634,662	145,634,662	0%	NA	NA
1/1/2017	0	142,564,661	142,564,661	0%	NA	NA

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)
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
2016	9,318,998	1,347,477	1,838,179	16.29	8,828,296	9,623,561	(795,265)	29,148,678
2017	9,318,998	1,311,691	1,789,360	16.29	8,841,329	9,568,018	(726,689)	28,421,989

* 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
12/31/12	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
12/31/16	8,828,296	109%	29,148,678
12/31/17	8,841,329	108.2%	28,421,989

	Governmental Activities	**Business-type Activities**	**Total Primary Government**
Annual required contribution (ARC)	$ 9,294,350	$ 24,648	$ 9,318,998
Interest on net OPEB Obligation	1,308,222	3,469	1,311,691
Adjustment to ARC	(1,784,627)	(4,733)	(1,789,360)
Annual OPEB Cost (Expense)	8,817,945	23,384	8,841,329
Contributions made	9,542,712	25,306	9,568,018
Decrease to net OPEB obligation	(724,767)	(1,922)	(726,689)
Net OPEB obligation-beginning of year	29,089,017	59,661	29,148,678
Net OPEB obligation-end of year	$ 28,364,250	$ 57,739	$ 28,421,989

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 5.9% initially, reduced by decrements to an ultimate rate of 3.9%.

NOTE 8 RISK MANAGEMENT

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

General Liability and Property Damage

The County is insured for general liability and property damage losses. The property damage and time element deductible is $25,000 for each occurrence during the policy term. General liability losses are covered in excess of $100,000 applicable to each occurrence.

Healthcare

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

Worker's Compensation

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

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

		Change In Incurred Claims		Payments		
	January 1	Current	Prior	Current	Prior	December 31
2016	$ 6,082,495	$ 869,109	$ (1,066,514)	$ (174,726)	$ (733,613)	$ 4,976,751
2017	4,976,751	755,682	52,032	(151,842)	(818,526)	4,814,097

During 2017, 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.	$ 464,650
Health Choices Fund	
Cash restricted for claims payable.	6,200,000
Other Governmental Funds	
Cash restricted for temporarily held balances that are due to other parties.	258,776
Total Restricted Assets	$6,923,426

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.	$ 25,811,415
Cedarbrook Fund	
Committed fund balance	
Amounts committed for the payment of nursing home expenditures.	$ 8,236,742
Other Governmental Funds	
Restricted fund balance amounts for:	
The payment of specific grant and fee program expenditures.	$ 10,958,194
The payment of capital project expenditures.	19,476,066
The required worker's compensation self-insurance reserve.	5,005,506
Debt service payments.	15,068
	$ 35,454,834

Committed fund balance amounts for:	
The payment of specific program expenditures.	$ 6,005,026
General insurance reserve.	350,000
	$ 6,355,026

Fiduciary Fund

Held in trust for pension benefits

Amounts restricted to Employee Retirement Plan use for future payment of member benefits. $ 511,038,498

NOTE 11 CONSTRUCTION COMMITMENTS

The County has entered into a variety of construction commitments for bridge replacement and repair for the Coplay/Northampton Bridge. These commitments totaled $25,385,174 at December 31, 2017 and are significantly funded by federal and state grants.

NOTE 12 OPERATING LEASE

The County has entered into a lease agreement with the Allentown Parking Authority to lease up to 326 parking spaces in a parking deck for a period of 50 years. In an effort to better serve the parking needs of the citizens of Lehigh County as well as business and government owned enterprises located near the site, the County has contributed $3,750,000 towards the construction costs of the parking deck. In return, the County received 162 parking spaces. The County will rent at market rate the balance of the parking spaces as needed up to 326 spaces. The $3,750,000 is treated as an asset that will be amortized over the length of the lease. The unamortized balance at December 31, 2017 was $3,000,000.

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, 2017 was $25,000,000 and is included in unassigned fund balance in the Governmental Funds Balance Sheet and unrestricted net position in the Statement of Net Position.

NOTE 14 TAX ABATEMENTS

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

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

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

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

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

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

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

Information relevant to these programs for the year ended December 31, 2017 is:

Tax Abatement Program	Amount of Taxes Abated during the Year
KOZ	$ 94,547
TIF	177,950
Clean and Green	2,324,568
Act 515	745,939
Act 4	7,592

NOTE 15 RECLASSIFICATION OF FUND BALANCE

In 2017, the Bond Fund 2016 Fund was reclassified from a major fund to a non- major fund. As a result, the Other Governmental Funds have been reclassified in the Statement of Revenues, Expenditures, and Changes in Fund Balances as follows:

	Bond Fund 2016	Other Governmental Funds
Beginning fund balance as of January 1, 2017, as previously reported	$ 17,900,940	$ 28,072,254
Reclassification to other governmental fund	(17,900,940)	17,900,940
Beginning fund balance, as reclassified	$ 0	$ 45,973,194

NOTE 16 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 17 SUBSEQUENT EVENTS

The County evaluated subsequent events through June 26, 2018. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 were noted.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	$ 3,475,185	$ 8,046,712	$ 9,632,648	$ 10,428,623	$ 11,076,512	$ 12,372,805	$ 10,265,444	$ 10,711,406	$ 11,156,406	$ 12,078,974
Contributions in relation to the actuarially determined contribution	3,475,185	8,046,712	9,632,648	10,428,623	11,076,512	12,372,805	10,265,444	10,711,406	11,156,406	12,078,974
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered-employee payroll	$ 98,169,076	$ 104,774,896	$ 108,008,635	$ 109,572,720	$ 109,197,576	$ 108,693,112	$ 108,186,851	$ 102,995,368	$ 103,664,965	$ 107,362,273
Contributions as a percentage of covered-employee payroll	3.54%	7.68%	8.92%	9.52%	10.14%	11.38%	9.49%	10.40%	10.76%	11.25%

Notes to Schedule

Valuation date:	January 1, 2008	January 1, 2009	January 1, 2010	January 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015	January 1, 2016	January 1, 2017

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	23 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

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

	2014	2015	2016	2017
Total pension liability				
Service cost	$ 11,310,997	$ 10,790,875	$ 10,874,331	$ 11,111,378
Interest	35,900,234	37,573,900	38,883,632	40,358,181
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	385,509	3,615,214	(629,408)	2,368,139
Changes of assumptions	0	0	0	0
Benefit payments, including refunds of member contributions	(27,050,997)	(29,127,092)	(31,495,895)	(33,771,831)
Other				
Net change in total pension liability	20,545,743	22,852,897	17,632,660	20,065,867
Total pension liability - beginning	483,458,570	504,004,313	526,857,210	544,489,870
Total pension liability - ending (a)	$ 504,004,313	$ 526,857,210	$ 544,489,870	$ 564,555,737
Plan fiduciary net position				
Contributions - employer	$ 10,265,444	$ 10,711,406	$ 11,156,406	$ 12,078,974
Contributions - member	6,294,826	6,138,640	6,267,603	6,442,846
Net investment income	25,991,473	(1,731,653)	27,008,272	66,562,661
Benefit payments, including refunds of member contributions	(27,050,997)	(29,127,092)	(31,495,895)	(33,771,831)
Administrative expense	(46,798)	(57,934)	(36,875)	(41,375)
Other	23,158	23,903	180,093	9,749
Net change in plan fiduciary net position	15,477,106	(14,042,730)	13,079,604	51,281,024
Plan fiduciary net position - beginning	$ 445,243,494	$ 460,720,600	$ 446,677,870	$ 459,757,474
Plan fiduciary net position - ending (b)	$ 460,720,600	$ 446,677,870	$ 459,757,474	$ 511,038,498
County's net pension liability - ending (a) - (b)	$ 43,283,713	$ 80,179,340	$ 84,732,396	$ 53,517,239
Plan fiduciary net position as a percentage of the total pension liability	91.41%	84.78%	84.44%	90.52%
Covered-employee payroll	$ 108,186,851	$ 102,995,368	$ 103,664,965	$ 107,362,273
County's net pension liability as a percentage of covered-employee payroll	40.01%	77.85%	81.74%	49.85%

Data prior to 2014 is not available.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	$ 9,722,391	$ 9,722,391	$ 8,843,831	$ 8,843,831	$ 8,050,091	$ 8,050,091	$ 8,859,761	$ 8,859,761	$ 9,318,998	$ 9,318,998
Contributions in relation to the actuarially determined contribution	4,995,290	5,024,493	4,741,273	5,428,243	6,258,190	7,069,460	8,153,107	8,823,760	9,623,561	9,568,018
Contribution deficiency (excess)	$ 4,727,101	$ 4,697,898	$ 4,102,558	$ 3,415,588	$ 1,791,901	$ 980,631	$ 706,654	$ 36,001	$ (304,563)	$ (249,020)
Covered-employee payroll	$ 98,169,076	$ 104,774,896	$ 108,008,635	$ 109,572,720	$ 109,197,576	$ 108,693,112	$ 108,186,851	$ 102,995,368	$ 103,664,965	$ 107,362,273
Contributions as a percentage of covered-employee payroll	5.09%	4.80%	4.39%	4.95%	5.73%	6.50%	7.54%	8.57%	9.28%	8.91%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	3%
Salary increases	4.0% average, including inflation
Investment rate of return	4.5% net of OPEB plan investment expense, including inflation

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

	2017
Total OPEB liability	
Service cost	$ 88,566
Interest	5,686,611
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	7,003,028
Benefit payments, including refunds of member contributions	(9,568,018)
Net change in total OPEB liability	3,210,187
Total OPEB liability - beginning	155,223,453
Total OPEB liability - ending (a)	$ 158,433,640
Net change in plan fiduciary net position	
Plan fiduciary net position - beginning	$ 0
Plan fiduciary net position - ending (b)	$ 0
County's net OPEB liability - ending (a) - (b)	$ 158,433,640
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	$ 107,362,273
County's net OPEB liability as a percentage of covered-employee payroll	147.57%

Data prior to 2017 is not available.

Changes of assumptions. The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. This amount represents the recognition of the change in the discount rate from 3.78% in the prior measurement date (12/31/16) to 3.44% in the current measurement date (12/31/17). This rate will be reset each measurement period.

COUNTY OF LEHIGH, PENNSYLVANIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 105,492,887	$ 105,492,887	$ 106,201,662	$ 708,775
Grants and reimbursements	6,362,803	6,807,053	6,623,665	(183,388)
Departmental earnings	13,452,640	13,452,639	13,930,883	478,244
Costs and fines	4,008,902	4,008,902	4,014,378	5,476
Investment income	140,001	140,001	437,855	297,854
Rents	489,821	495,143	433,087	(62,056)
Payments in lieu of taxes	189,000	189,000	172,006	(16,994)
Other revenues	100,469	200,262	184,213	(16,049)
Total revenues	130,236,523	130,785,887	131,997,749	1,211,862
EXPENDITURES				
Current:				
Elected officials	22,293,872	23,604,272	22,572,411	(1,031,861)
County executive	3,655,748	3,756,450	3,710,432	(46,018)
Administration	24,640,414	23,926,322	23,829,300	(97,022)
Human services	215,035	221,726	229,372	7,646
General services	7,990,190	8,270,628	7,842,360	(428,268)
Corrections	32,299,256	32,455,818	30,954,917	(1,500,901)
Department of law	1,266,273	1,295,308	1,320,042	24,734
Courts	26,380,211	26,813,825	24,702,759	(2,111,066)
Development	484,879	588,302	420,867	(167,435)
Total expenditures	119,225,878	120,932,651	115,582,460	(5,350,191)
Excess of revenues over expenditures	11,010,645	9,853,236	16,415,289	6,562,053
OTHER FINANCING SOURCES (USES)				
Operating transfers in	7,064,665	17,947,680	12,310,671	(5,637,009)
Indirect cost allocation in	15,366,775	15,797,412	15,796,257	(1,155)
Proceeds of general obligation bonds	5,065,308	5,065,308	0	(5,065,308)
Operating transfers out	(42,819,321)	(52,771,808)	(35,564,051)	17,207,757
Indirect cost allocation out	(6,514,644)	(6,514,644)	(6,514,644)	0
Total other financing sources (uses)	(21,837,217)	(20,476,052)	(13,971,767)	6,504,285
Net change in fund balances	(10,826,572)	(10,622,816)	2,443,522	13,066,338
Fund balance, January 1	30,240,000	34,829,494	39,775,211	4,945,717
Fund balance, December 31	$ 19,413,428	$ 24,206,678	$ 42,218,733	$ 18,012,055

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - General Fund
For the Year Ended December 31, 2017

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	$ 1,579,585	$ 41,025,849
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2016	3,652,416	
Accrued as receivables (net of unearned revenues) at December 31, 2017 but not recognized in budget	(2,752,146)	(2,752,146)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2016	(3,981,363)	
Accrued as liabilities at December 31, 2017 but not recognized in budget	3,945,030	3,945,030
Budgetary Basis	$ 2,443,522	$ 42,218,733

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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	$ 13,764,748	$ 13,793,302	$ 14,523,395	$ 730,093
Departmental earnings	8,234	8,234	5,238	(2,996)
Costs and fines				
Investment income	10,651	10,651	25,243	14,592
Rents				
Payments in lieu of taxes				
Other revenues	2	2	150	148
Total revenues	13,783,635	13,812,189	14,554,026	741,837
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	13,597,432	14,582,887	14,327,873	(255,014)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	13,597,432	14,582,887	14,327,873	(255,014)
Excess of revenues over (under) expenditures	186,203	(770,698)	226,153	996,851
OTHER FINANCING SOURCES (USES)				
Operating transfers in	611,261	611,261	581,162	(30,099)
Operating transfers out	(325,739)	(325,739)	(302,945)	22,794
Indirect cost allocation out	(471,725)	(471,725)	(471,725)	0
Total other financing sources (uses)	(186,203)	(186,203)	(193,508)	(7,305)
Net change in fund balances	0	(956,901)	32,645	989,546
Fund balance, January 1	0	956,901	5,738,296	4,781,395
Fund balance, December 31	$ 0	$ 0	$ 5,770,941	$ 5,770,941

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Mental Health Fund
For the Year Ended December 31, 2017

	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, 2016	(1,146,450)	
Accrued as receivables (net of unearned revenues) at December 31, 2017 but not recognized in budget	1,293,659	1,293,659
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2016	(4,591,846)	
Accrued as liabilities at December 31, 2017 but not recognized in budget	4,477,282	4,477,282
Budgetary Basis	$ 32,645	$ 5,770,941

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	$ 94,834,011	$ 94,834,011	$ 95,726,949	$ 892,938
Departmental earnings				
Costs and fines				
Investment income	137,002	137,002	217,780	80,778
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	94,971,013	94,971,013	95,944,729	973,716
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	97,456,907	103,499,591	97,289,205	(6,210,386)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	97,456,907	103,499,591	97,289,205	(6,210,386)
Excess of revenues over (under) expenditures	(2,485,894)	(8,528,578)	(1,344,476)	7,184,102
OTHER FINANCING SOURCES (USES)				
Operating transfers in		6,938		(6,938)
Operating transfers out	(990,100)	(990,100)	(942,185)	47,915
Indirect cost allocation out	(204,004)	(204,004)	(204,004)	0
Total other financing sources (uses)	(1,194,104)	(1,187,166)	(1,146,189)	40,977
Net change in fund balances	(3,679,998)	(9,715,744)	(2,490,665)	7,225,079
Fund balance, January 1	36,000,000	36,426,852	33,942,397	(2,484,455)
Fund balance, December 31	$ 32,320,002	$ 26,711,108	$ 31,451,732	$ 4,740,624

COUNTY OF LEHIGH, PENNSYLVANIA

Adjustments to Reconcile GAAP Basis to Budgetary Basis - Health Choices Fund

For the Year Ended December 31, 2017

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	$ (464,083)	$ 25,811,415
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2016	(230,279)	
Accrued as receivables (net of unearned revenues) at December 31, 2017 but not recognized in budget	1,666,112	1,666,112
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2016	(7,436,620)	
Accrued as liabilities at December 31, 2017 but not recognized in budget	3,974,205	3,974,205
Budgetary Basis	$ (2,490,665)	$ 31,451,732

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	$ 22,854,819	$ 22,854,819	$ 22,138,393	$ (716,426)
Departmental earnings	2,000	2,000		(2,000)
Costs and fines				
Investment income	501	501	17,211	16,710
Rents				
Payments in lieu of taxes				
Other revenues	2,000	2,000	9,685	7,685
Total revenues	22,859,320	22,859,320	22,165,289	(694,031)
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	25,042,659	26,337,574	25,757,428	(580,146)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	25,042,659	26,337,574	25,757,428	(580,146)
Excess of revenues over (under) expenditures	(2,183,339)	(3,478,254)	(3,592,139)	(113,885)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,973,778	3,973,778	3,973,778	0
Operating transfers out	(613,808)	(613,808)	(581,863)	31,945
Indirect cost allocation out	(1,176,631)	(1,176,631)	(1,176,631)	0
Total other financing sources (uses)	2,183,339	2,183,339	2,215,284	31,945
Net change in fund balances	0	(1,294,915)	(1,376,855)	(81,940)
Fund balance, January 1	0	1,294,915	1,651,220	356,305
Fund balance, December 31	$ 0	$ 0	$ 274,365	$ 274,365

COUNTY OF LEHIGH, PENNSYLVANIA

Adjustments to Reconcile GAAP Basis to Budgetary Basis - Children and Youth Fund

For the Year Ended December 31, 2017

	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, 2016	1,143,055	
Accrued as receivables (net of unearned revenues) at December 31, 2017 but not recognized in budget	(2,440,580)	(2,440,580)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2016	(2,794,275)	
Accrued as liabilities at December 31, 2017 but not recognized in budget	2,714,945	2,714,945
Budgetary Basis	$ (1,376,855)	$ 274,365

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	$ 58,913,723	$ 68,976,556	$ 66,881,101	$ (2,095,455)
Departmental earnings	6,968,129	6,968,129	7,652,704	684,575
Costs and fines				
Investment income	1,000	1,000	18,407	17,407
Rents				
Payments in lieu of taxes				
Other revenues	5,402	5,402	4,095	(1,307)
Total revenues	65,888,254	75,951,087	74,556,307	(1,394,780)
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services				
General services				
Nursing homes	62,531,592	73,753,037	71,184,204	(2,568,833)
Corrections				
Department of law				
Courts				
Development				
Total expenditures	62,531,592	73,753,037	71,184,204	(2,568,833)
Excess of revenues over (under) expenditures	3,356,662	2,198,050	3,372,103	1,174,053
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,284,445	13,893,760	13,038,860	(854,900)
Operating transfers out	(1,405,655)	(12,394,264)	(12,102,195)	292,069
Indirect cost allocation out	(5,235,452)	(5,235,452)	(5,235,452)	0
Total other financing sources (uses)	(3,356,662)	(3,735,956)	(4,298,787)	(562,831)
Net change in fund balances	0	(1,537,906)	(926,684)	611,222
Fund balance, January 1	0	1,775,972	1,775,972	0
Fund balance, December 31	$ 0	$ 238,066	$ 849,288	$ 611,222

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Cedarbrook Fund
For the Year Ended December 31, 2017

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	$ 493,917	$ 8,236,742
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2016	9,779,689	
Accrued as receivables (net of unearned revenues) at December 31, 2017 but not recognized in budget	(11,301,033)	(11,301,033)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2016	(3,812,836)	
Accrued as liabilities at December 31, 2017 but not recognized in budget	3,913,579	3,913,579
Budgetary Basis	$ (926,684)	$ 849,288